

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 2575-B

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Rosenbaum
Carrier – Senate: Sen. Monroe**

Action: Do Pass the A-Engrossed Measure as Amended and Be Printed B-Engrossed

Vote: 12 – 7 – 3

House – Yeas: D. Edwards, Galizio, Nathanson, Nolan, Shields

– Nays: Garrard, Hanna, Jenson, Morgan

– Exc:

Senate – Yeas: Bates, Brown, Courtney, Devlin, Schrader, Verger, Westlund

– Nays: Johnson, Morse, Whitsett

– Exc: Gordly, Nelson, Winters

Prepared By: Erica Kleiner, Department of Administrative Services

Reviewed By: John Borden, Legislative Fiscal Office

Meeting Date: 6/24/07

Agency

Bureau of Labor and Industries

Department of Revenue

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

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Biennium

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Senator Kurt Schrader, Co-Chair

Representative Mary Nolan, Co-Chair

Senator Betsy Johnson, Transportation and Economic Development
Subcommittee Chair

Budget Summary*

	2005-07		2007-09		Percentage Committee Change from Governor's Budget
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	
<u>Bureau of Labor and Industries</u>	\$	\$	\$	\$	
Other Funds	0	0	2,604,298	+2,604,298	+100.0%

Position Summary

Authorized Positions	0	0	10	+10	0
Full-time Equivalent (FTE) Positions	0.00	0.00	7.88	+7.88	0

Dept. of Revenue

Other Funds	0	0	345,292	+345,292	+100.0%
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Position Summary

Authorized Positions	0	0	0	0	0
Full-time Equivalent (FTE) Positions	0.00	0.00	0.00	0.00	0

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

Summary of Revenue Changes

House Bill 2575 establishes a Family Leave Benefits Insurance Account comprised of premiums withheld from employees' earnings. The Bureau of Labor and Industries estimates premium revenues of \$8,981,467 Other Funds for the 2007-09 biennium and \$35,925,868 for 24-months of the 2009-11 biennium. This is based on the measure applying to 8,697 qualified employers representing 1,237,517 employees.

Summary of Subcommittee Action

The Subcommittee recommended approval of House Bill 2575 as amended. This measure creates the Family Leave Benefits Insurance program to provide benefits to employee's taking family leave. This measure would establish a Family Leave Benefits Insurance Account that would require employer's to withhold one cent per hour from employee's pay and transfer those premiums to the account. Withholdings are to begin January 1, 2009. The account would be continuously appropriated to the Bureau of Labor and Industries (BOLI). BOLI would administer the account; establish procedures, forms, and payment of the benefits. The withholding requirement would only apply to qualified employers having 25 or more employees. Other employers and those that are self-employed would be eligible to participate and receive benefits in 2010. This measure allows employees to start filing claims beginning July 1, 2009 and stipulates that the benefit is for a minimum of a week. A person with

accrued sick or vacation pay from their employer is excluded from receiving the Family Leave Benefit. Eligible employees would receive \$250 per week up to a maximum of six weeks. Violation of these conditions would be an unlawful employment practice. The measure includes other civil penalty provisions against employers for failure to withhold the premiums. Civil penalty revenue would, after expenses, be deposited into the Family Leave Benefits Account. The measure addresses disqualification of an employee from being eligible for benefits if the employee commits fraud to obtain the benefits or has a willfully self-inflicted or has a "serious health condition" resulting from a felony. It also sets out the procedure and authority for BOLI to get overpayments repaid and provides for penalties and interest. All such amounts collected, including penalties and interest, would go back into the Family Leave Insurance Account. This bill affects BOLI, the Department of Revenue, the Employment Department, and the Department of Administrative Service's 2007-09 biennium budgets. A summary of the facts of the bill follows:

The measure adds \$2,604,298 Other Funds expenditure limitation to the budget for the Bureau's Family Leave Benefits Insurance Account, a new program within the Bureau. This limitation provides only for initial program start-up costs for BOLI, estimated to be \$1,702,816 (10 positions; 7.88 full-time equivalents), as well as startup costs for the Department of Revenue and the Employment Department, which will receive funding for their expenditures through a transfer from the BOLI Family Leave Benefits Insurance Account.

Premium withholdings are to begin January 1, 2009 and will not be received until three-months later or after the first quarterly payroll tax. Therefore, in order to provide the Family Leave Benefits Insurance Account with sufficient revenue to pay agencies start-up costs, the Bureau will need to seek a temporary line-of-credit of \$2.6 million for the 2007-09 biennium from the State Treasurer. Premium revenues, once received, will be used to repay the line-of-credit and any interest charges. This repayment is to occur during the 2007-09 biennium.

The measure also provides \$345,292 Other Funds expenditure limitation for the Department of Revenue.

The Employment Department, which has estimated approximately \$556,190 in Other Funds expenditure limitation related to this measure, has stated that it does not require expenditure limitation due to the availability of existing limitation within the Department's adopted budget. The Department will, however, still require a transfer of funds from the Bureau's Family Leave Benefits Insurance Account to fund expenditure activities.

The Department of Administrative Services has estimated a minimal fiscal impact and will not require either Other Funds expenditure limitation or a funds transfer from the Bureaus' Family Leave Benefits Insurance Account.

The measure allows employees to start filing claims beginning July 1, 2009. Agencies will need to seek expenditure limitation for on going operating costs during the 2009 Legislative Session. The benefit claims for that biennium are estimated by the Bureau to be \$33.6 million.

The Subcommittee requested that all Other Funds expenditure limitation associated with this measure be unscheduled by the Department of Administrative Services pending review of projected measure costs by the Legislative Fiscal Office and the Department of Administrative Services, Budget and Management Division.

The Subcommittee approved the following budget note:

Budget Note:

The Bureau of Labor and Industries and the Department of Administrative Services are instructed to report jointly to the Joint Committee on Ways and Means or the Emergency Board at least twice during the interim on the implementation of this measure. The Department is also required to submit a final report to the 2009 Legislature, in particular, the Joint Committee on Ways and Means, on implementation. Each report should address, but should not be limited to, the following: (a) total program administrative expenditures including those of the Department of Revenue, Employment Department, and the Department of Administrative Services; (b) Treasury line-of-credit, associated interest expense, and repayment; (c) actual and forecasted premium revenue; (d) the level of actual and forecasted benefit payouts; (e) the actuarial solvency of the Family Leave Benefits Insurance Account; and (f) the long-term financial sustainability of the program.

Summary of Performance Measure Action

The Subcommittee approved the following budget note:

Budget Note:

The Bureau of Labor and Industries is instructed to develop at least one key performance measure related to House Bill 2575 for inclusion with the 2009 budget request. The KPM should be reviewed and approved during the interim by the Joint Legislative Audit Committee prior to the Bureau's 2009 budget request.