
MEMORANDUM

Legislative Fiscal Office
900 Court St. NE, Room H-178
Salem, Oregon 97301
Phone 503-986-1828
FAX 503-373-7807

To: *Members of the Transportation and Economic Development Subcommittee*

From: *Michelle Deister, Legislative Fiscal Office*
(503) 986-1817

Date: April 13, 2013

Subject: *SB 192*
Work Session Recommendations

SB 192 relates to unemployment insurance benefits. The measure takes effect 91 days after adjournment sine die.

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).

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

The measure has a an Other Funds fiscal impact of \$542,100 attributable to the following: the need for three limited duration compliance specialist positions (2.50 FTE) to serve an estimated 200 additional employers who would likely choose to participate in the workshare program as a result of these changes; and one-time IT programming and testing related to employer tax specific requirements related to implementation of the bill.

Amendment

There is a -1 amendment to the measure that provides for expenditure limitation needed to implement the bill pursuant to the fiscal impact.

Motion #1: Move the -1 amendment to SB 192.

Measure as Modified

The measure, as amended, is recommended to be moved to the full Committee on Joint Ways and Means.

Motion #2: Move SB 192 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 Issued 2-6-2013

Fiscal: Impact Issued 2-6-2013

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:

Requires charge of benefits to employer's unemployment insurance account if the employer fails to respond in timely manner to notice from the Employment Department regarding claim, failure of which causes overpayment of benefits, and the employer record shows a pattern of failing to respond in a timely or adequate manner to such notices. Excludes individuals employed on seasonal, temporary or intermittent basis from definition of "affected employee" for purposes of the shared work unemployment benefit program. Specifies that the shared work plan must include a description of how requirements of the program will be implemented, estimate the number of layoffs avoided because of the program, and certify that certain retirement benefits will be provided in a manner as if the workweek had not been reduced. Adjusts calculation of benefits under the shared work program. Specifies that employers will not be billed for benefits when the program is fully funded by the federal government. Allows individuals receiving extended benefits to receive self-employment assistance benefits. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

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EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Oregon Employment Department, created in 1933, is charged with supporting economic stability for Oregonians and communities during times of unemployment through the payment of unemployment benefits, generally referred to as Unemployment Insurance (UI). To be eligible to receive benefits, an individual must have earned at least \$1,000 in wages in subject employment during the first four of the previous five quarters, as well as total wages of at least 1.5 times that of the highest quarter during the same period. Weekly benefits range from \$122 per week to \$524 per week.

Oregon law requires employers to pay unemployment taxes on employee wages by filing quarterly tax reports. Individuals who are hired and compensated for their services are considered employees and their compensation for service is considered taxable wages unless specifically excluded by law. The quarterly tax reports are used to determine which employers' accounts should be utilized for paying benefits to UI claimants, as well as for determining whether termination of employment was such that would disqualify the individual from qualifying for UI benefits.

Senate Bill 192 specifies that an employer seeking relief from a requirement to pay UI benefits must file a request for relief within 30 days of receiving notice from the Employment Department that a claim has been made. In instances where an employer establishes a pattern of failure to respond in a timely manner to notices, a failure to respond within

the 30 day period will result in a charge to the employer's account of the benefits paid to the individual in question, even if the benefits were the result of an overpayment. The measure also allows three years of full federal reimbursement of Work Share benefits paid to unemployed claimants by complying with terms from the federal Middle Class Tax Relief and Job Creation Act.

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 192**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: 2/6/2013**Measure Description:**

Requires charge of benefits to employer's account if employer fails to respond timely or adequately to request for information regarding claim, failure causes overpayment of benefits and employer has pattern of failing to respond timely or adequately to requests.

Government Unit(s) Affected:

Employment Department

Summary of Expenditure Impact:

	2013-15 Biennium	2015-17 Biennium
General Fund		
Lottery Funds		
Other Funds	542,100	178,500
Other Funds-NL	-15,035,745	-1,800,000
Federal Funds-NL	15,035,745	1,800,000
Total Funds	\$542,100	\$178,500
Positions	4	3
FTE	2.50	0.83

Summary of Revenue Impact

	2013-15 Biennium	2015-17 Biennium
General Fund		
Lottery Funds		
Other Funds - NL	587,253	1,018,908
Federal Funds		
Federal Funds-NL	15,035,745	1,800,000
Total Funds	\$15,622,998	\$2,818,908

Local Government Mandate:

This bill [may] [does not] affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

While this bill will implement many changes to programs within the Oregon Employment Department (OED), most are estimated to be minimal and absorbable to the department. SB 192 results in changes to the Work Share program to reflect new Federal guidelines for the program; these changes are estimated to significantly impact the funding source as well as the size of the program. SB 192 directs that employers participating in the Work Share program not be billed while full federal funding for the program is available. There are currently 238 employers participating in the Work Share program and

OED anticipates that these changes will result in at least a doubling of program participation while federal funding is received.

OED anticipates an additional workload to be generated from over two-hundred additional participants and sees the need for three, 2.50 FTE, limited duration Compliance Specialists positions. Additionally, OED forecasts the need for 150 hours, .04 FTE, of temporary IT programming and testing required for tax specific requirements related to these new federal funds. The Ways and Means Committee will be reviewing information systems staffing expenditures in the context of the OED's total budget. The total administration costs for these temporary and limited duration positions are estimated to be \$542,138 for 2013-15 biennium and \$178,502 for 2015-17.

The transition from partial employer based funding to full federal funding will mean a decrease in special payments in the Unemployment Insurance Trust Fund by an estimated \$14,035,745 for 2013-15 biennium and \$1,800,000 for 2015-17. Inversely, Federal Funds-Non Limited special payments will increase by the same amount. Interest on federal funding is estimated at \$587,253 for 2013-15 biennium and \$1,018,908 for 2015-17.

Calculations of Work Share related expenses are based on an assumed effective date of July 1, 2013. Certain passages of SB 192 will align the state statues with federal legislation; financial sanctions may ensue in the event of nonconformity with federal legislation.

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

Bill Number: SB 192
Revenue Area: Unemployment Insurance
Economist: Dae Baek
Date: February 6, 2013

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

Measure Description: Makes changes to bring state law into conformity with federal law in relation to overpayment of Unemployment Insurance benefits, the Work Share program, and the Self Employment Assistance program. Takes effect upon passage.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-2017	2017-2019
Unemployment Insurance Trust Fund	\$ 0.3	\$ 0.3	\$ 0.6	\$ 1.0	\$ 1.0

Data Source: Oregon Employment Department

Impact Explanation: By conforming to the federal laws, the benefits that would have been paid out to the Work Share program out of the Unemployment Insurance (UI) Trust Fund will be paid for by federal funds through August 15, 2016. The revenue impact shows interest earnings by these anticipated savings in the UI Trust Fund. According to the Oregon Employment Department, 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).

Creates, Extends, or Expands Tax Expenditure: Yes No