

EMPLOYMENT DEPARTMENT

The Employment Department (OED) works to support business and promote employment, through the following actions: by promoting economic stability through the administration of unemployment insurance benefits; by serving businesses by recruiting and referring qualified applicants; by helping jobseekers find jobs and hone skills; by developing and distributing workforce and economic information to support decision making; and by regulating child care and promoting practices that make it safe, accessible, affordable, and of high quality.

EMPLOYMENT DEPARTMENT	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
General Fund	2,756,233	3,234,080	4,119,654	0	0	27.4%
Other Funds	88,175,490	129,170,224	127,539,307	122,161,902	0	-1.3%
Other Funds NonLimited	2,415,086,782	2,077,281,096	1,648,948,096	1,648,948,096	0	-20.6%
Federal Funds	322,105,147	303,447,537	279,109,814	156,568,665	0	-8.0%
Federal Funds Nonlimited	3,009,968,682	1,425,000,000	110,000,000	110,000,000	0	-92.3%
TOTAL FUNDS	\$5,838,092,334	\$3,938,132,937	\$2,169,716,871	\$2,037,678,663	\$0	-44.9%
Positions	1,659	1,552	1,346	1,332	0	-13.3%
FTE	1,608.46	1,436.90	1,306.70	1,297.20	0.00	-9.1%

Major Revenues	Budget Environment	Comparison by Fund Type																														
<ul style="list-style-type: none"> The Employment Department General Fund is only for the Child Care division. The 2013-15 Current Service Level amount is calculated at \$4.1 million. Other Funds are derived from various funding streams, many of which are restricted for specific purposes. 2013-15 OF sources and amounts at current service level include the following: <ul style="list-style-type: none"> The Oregon Unemployment Insurance Trust Fund is funded by employer unemployment insurance taxes, and is designated for unemployment insurance compensation to qualified individuals – <i>\$2.1 billion Other Funds, Nonlimited</i>; The Special Administrative Fund receives revenues from penalties and interest on 	<ul style="list-style-type: none"> Federally funded Unemployment Insurance (UI) Benefit extensions are ending, along with associated temporary increases in administrative revenue as the national economy slowly recovers. The Employment Department received a total \$84 million in one-time funding for implementing an alternative base year calculation during the 2011-13 biennium for UI Benefits. The Department has contemplated holding these funds in reserve for future biennia, for purposes of migrating mainframe IT systems to a modern, supported technology platform. 	<div style="text-align: center;"> <p>EMPLOYMENT DEPARTMENT</p> <table border="1" style="margin: 10px auto;"> <caption>Revenue Data (Millions of Dollars)</caption> <thead> <tr> <th>Year</th> <th>General Fund/Lottery</th> <th>Other Funds</th> <th>Federal Funds</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$2.8</td> <td>\$2,503.3</td> <td>\$3,332.1</td> <td>\$5,838.2</td> </tr> <tr> <td>2011-13</td> <td>\$3.2</td> <td>\$2,206.5</td> <td>\$1,728.4</td> <td>\$5,158.1</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$4.1</td> <td>\$1,776.5</td> <td>\$389.1</td> <td>\$2,169.7</td> </tr> <tr> <td>2013-15 GB</td> <td>\$0.0</td> <td>\$1,771.1</td> <td>\$266.6</td> <td>\$2,037.7</td> </tr> <tr> <td>2013-15</td> <td>\$0.0</td> <td>\$0.0</td> <td>\$0.0</td> <td>\$0.0</td> </tr> </tbody> </table> </div>	Year	General Fund/Lottery	Other Funds	Federal Funds	Total	2009-11	\$2.8	\$2,503.3	\$3,332.1	\$5,838.2	2011-13	\$3.2	\$2,206.5	\$1,728.4	\$5,158.1	2013-15 CSL	\$4.1	\$1,776.5	\$389.1	\$2,169.7	2013-15 GB	\$0.0	\$1,771.1	\$266.6	\$2,037.7	2013-15	\$0.0	\$0.0	\$0.0	\$0.0
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<p>delinquent payments of employer taxes. In 2013-15, the Employment Department expects to take in and expend \$8.4 million for administrative expenses or other needs (such as IT projects);</p> <ul style="list-style-type: none"> ▪ Reed Act funds resulting from a federal distribution totaling \$103.3 million in previous biennia can and have been spent over multiple biennia for expenditures relating to Unemployment Insurance and Employment Services Administration. The estimated 2011-13 ending balance of Reed Act funds totals \$29.8 million and the CSL budget assumes expenditures of up to \$12.1 million. The remainder of the funds will be expended in future biennia to supplement decreasing levels of regular federal support for these services. ▪ The Special Employment Department Administrative Fund (SEDAF) comes from a 0.9% diversion of Employer Taxes that the department uses for administrative functions. The diversion is anticipated to generate a total of \$68.3 in 2013-15, all of which is assumed to be expended in the agency’s CSL budget. ▪ The Fraud Control Fund is supported by interest earnings on delinquent repayments of UI benefit overpayments, and is earmarked for costs associated with the prevention, discover, and collection of overpaid benefits. The Employment Department anticipates \$3.4 million in 2013-15 collections. ▪ The Child Care Fund consists of donations 	<ul style="list-style-type: none"> • At the same time, the Employment Department has experienced formidable challenges with the completion and implementation of several large Information Technology projects. The Department is working with the Department of Administrative Services Enterprise Information Security division and outside evaluators to enhance project management, come into compliance with project review and approval procedures, and complete or revise projects that are behind schedule or not performed as desired. • A total of \$20.5 million in Race To The Top II federal grant funding has been secured for the state of Oregon. The grant funds are to support improvements in early childhood education (under which the Governor includes pre-school and many child care environments). The December meeting of the Emergency Board approved \$1.65 million in FF expenditure limitation to scope enhancements to the child care Tiered Quality Rating and Improvement System, and to gather information from parents to inform child care quality outreach efforts. A policy option package for 2013-15 provides additional limitation to continue these efforts. 	

