

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 3395 **STATUS:** A-Engrossed
SUBJECT: Unemployment insurance for part-time employment
GOVERNMENT UNIT AFFECTED: Employment Department
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REVIEWED BY: Michelle Deister
DATE: May 11, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES:		
Unemployment Insurance Benefit Payments – Non-Limited Other Funds	\$ 36,093,600	\$ 48,124,800
Unemployment Administrative Expense - Personal Services – Federal Funds	\$ 1,947,660	\$ 2,596,880
All Funds Expenditures	\$ 38,041,260	\$ 50,721,680

	<u>2007-2009</u>	<u>2009-2011</u>
REVENUES:		
Net Unemployment Insurance Trust Fund – Unemployment Insurance Tax – Other Funds	\$ 2,197,200	\$ <998,500>

POSITIONS / FTE:		
11 Business and Employment Specialists and 9 Employment Adjudicators	20/15.00	20/20.00

EFFECTIVE DATE: January 1, 2008

GOVERNOR’S BUDGET: This bill is not anticipated by the Governor’s recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: This measure states that an otherwise eligible unemployment insurance (UI) claimant may not be denied unemployment insurance benefits by the Employment Department if the individual was qualified on the basis of part-time work *and* is seeking suitable and comparable part-time work under administrative rules adopted by the Department, or has completed temporary work and the employer for whom the individual completed the temporary work has not guaranteed future work.

The Department states that the Code of Federal Regulation (20 CFR 604) permits states to pay UI to individuals who restrict their availability to part-time work, as long as such restrictions do not amount to a withdrawal from the labor market. This measure would limit Oregon’s ability to deny part-time UI claims which would be allowable under federal regulations.

According to the Department, this measure would have the following revenue and an expenditure impacts:

(a) Unemployment Insurance Benefit Payments: The Department estimates that 12,159 part-time workers would apply for UI benefits, but only 9,626 or 79% would eventually qualify and receive benefits. An additional 400 claimants currently denied benefits would now become eligible and receive benefits. In total, 10,026 part-time workers, from both public and private entities, could receive UI benefits totaling \$36.1 million for 18-months of the 2007-09 biennium and \$48.1 million for 24-months of the 2009-11 biennium. This translates into \$3,600 for 18-months of the 2007-09 biennium and \$4,800 for 24-months of the 2009-11 biennium and is based upon an average UI payment of \$160 per week for a maximum of 15 weeks.

(b) Unemployment Insurance Reimbursements: State and local government reimbursement to the Employment Department for the actual cost of UI benefits paid to their employees is estimated to produce \$3.4 million in revenue for the Unemployment Trust Fund (UTF) for 18-months of the 2007-09 biennium and \$4.6 million for 24-months of the 2009-11 biennium.

(c) Department Administrative Costs: The Department reports that it would incur two types of administrative costs:

- Additional staff for UI determinations, and claims auditing. This work would be undertaken by 20 permanent full-time positions (11 Business Support Specialists and 9 Employment Adjudicators) at a cost of \$2.0 million for 18-months of the 2007-09 biennium and \$2.6 million for 24-months of the 2009-11 biennium. The Department's fiscal impact did not include supporting services and supplies for these positions. All such costs, however, would be a reimbursable expense by the U.S. Department of Labor and are Federal Funds.
- Additional workload related to employers and tax collection efforts. At this time, the Department would require additional staff to undertake these duties, but this increase would be dependant upon additional Federal Funds from the Department of Labor, which is not anticipated at this time. So for the interim, the Employment Department would absorb this workload. This could possibly lead to less frequent auditing of employers.

(d) Lost Interest Income: The Unemployment Insurance Trust Fund (UITF) is an interest-bearing account. Since the Department projects expenditures in excess of tax revenue through the 2009-11 biennium, the UITF would lose approximately \$1.2 million of interest income for the 2007-09 biennium and \$5.6 million for the 2009-11 biennium. This amount is included in the (net) revenue figure provide above. For the 2009-11 biennium, lost interest income exceeds local and state reimbursement revenue thereby producing a negative net revenue figure of \$998,500 as detailed in the above table.

The Department projects UI expenditures in excess of UI tax reimbursements of \$32.7 million for the 2007-09 biennium and \$43.6 million for the 2009-11 biennium. The Department states that the UITF currently cash balance is approximately \$1.9 billion and that this balance is primarily set aside as a reserve against recessions and economic downturns. UI claims against the Fund vary from between \$500 million to \$1.2 billion annually. Annual revenues vary from between \$500 million to \$700 million. In order to maintain long-term solvency, unemployment tax rate schedules are adjusted per Oregon Revised Statute 657. The Department projects that this measure could trigger such a tax schedule change in the year 2010.

The Legislative Fiscal Office believes this measure warrants a subsequent referral to the Joint Committee on Ways and Means Committee for consideration of this measure's budgetary impact on the Employment Department's budget.