



OREGON
EMPLOYMENT
DEPARTMENT
WORKSOURCE OREGON

MEASURE: SB 984
EXHIBIT: B
Senate Finance and Revenue 76th Session

Bill: **SB 984** DATE: 05-18-2011 PAGES: 1
Committee: Senate Finance and Revenue
Date: May 18, 2011
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Subject:

Senate Bill 984 amends ORS Chapter 294 to modify the Local Government Employer Benefit Trust Fund (LGEBTF) program to prevent participating local governmental units (employer) from potentially overpaying into their reserve account.

Introduction:

SB 984 makes two technical changes in the LGEBTF program. First, it gives the Director the ability to redetermine participating employer tax rates more often than once a year. Second, it extends the amount of time permitted for repayment of a negative balance LGEBTF reserve account from one year to three years.

If a local government employer reserve account is overpaid, the overage may be refunded in the following fiscal year. Both of the new provisions are designed to prevent participating local governmental units from making larger than normal, one-time Unemployment Insurance contributions as required by current law.

Discussion:

LGEBTF is an optional program in Unemployment Insurance (UI) that allows local governmental employers to prepay UI reimbursements into a reserve account. There are currently 277 local government employers enrolled in the program. The prepayments are calculated based on the employers past payroll and reimbursement history. If, at the end of the fiscal year, the reserve account for that employer is insufficient to pay UI reimbursements attributable to the employer, the employer has one year to pay the negative balance.

Section 1 of SB 984 modifies ORS 294.725 to clarify which factors are used in a redetermination of the LGEBTF tax rate.

Section 2 amends ORS 294.735 and allows the Director of the Employment Department, upon written request of the employer, to redetermine the benefit cost rate and the account reserve ratio factors, which determine the percentage rate (tax rate) of the employer for the fiscal year.

In addition, Section 2 amends ORS 294.735 to authorize the Director of the Employment Department to grant an extended payment plan for repayment of a negative balance reserve account. A request for an extended payment plan must be in writing and the plan cannot exceed three years.

The Employment Department supports SB 984.

Summary:

SB 984 will provide relief to local government employers from the potential of overpaying their LGEBTF reserve accounts.