

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

---

**MEASURE NUMBER:** HB 3396                      **STATUS:** Original  
**SUBJECT:** Unemployment payments for dislocated workers and part-time workers seeking additional education  
**GOVERNMENT UNIT AFFECTED:** Employment Department and Community College and Workforce Development  
**PREPARED BY:** John F. Borden  
**REVIEWED BY:** Michelle Deister  
**DATE:** April 6, 2007

---

|   | <u><b>2007-2009</b></u> | <u><b>2009-2011</b></u> |
|---|-------------------------|-------------------------|
| <b>EXPENDITURES:</b>  |                         |                         |
| Unemployment Insurance Benefit Payments – Non-Limited Other Funds       | \$ 6,250,000            | \$ 6,000,000            |
| Unemployment Administrative Expense - Personal Services – Federal Funds | 194,766                 | 259,688                 |
| All Funds Expenditures  | <u>\$ 6,444,766</u>     | <u>6,259,688</u>        |

|   | <u><b>2007-2009</b></u> | <u><b>2009-2011</b></u> |
|---|-------------------------|-------------------------|
| <b>REVENUES:</b>                                    |                         |                         |
| Unemployment Insurance Trust Fund – Interest Income | \$ <336,700>            | \$ <1,151,600>          |

| <b>POSITIONS / FTE:</b>                        |        |        |
|--|--------|--------|
| Claims specialists and employment adjudicators | 2/1.50 | 2/1.50 |

**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 has three key provisions: (a) This measure eliminates extended benefit payments for claimants who are dislocated workers and in approved professional technical training. “Extended” refers to a period of time beyond a regular claim that has been exhausted to allow the claimant sufficient time to continue or complete approved training.; (b) it broadens the scope and qualifications of individuals that may be eligible to receive unemployment insurance benefits while attending training by modifying or eliminating statutory language related to dislocated workers and adding new language related to “eligible worker;” (c) limits the total amount of UI benefits payable to such individuals at \$7 million per biennium.

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

(a) Unemployment Insurance Benefit Savings (dislocated workers): UI extensions beyond the standard 26 weeks for an estimated 150 – 200 dislocated workers would no longer be available resulting in a savings of \$1,000,000 Other Funds. These benefits ranged from 1 to 26 weeks of additional UI to dislocated workers who qualified for supplemental benefits under current law. Note, given the measure's January 1, 2008 effective date, the savings would only be \$750,000 Other Funds for the 2007-09 biennium.

(b) Unemployment Insurance Benefit Payments: The measure expands worker eligibility under current benefits. The Department estimates the net costs, after the \$1 million savings mentioned above, to be \$6.3 million Other Funds for the 2007-09 biennium and \$6 million Other Funds for the 2009-11 biennium. These figures are premised on 517 additional claimants per year to claiming 26 weeks of unemployment at \$260 per week. These individuals would be required to be in approved training. The measure limits total benefit payments to this class of worker to \$7 million per biennium. Of note is that in absence of this limitation, UI expenditures would be significantly higher, according to the Department.

(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 one permanent full-time position and one permanent part-time position (one Business Support Specialist and one Employment Adjudicator) at a cost of \$194,766 for 18-months of the 2007-09 biennium and \$259,688 for 24-months of the 2009-11 biennium. The Department's estimate does not include services and supplies, based on its comment that it has sufficient existing resource to support these positions. These costs 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 not add additional staff to undertake these duties, but absorb the workload using existing staff and other resources (e.g., overtime and temporary budget). This could lead to less frequent auditing of employers. Federal Funds may become available at a future date, but its receipt is uncertain.

(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 \$336,700 of interest income for the 2007-09 biennium and \$1,151,600 for the 2009-11 biennium.

The Department projects UI expenditures in excess of tax revenue of \$6.3 million for the 2007-09 biennium and \$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. Therefore, the Department states that the UITF could accommodate deficit spending related to this measure until such time as UI taxes are adjusted upward due to a possible tax schedule change. The Department, however, does not project that this measure would trigger such a tax schedule change in the next four years.

The Community Colleges and Workforce Development Department reports that although there is not a direct fiscal impact to the Department, this measure could impact community colleges as more eligible workers seek training.

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.