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<p>received through the Child Care Contribution Tax Credit program, which provides of credit of \$0.75 for each dollar contributed, up to \$500,000 in total each year. The 2013-15 budget assumes credits will generate \$1.8 million, used to fund child care projects per statute. The fund also includes the licensing fees from child care providers, which are estimated at \$1 million for 2013-15.</p> <ul style="list-style-type: none"> ● Sources of Federal Funds include the following: <ul style="list-style-type: none"> ▪ Employer payroll taxes collected under the authority of the Federal Unemployment Tax Act, and used to fund administrative expenses of the Unemployment Insurance program are estimated to be \$119.1 million in 2013-15. This is also a source of funding for employment services under the Wagner-Peyser Act, which is expected to distribute, \$17.6 million in 2013-15. ▪ Trade Adjustment Act funding for training and placement of displaced workers is anticipated to total \$9.5 million in 2013-15. ▪ Veterans' placement services are assumed to generate \$5.2 million for 2013-15. ▪ Funding for workforce and economic research from the Bureau of Labor Statistics is estimated at \$2.6 million for 2013-15. ▪ The Child Care and Development Fund (CCDF) block grant assists low-income families, families receiving temporary public assistance, and provides child care subsidies for certain populations. Approximately 88.9% of the anticipated \$130.9 million in 		

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<p>2013-15 federal CCDF funding will be reallocated to child care-related programs at other state and local agencies.</p> <ul style="list-style-type: none">• Payments of unemployment benefits are budgeted as Other Funds Nonlimited. Payments of federal Trade Adjustment Act payments, federally approved and funded benefit extensions and emergency unemployment compensation, and benefit payments to federal employees are budgeted as Federal Funds Nonlimited.		

