

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2203 **STATUS:** B-Engrossed
SUBJECT: Makes changes to current Unemployment Insurance law required to qualify Oregon for UI Modernization Incentive Payments under the American Recovery and Reinvestment Act.
GOVERNMENT UNIT AFFECTED: Employment Department
PREPARED BY: John F. Borden
REVIEWED BY: Michelle Deister
DATE: May 5, 2009

EXPENDITURES:

Biennia	2007-09	2009-11	2011-2013
Personal Services	\$ 160,350	\$ 156,572	\$ --
Services and Supplies	\$ 12,840	\$ 19,805	\$ -7,500
Total Administrative Expense – Federal Funds	\$ 173,190	\$ 176,377	\$ --
Unemployment Benefits – UI Trust Fund – Other Funds	\$ 15,001,700	\$ 38,015,950	\$ 336,000
Total Fiscal Impact – All Funds	\$ 15,174,890	\$ 38,192,327	\$ 328,500

REVENUES:

Unemployment Benefits Trust Fund – Other Funds	\$ 13,651,547	34,288,755	\$ --
Unemployment Insurance Trust Fund Interest – Other Funds	\$ -7,191	\$ -11,124	\$ -44,907
Reimbursable Assessments – Other Funds	\$ 1,350,153	\$ 3,421,436	\$ 30,240
Total Revenue – All Funds*	\$ 14,994,509	\$ 37,699,067	\$ -14,667

*Difference between revenues and expenditures is related to the domestic violence provisions which are not reimbursable by the federal government or employers.

POSITIONS / FTE:

Business/Employments Specialists 2s Limited Duration	4/0.72	4/0.95	--
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EFFECTIVE DATE: The bill includes an emergency clause and is effective on passage.

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.

ANALYSIS: This measure modifies current law related to Oregon's Unemployment Insurance benefits (UI). Provisions of the measure bring state UI law into compliance with the American Recovery and Reinvestment Act of 2009 (ARRA) related to claimants affected by domestic violence and then eliminates restrictions for the qualification of Supplemental UI for claimants in specified worker training

programs. In addition, the measure extends eligibility for extended Unemployment Insurance benefits for individuals who have exhausted their federal Emergency Unemployment Compensation benefits.

If this measure does not become law, or if the U.S. Department of Labor fails to certify that these changes meet federal requirements, Oregon could fail to qualify for the additional federal funding under the American Recovery and Reinvestment Act provisions related to unemployment insurance modernization and extension of benefits.

This measure has a fiscal impact to the current 2007-09 biennium as well as the 2009-11 and 2011-13 biennia. The combined fiscal impact is \$53.7 million for the three biennia. The fiscal impacts of the key provisions are:

- Domestic Violence: This provision of the measure will result in fewer administrative hearings and determinations (i.e., cost savings) which would then be offset by an increase in the number of eligible claimants (approximately 80 per biennia). The net fiscal impact is \$164,250 per year or \$328,500 per biennia.
- Supplemental Benefits related to Training: Employment Department states that this provision will not have a fiscal impact.
- Extended Benefits Eligibility Expansion: This provision is estimated by the Employment Department to result in 7,075 additional claims and 120,135 additional payments being processed. The fiscal impact would be \$52.7 million Other Funds (Federal Funds passed through the UI Trust Fund) including the Reimbursable Assessment, which is where certain employers do not pay the UI tax, but instead reimburse the UI Trust Fund when an employee makes a UI claim. The UI Trust Fund earns interest on its fund balances. The Department estimates that this level of increased expenditures from the Fund will result in a loss of interest earnings to the fund. The implement would be retroactive back to February 22, 2009. The program expires on May 29, 2010.

Employment Department estimates that the workload related to processing of these additional claims will require up to four limited duration positions (0.95). The total administrative expense, including services and supplies is \$173,190 for the 2007-09 biennia and \$176,377 for the 2009-11 biennia. There would be a savings of \$7,500 in services and supplies associated with domestic violence provision that would continue into the 2011-13. The Federal government reimburses all administrative expenses of the UI program with the exception of the domestic violence provisions.