

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 637**Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal OfficePrepared by: Robin LaMonte
Reviewed by: Michelle Deister
Date: March 2, 2011**Measure Description:**

Provides for state "on" indicator for any week when rate of insured unemployment is at least 6.5 percent and average rate of total unemployment in Oregon for most recent three-month period is at least 110 percent of average for any corresponding three-month period ending in three preceding years.

Government Unit(s) Affected:

Employment Department (OED)

Summary of Expenditure Impact

	2009-11 Biennium	2011-13 Biennium
Other Funds	47,472	142,416
Federal Funds	497,643	1,492,929
NL Other Funds	3,137,500	8,333,000
NL Federal Funds	58,362,500	155,167,000
Total Funds	\$62,045,115	\$165,135,345
Positions	27	27
FTE	3.40	10.10

Summary of Revenue Impact

	2009-11 Biennium	2011-13 Biennium
Other Funds	47,472	142,416
Federal Funds	497,643	1,492,929
NL Other Funds	3,075,000	8,175,000
NL Federal Funds	58,362,500	155,167,000
Total Funds	\$61,982,615	\$164,977,345

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 5, Article XI of the Oregon Constitution.

Analysis:

SB 637 revises the formula for determining when extended unemployment benefits would be provided. The current formula uses a comparison of the current unemployment rate to the rate in the previous two years, and extends benefits when the unemployment rate exceeds five percent and is 120% above the average unemployment rate. This bill establishes eligibility based on an unemployment rate of 6.5% or more in the last three-month period and is at least 110% of the average unemployment rate for any corresponding three-month period in the preceding three years. These changes will keep Oregon in an extended benefit period through 2011.

Recent federal legislation provides for 100% federal funding for extended benefits. However, reimbursable employers are liable for 100% of extended benefit costs.

This bill declares an emergency and is effective on passage. The fiscal impact assumes that the bill will be enacted by April, 2011, and that extended benefits will be paid during the current 2009-11 biennium and the 2011-13 biennium.

OED estimates that there would be 50,000 initial claim applications, 853,000 weekly benefits, 6,000 claims that are adjudicated and 600 appeals referred as a result of this bill. The fiscal impact assumes an average weekly benefit of \$280. The average duration of an emergency benefit claim would be 17.04 weeks, for an average benefit of \$4,771. The total cost for the emergency benefit payments out of Nonlimited Federal UI funds will be \$58,362,500 in 2009-11 and \$155,167,000 in 2011-13.

OED estimates an increase in UI hearings. This will increase the cost for the Office of Administrative Hearings by \$47,472 Other Funds for the 2009-11 biennium and \$142,416 Other Funds for the 2011-13 biennium.

The bill will create a temporary workload increase for approximately 12 months. The Department will use 27 limited duration employees (3.40 FTE) for this workload in the 2009-11 biennium, at a cost of \$424,743 all funds. These 27 positions (10.10 FTE) will continue into the 2011-13 biennium, at a cost of \$1,274,229. OED will receive \$497,643 Federal Funds in the 2009-11 biennium and \$1,492,929 Federal funds in the 2011-13 biennium as reimbursement for administrative costs, including Office of Administrative Hearings expense.

Emergency benefits for taxpaying political subdivisions and tribes are paid 50% out of the UI Trust Fund. OED estimates UI benefit payments for these entities will cost the UI trust fund \$62,500 Nonlimited Other Funds in 2009-11 and \$158,000 Nonlimited Other Funds in 2011-13.

Certain employers do not pay the UI tax, but instead reimburse the UI Trust Fund when an employee makes a UI claim. The total cost for the emergency benefit payments out of the UI trust fund in the 2009-11 biennium will be approximately \$3,075,000 Nonlimited Other Funds and will be \$8,175,000 Nonlimited Other Funds in the 2011-13 biennium. The UI Trust Fund will receive reimbursement for these expenditures.