MAJOR CHALLENGES AND DECISION POINTS

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| <ol style="list-style-type: none"> 1. * The Employment Department is experiencing challenges in completing information technology projects and retaining IT staff; this issue is being monitored by the Department itself, DAS, and the Legislative Fiscal Office. The Employment Department has asked for additional staffing and expenditure limitation to complete outstanding IT projects, update the agency's mainframe, and test, maintain and modify existing systems on a regular basis; and the Department is also asking for limitation and temporary staffing for several new IT projects as well. The Governor's budget did not include expenditure limitation for IT-related requests. 2. Whether child care continues to be considered a "workforce" issue or classified as "early learning" may determine the Child Care Division's placement and oversight in future biennia. The Governor's budget proposes to transfer the Division out of the Employment Department to a new Early Learning Division proposed for the Department of Education. 3. In January 2012, the Department identified \$16.6 million in unbudgeted carry forward CCDF funding; \$6.2 million was allocated to the Department of Human Services in February 2012 for allowable child care related expenditures. Due to unanticipated additional CCDF allocation in 2012, the Employment Department anticipates a carry-forward balance, amounting to \$11.6 million at the end of 2013-15. The Department seeks to expend \$550,000 for child-care provider training and support in an early session bill. 4. The Governor's budget transfers \$10 million in Supplemental Employment Department Administrative Funds (SEDAF) to the state's General Fund to support Governor's recommended budget priorities. 5. Phased out costs include: Federal Funds expenditure limitation and limited duration (LD) positions related to increased activity for Unemployment Insurance and Federal Trade Act activities; phase out of policy option packages and limitation related to grants approved during the 2011 and 2012 legislative sessions and by the Emergency | <p>Board; additional administrative hearings caseload from 2011-13 Unemployment Insurance cases; and a one-time allocation of Child Care and Development federal grant carry over to the Department of Human Services in 2012.</p> <ol style="list-style-type: none"> 6. The Governor's budget includes the following Policy Option Packages: <ul style="list-style-type: none"> • <u>Pkg 101 TQIRS</u>: This package expends Federal Funds the Department assumes they will be awarded from the second round of the Race to the Top Early Learning Challenge Grant (totaling up to \$20.3 million) for developing and operating a Tiered Quality Rating and Improvement System, which will rate and provide continuing improvement standards for early learning programs and professionals. Assumed to encompass head start, licensed day care and pre-K programs. <i>\$2,798,959 FF; 2/2.00 FTE</i> • <u>Pkg 102 Trade Act Authorization</u>: This package provides for 10 permanent and 14.50 LD FTE to administer intensive services to clients who qualify for special employment and job training assistance under the Federal Trade Act. <i>\$4,049,524 FF, 24/24.00 FTE</i>. The package also includes an IT component of at least \$500,000 for updates to a payment and reporting system that will allow for integration into other Employment Department data systems. The Governor's budget removed IT expenditures and 1 position/0.50 FTE. • <u>Pkg 109 Employer Contracted Services</u>: Limitation for contracted job placement services provided on behalf of other agencies or private parties, which are billed for service. Positions are LD. 21 were authorized and utilized in 2011-13. <i>\$3,277,275 OF, 23/23.00 FTE</i>. • <u>Pkg 110 Research Contracted Services</u>: Provides limited duration positions and limitation that would only be filled/utilized in the event that outside parties requested (and paid for) specific economic and employment related research projects that are beyond the capacity of existing staff. <i>\$528,194 OF, 3/3.00 FTE</i> |
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- Pkg 111 Reemployment Eligibility Assessment Services: Components of this program have been funded by a series of Federal Grants with the goal of reducing claim weeks and claimant fraud. Audited work searches, more intensive skills assessments and placement services are provided to a certain percentage of claimants. The Department is requesting permanent staff, but so far, FF have been granted on an annual basis. The program "is anticipated to continue for the foreseeable future." Requested staff are permanent. The Governor's budget removed 1 position and corresponding Personal Services expenditures to reflect denial of an IT component of this package. Revenue Realignment Package. \$4,282,303 FF, 29/29.00 FTE.
 - Pkg 113 Revenue Realignment: OED anticipates that long term federal revenues available to fund workforce and reemployment programs will drop, and is beginning to consider expenditure reductions to bridge the gap. No reduction plans have been finalized. (\$4,236,264 OF), (24/23.50 FTE).
7. In light of Policy Option Package 113, it's worth noting that the Department still has a Reed Act balance, and there are \$84 million UI administration reimbursement funds (from implementation of the alternate base year legislation in 2011) carried over from 2011-13 that OED could utilize in the near term to maintain service levels, rather than implement reductions. Instead, OED is proposing to invest the \$84 million in IT systems that increase productivity, to prepare for the period when OF revenues drop off precipitously. \$84 million in UI Modernization money, despite the revenue realignment package and service reductions.
8. The Governor's budget includes unidentified reductions related to state agency assessments for DAS and the Office of Administrative Hearings, a reduction related to the PERS employer rate, and additional PERS related reductions which assume legislative action.

* See attachment for additional information on this item.