
MEMORANDUM

Legislative Fiscal Office
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To: *Members of the Transportation and Economic Development Subcommittee*

From: *Michelle Deister, Legislative Fiscal Office*
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Date: April 12, 2013

Subject: *SB 191*
Work Session Recommendation

SB 191 relates to overpayment of unemployment insurance benefits. The measure has an emergency clause and is effective on passage.

The measure, the original staff measure summary, preliminary Joint Committee on Ways and Means staff measure summary, revenue impact statement, and fiscal impact statement are available on the Oregon Legislative Information System (OLIS), and are also attached electronically to the scheduled date of the work session.

The measure previously had a public hearing in the Senate Business and Transportation Committee on February 7, 2013

The measure has an Other Funds fiscal impact of \$869,000 and 7 positions (4.28 FTE) for costs associated implementing the bill, including 5 limited duration positions for one time programming updates to implement the changes in SB 191 in the areas of overpayment, fraud, and private collections; data warehouse downloads and updates; a limited duration project manager to oversee these changes; and one permanent full-time IS-7 position for on-going support of reporting requirements, data management, analysis and monitoring.

Amendment

The -1 amendment to the measure provides for Other Funds expenditure limitation pursuant to the fiscal impact of the bill.

Motion #1: Move the -1 amendment to SB 191.

Measure Recommendation

The Legislative Fiscal Office recommends approval of the bill as modified, and the positions as described above.

Motion #2: Move SB 191 as amended to the full committee with a “do pass” recommendation.

Assignment of Carriers

Full: _____

2nd Chamber: _____

Joint Committee on Ways and Means -- DRAFT

Carrier – House: Rep.
Carrier – Senate: Sen.

Revenue: Impact Statement Issued 2-6-2013

Fiscal: Impact Statement Issued 2-5-2013

Action:

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Michelle Deister, Legislative Fiscal Office

Meeting Date: [Full Committee Meeting Date]

WHAT THE MEASURE DOES: Redirects existing penalty assessments from the Special Fraud Control Fund to the Unemployment Insurance Trust Fund to ensure conformity with federal legislation; authorizes the Director of the Employment Department to impose an additional 15 percent penalty on overpayment of unemployment insurance benefits due to false statement, misrepresentation or nondisclosure of material fact, and allows the proceeds from that additional penalty to be directed to the special fraud control fund; and allows for an increase in the recovery period from one year to five years.

ISSUES DISCUSSED:

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EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Under current law, the Employment Department deposits penalty revenue from a 15 percent assessment on benefit overpayments into the Special Fraud Control Fund. Dollars in this fund are used to fund staff and initiatives that detect, prevent and recover benefit overpayments. To remain in conformity with federal law, the Employment Department is now required to deposit the first fifteen percent into the Unemployment Insurance Trust Fund. Without this change, the Department risks financial sanctions/decreased federal funding for the administration of Oregon's unemployment insurance program.

The bill's remaining provisions (imposition of an additional 15 percent penalty, and increased recovery time) are not required to maintain conformity, but may result in additional collections that the Department can continue to invest in its Special Fraud Control Fund functions.

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 191**Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
Legislative Fiscal Office**Only Impacts on Original or Engrossed
Versions are Considered Official**Prepared by: Krista McDowell
Reviewed by: Michelle Deister
Date: 2/5/2013**Measure Description:**

Authorizes Director of the Employment Department to impose penalty of up to 30 percent on overpayment of unemployment insurance benefits due to false statement, misrepresentation or nondisclosure of material fact.

Government Unit(s) Affected:

Employment Department

Summary of Expenditure Impact:

	2013-15 Biennium	2015-17 Biennium
General Fund		
Lottery Funds		
Other Funds	869,000	208,600
Federal Funds		
Total Funds	\$869,000	\$208,600
Positions	7	1
FTE	4.28	1.00

Summary of Revenue Impact

	2013-15 Biennium	2015-17 Biennium
General Fund		
Lottery Funds		
Other Funds	-416,500	-476,000
Other Funds-NL	1,097,368	1,318,352
Federal Funds		
Total Funds	\$680,868	\$842,352

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:

SB 191 would redirect an average of \$438,000 per year in existing Other Fund (OF) penalty assessments from the Employment Department Special Fraud Control Fund to the Unemployment Insurance Trust Fund, ensuring conformity with federal legislation. The bill allows the Oregon Employment Department (OED) to increase the recovery period from fifty-two weeks to five years,

resulting in an estimated additional \$170,000 OF revenue annually that will also be directed to the Unemployment Insurance Trust Fund. Any monetary penalty above 15% would be directed to the Employment Department Special Fraud Control Fund, resulting in an estimated \$200,000 OF annually.

Oregon Employment Department (OED) anticipates the need for six limited duration positions, 3.67 FTE, to complete information systems tasks related to the implementation of SB 191. The Ways and Means Committee will be reviewing information systems staffing expenditures in the context of the OED's total budget. OED also foresees the need for one permanent full-time ISS7 position, 1FTE, for additional reporting requirements and analysis required by federal mandates. The costs for these seven total positions are estimated at \$869,000 in the 2013-15 biennium and \$208,600 in 2015-17 biennium.

Additional interest on OF is calculated at 3% annual rate resulting in an additional \$33,368 for the 2013-15 biennium and \$102,352 for 2015-17. The Employment Department may be federally reimbursed for a portion of the administrative costs associated with enacting this bill. Calculations are based on an assumed effective date of October 1, 2013.

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
Seventy-Seventh Oregon
Legislative Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number: SB 191
Revenue Area: Unemployment Insurance
Economist: Dae Baek
Date: February 6, 2013

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description: Authorizes the Director of the Oregon Employment Department (OED) to impose a penalty of up to 30 percent on overpayment of Unemployment Insurance benefits made due to a false statement, misrepresentation or nondisclosure of material facts. Directs payment of the existing 15 percent penalty to the Unemployment Insurance Trust Fund and any amount of the penalty exceeding that level to the Employment Department Special Fraud Control Fund. Applies to overpayment decisions of the Director issued on or after October 1, 2013. Increases from 52 weeks to five years the period during which the Director may recover benefits paid in error. Takes effect on passage.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-2017	2017-2019
Unemployment Insurance Trust Fund	\$ 0.5	\$ 0.6	\$ 1.1	\$ 1.4	\$ 1.4
Employment Department Special Fraud Control Fund	-\$ 0.2	-\$ 0.2	-\$ 0.4	-\$ 0.5	-\$ 0.5

Data Source: Oregon Employment Department

Impact Explanation: The bill directs the existing 15% penalty for individuals whose fraudulent acts result in an overpayment of unemployment insurance (UI) benefits to be deposited into the UI Trust Fund. Under the current law, the penalty is being deposited to the Employment Department Special Fraud Control Fund. This change is needed to conform state law to federal law. According to the OED, not conforming to federal law would result in financial sanctions against the OED administrative grants (up \$109 million per biennium) and additional federal unemployment taxes to Oregon Employers (up to \$1.1 billion per biennium).

The bill permits imposition of up to another 15% penalty for fraudulent acts that would go into the Employment Department Special Fraud Control Fund. It also increases the period within which the Department may recover benefits paid in error from 52 weeks to five years.

Creates, Extends, or Expands Tax Expenditure: Yes No