

**75<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: HB 5010-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. D. Edwards  
Carrier – Senate: Sen. Monroe**

---

**Action:** Do Pass as Amended and Be Printed A-Engrossed

**Vote:** 19 – 0 – 3

House – Yeas: Buckley, Galizio, Garrard, Gilman, Komp, Kotek, Richardson, Shields, G. Smith

– Nays:

– Exc: D. Edwards, Jenson, Nathanson

Senate – Yeas: Bates, Carter, Girod, Johnson, Monroe, Nelson, Verger, Walker, Whitsett, Winters

– Nays:

– Exc:

**Prepared By:** Bill McGee, Department of Administrative Services

**Reviewed By:** Michelle Deister, Legislative Fiscal Office

**Meeting Date:** June 2, 2009

---

**Agency**

Employment Department

**Budget Page**

E-6

**LFO Analysis Page**

211

**Biennium**

2009-11

**Budget Summary\***

	2007-09 Legislatively Approved Budget (1)	2009-11 Essential Budget Level	2009-11 Committee Recommendation	Committee Change from 2007-09 Leg. Approved	
				\$\$ Change	% Change
General Fund	\$ 3,976,091	\$ 4,170,698	\$ 3,420,698	\$ -555,393	-14.0%
Other Funds	\$ 121,394,054	\$ 123,833,070	\$ 129,936,944	\$ 8,542,890	7.0%
Other Funds Debt Service	\$ 374,383	\$ 378,700	\$ 378,700	\$ 4,317	1.2%
Other Funds Capital Improvement	\$ -	\$ 125,600	\$ 125,600	\$ 125,600	100.0%
Other Funds Nonlimited	\$ 1,436,098,557	\$ 1,496,309,317	\$ 2,048,564,080	\$ 612,465,523	42.6%
Federal Funds	\$ 253,659,367	\$ 255,114,976	\$ 282,471,173	\$ 28,811,806	11.4%
Federal Funds Nonlimited	\$ -	\$ -	\$ 500,092,327	\$ 500,092,327	100.0%
Total	\$ 1,815,502,452	\$ 1,879,932,361	\$ 2,964,989,522	\$ 1,149,487,070	63.3%

**Position Summary**

Authorized Positions	1,331	1,308	1,505	174
Full-time Equivalent (FTE) positions	1,284.10	1,273.39	1,462.29	178

(1) Includes adjustments through the December 2008 meeting of the Emergency Board

\* Excludes Capital Construction

**Summary of Revenue Changes**

General Fund supports the Child Care Commission and the Child Care Resource and Referral Network programs in the Child Care Division.

Unemployment taxes are collected by the state and held by the U.S. Treasury for the payment of benefits to eligible claimants. They are included in the agency budget as Other Funds Nonlimited.

The major sources of Other Funds supporting agency operations are the Supplemental Employment Department Administrative Fund (SEDAF) generated from unemployment tax proceeds, periodic distributions of Federal Reed Act funds, Special Administrative Fund revenues from interest and tax compliance penalties, and Fraud Control Fund revenues from overpayment collection activities.

The agency also receives Other Fund revenues from contracts with other state agencies to provide employment placement services. The Child Care Division receives revenues from licensing fees and the child care tax credit program. The Office of Administrative Hearings is funded with charges to agencies for which it conducts hearings.

Federal Unemployment Tax Act (FUTA) revenues are generated through a tax on employers to support employment security program administration and are based on the number of claims, employer accounts, time spent on various workload activities, and staff cost. Wagner-Peyser Act funds are allocated based on the civilian labor force and unemployment history for employment related labor exchange services.

The federal Child Care and Development Block Grant funds payments to providers, licensing and regulation, system planning and coordination, research and evaluation, and administration.

The subcommittee approved adjustments to beginning balances and revenues based on changes in economic conditions since the Governor's budget was released. Revisions are also necessary due to passage of the federal American Recovery and Reinvestment Act (ARRA) that increased funding received by the state for various employment and child care programs. Beginning balance and revenue changes are included in the following table:

Type of adjustment (account code)	Fund source	Reason for adjustment	Other Funds	Other Funds Nonlimited	Federal Funds	Federal Funds Nonlimited
Beginning balance (0030)	Unemployment Insurance (UI) Trust Fund	Decrease in tax receipts due to economic conditions		(\$632,549,120)		
Beginning balance (0030)	Unemployment Insurance (UI) Trust Fund	Receipt of UI modernization funds under ARRA		\$85,000,000		
Beginning balance (0030)	Supplemental Department Administrative Fund (SEDAF)	Increased use of SEDAF funds in 2007-09	(\$5,144,144)			
Beginning balance (0030)	Penalty and Interest Fund (P&I)	Increased use of P&I funds in 2007-09	(\$4,596,281)			
Revenue (0120)	UI Trust Fund	Decrease in tax receipts due to economic conditions		(\$91,889,529)		
Revenue (0120 to 0995)	UI Trust Fund	Audit finding regarding federal employee UI benefits		(\$58,600,000)		\$58,600,000
Revenue (0120)	UI Trust Fund	ARRA funds for UI modernization in Senate Bill 462		\$15,074,032		
Revenue (0995)	UI Trust Fund	ARRA funds for increased and extended benefits				\$403,300,000
Revenue (0120)	SEDAF	Decrease in tax receipts due to economic conditions	(\$12,849,576)			
Revenue (0505)	P&I	Revised revenue forecast	(\$1,020,405)			
Revenue (0995)	US Trade Act	ARRA funding			\$12,891,405	
Revenue (0995)	Child Care Development Block Grant	ARRA funding			\$2,010,534	
Revenue (0995)	UI administration	ARRA UI modernization			\$1,978,078	

### **Summary of Transportation and Economic Development Subcommittee Action**

The Employment Department's mission is to support business and promote employment. To accomplish this mission, the agency administers the unemployment insurance (UI) benefits program, recruits and refers applicants to job openings, assists job seekers in their employment searches,

develops and distributes workforce and economic information, and coordinates the state's child care program. The Office of Administrative Hearings (OAH) adjudicates citizen and business disputes with state agencies.

The subcommittee approved a budget of \$3,420,698 General Fund, \$2,964,989,522 total funds, and 1,462.29 full-time equivalent (FTE) positions. General Fund is reduced by 14 percent from the 2007-09 Legislatively Approved Budget through December 2008, while total funds are increased by 63.3 percent and FTE is increased by 13.9 percent. General Fund was reduced as part of the Co-Chairs budget; the reduction in funding for child care licensing programs will be backfilled with increases in federal revenues.

Increases in Other Funds and Federal Funds were made to reflect additional benefit payments and administrative workload resulting from the rise in the unemployment rate, which grew from 5.3 percent in December 2007 to 12 percent in April 2009. The budget also reflects federal stimulus funding the state is receiving from the American Recovery and Reinvestment Act (ARRA). ARRA revenues include funding for increased and extended UI benefits, for reemployment services under the Wagner-Peyser and Trade acts, for child care regulation and provider support under the Child Care Development Block Grant, and for adoption of legislation that changes eligibility and other components of the state's unemployment insurance system. Limited duration positions were added, which allow the department to provide contracted services in the Business and Employer Services program unit and the Workforce and Economic Research program unit.

### Unemployment Insurance

The Unemployment Insurance program provides temporary income maintenance for workers who are unemployed through no fault of their own and acts as a partial economic stabilizer for communities during periods of economic recession. The program determines eligibility and pays unemployment benefits, reviews appeals of eligibility, benefit, and tax decisions, and administers the state's unemployment tax program. The Employment Appeals Board is included in this program area.

The subcommittee approved a budget of \$133,493,032 total funds and 674.87 FTE, increased from the 2007-09 Legislatively Approved Budget by 11.6 percent and 23 percent respectively. The subcommittee took the following actions.

- Approved the base budget and essential packages.
- Approved Package 801 that increases Other Funds by \$2.8 million and Federal Fund by \$8.7 million and establishes 85 limited duration positions (88.30 full-time equivalent) for administrative costs resulting from the significant increase in unemployment insurance claims since the release of the Governor's budget. These funds supplement mandated caseload increases in Essential Package 040. Increases in benefit payments are included in Package 801 in the Nonlimited program unit below.
- Approved Package 811 that increases Federal Funds by \$2 million and establishes 24 limited duration positions (17.60 FTE) to manage workload resulting from the passage of Senate Bill 462 and House Bill 2203. These bills include changes to eligibility and other components of the state's unemployment insurance program that were required for receipt of ARRA UI Modernization funds. The increased federal revenues for benefit payments are included in Package 812 in the Nonlimited program unit below.

## Business and Employment Services

The Business and Employment Services Division serves businesses by recruiting and referring the best-qualified applicants to jobs, and provides resources to diverse job seekers in support of their employment needs. The division has a statewide network of field offices and one-stop centers to provide a job listing/referral service for Oregon employers and a job referral/ placement service for Oregon job seekers.

The subcommittee approved a budget of \$111,768,729 total funds and 530.42 FTE, increased from the 2007-09 Legislatively Approved Budget by 20.5 percent and 11 percent respectively. The subcommittee took the following actions.

- Approved the base budget and essential packages.
- Approved Package 105, for \$2.8 million that includes 25 limited duration positions (25.00 FTE) to allow the Employment Department to respond to requests for contracted services. These positions would be filled only when sufficient workload and funding becomes available. Similar packages have been approved in the last five biennia.
- Approved Package 801 that increases Federal Funds by \$4.9 million and establishes 45 positions (45.00 FTE) to increase job matching and reemployment services to Oregon job seekers. The package is funded with Wagner-Peyser Act revenues carried over from the 2007-09 biennium and is not a mandated caseload increase.
- Approved Package 812 that increases Federal Funds by \$12.9 million and establishes 19 limited duration positions (14.00 FTE) to accommodate increased U.S. Trade Act funding available through the ARRA program.

## Child Care Division

The Child Care Division is responsible for creating a comprehensive statewide system of safe, accessible, affordable, quality child care. The division provides services to child care centers, certified family homes, and registered providers and conducts background checks on child care providers. Most Federal Funds received by the Child Care Division are transferred to the Department of Human Services for payments to providers.

The subcommittee approved a budget of \$3,420,698 General Fund, \$131,410,317 total funds and 72.00 FTE. General Fund is reduced from the 2007-09 Legislatively Approved Budget by 14 percent while Other Funds and FTE are increased by 1.7 percent and 2.9 percent respectively. The subcommittee took the following actions.

- Approved the base budget and essential packages.
- Approved Package 070 that reduces Federal Funds by \$3.1 million in anticipation of flat funding from the Child Care Development Block Grant program prior to adoption of the ARRA stimulus package.
- Approved Package 812 that increases Federal Fund by \$2 million to accommodate an increase in Child Care and Development Block Grant funds in the ARRA package.
- Approved Package 813 that reduces General Fund by \$750,000 as part of the Co-Chairs' Budget. The reduction will be backfilled with an increase in the regular allocation Oregon receives for federal Child Care and Development funds.

## Office of Administrative Hearings

The Office of Administrative Hearings (OAH) is an independent and impartial forum for citizens and businesses to adjudicate their disputes with state agencies. The subcommittee approved a budget of \$24,818,474 Other Funds and 115.50 FTE. Other Funds are increased from the 2007-09 Legislatively Approved Budget by 3.2 percent while FTE is reduced by 2.9 percent. The subcommittee took the following actions.

- Approved the base budget and essential packages.
- Approved Package 107 that reduces \$315,175 Other Funds and eliminates three full-time permanent positions. These positions were transferred from the Department of Transportation Driver and Motor Vehicle Services (DMV) in 2000 when OAH was established. They are being returned to DMV as their duties are administrative in nature and not related to the hearings process.

## Workforce and Economic Research

The Workforce and Economic Research Division has primary responsibility for providing quality workforce and economic information for the state, its workforce regions, and counties. The division is Oregon's designated Employment Statistics Agency (under the federal Workforce Investment Act of 1998) and Oregon's designated agency for the coordination of occupational and career information.

The subcommittee approved a budget of \$14,842,563 Other Funds and 69.50 FTE, increased from the 2007-09 Legislatively Approved Budget by 8.2 percent and 1.5 percent respectively. The subcommittee took the following action:

- Approved the base budget and essential packages.
- Approved Package 101 that establishes two limited duration full-time positions (2.00 FTE) for special analysis projects requested by customers. In addition to the positions, the package includes funds for private sector consultants, survey and other research services, and publications. Revenue for the package will come from entities requesting service. If there is insufficient demand for these services, the positions will not be filled. The added Other Funds limitation is \$782,050.

## Nonlimited

Nonlimited funds include Unemployment tax collections, trust fund interest earnings, and federal revenue that are used to pay unemployment insurance benefits to qualified applicants who are out of work and actively seeking work. Nonlimited funds also include federal revenues used to fund various federal training programs such as the North American Free Trade Act and the Trade Assistance Program.

The subcommittee approved a budget of \$2,548,656,407 total funds, increased by 77.5 percent from the 2007-09 Legislatively Approved Budget. No positions are included in this program unit. The subcommittee took the following actions:

- Approved the base budget and essential packages.
- Approved Package 801 that increases Other Funds Nonlimited by \$595.8 million to pay unemployment benefits for the increased number of claimants that are out of work as a result of economic conditions.

- Approved Package 811 that increases Other Funds Nonlimited by \$15.1 million and Federal Funds Nonlimited by \$38.2 million as a result of the unemployment insurance modernization provisions in Senate Bill 462 and House Bill 2203.
- Approved Package 812 that increases Federal Funds Nonlimited by \$403 million in increased expenditure authority due to increased unemployment insurance benefits in the ARRA program. The package also shifts \$58.6 million in expenditure authority from Other Funds Nonlimited to Federal Funds Nonlimited as a result of an audit finding regarding how unemployment insurance benefits for federal employees, military claimants, and trade act participants are recorded.

### **Summary of Performance Measure Action**

The Subcommittee approved the proposed Key Performance Measures, with a revision to the target for Measure 10. See attached Legislatively Adopted 2009-11 Key Performance Measures form.