

SB 192

Unemployment insurance benefits

Senate Bill 192 updates Oregon statutes to make them consistent with recent changes in federal laws, as follows: Denying relief of charges to employers who have a pattern of not responding timely to requests for information from the Employment Department, if that failure resulted in the overpayment of an unemployment insurance claim; Changing Oregon's Work Share program to conform to federal rules on worker eligibility, benefit payments, employer responsibilities, and federal funding; and enabling federally funded extensions of the Self Employment Assistance program benefits in the future. This bill was heard by the Senate Business and Transportation Committee and reported out with a "do pass" recommendation on February 7, 2013.

The Subcommittee heard testimony from the Employment Department that maintaining conformity with federal law could prevent sanctions against the Department's federal administrative grant and prevents additional tax liability for Oregon Employers. Senate Bill 192 has a fiscal impact of \$542,138 Federal Funds, and three limited duration compliance specialist positions (2.5 FTE) resulting from increased program participation in the Work Share program and one time reprogramming of information systems as a result of these changes. The dash 2 amendment provides Federal Funds expenditure limitation in the amount of \$542,138 to administer the provisions of Senate Bill 192.

The Transportation and Economic Development Subcommittee recommends Senate Bill 192 be amended and reported out do pass, as amended.

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: SB 192-A

Carrier – House: Rep. McKeown

Carrier – Senate: Sen. Hansell

Action: Do Pass as Amended and be Printed A-Engrossed

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Bill McGee, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: June 21, 2013

Agency

Employment Department

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$\$ Change	% Change
Federal Funds	\$	0 \$	0 \$	542,138 \$	542,100 100%
Other Funds Non-limited	\$	0 \$	0 \$	(\$14,035,745) \$	-\$14,035,745 -100%
Federal Funds Non-limited	\$	0 \$	0 \$	\$14,035,745 \$	\$14,035,745 100%

Position Summary

Authorized Positions	0	0	3	3
Full-time Equivalent (FTE) positions	0.00	0.00	2.50	2.50

Summary of Revenue Changes

Most of the changes to Oregon's Unemployment Insurance statutes included in Senate Bill 192 are estimated to have a minimal revenue impact. Changes to the Work Share program, however, are expected to significantly impact the size of the program and make the state eligible for increased federal revenue. SB 192 directs that Work Share benefit costs not be charged to employer's unemployment insurance accounts while full federal funding is available for program; the Work Share changes included in SB 192 make Oregon eligible for three years of federal support.

There are currently 238 employers participating in the Work Share program and the Employment Department anticipates that statutory changes included in the bill will double program participation while federal funding is available. The transition from state funding to federal funding will increase Federal Funds Non-Limited revenues and expenditures by an estimated \$14,035,745 for 2013-15 biennium and \$1,800,000 for 2015-17; Other Funds Non-limited expenditures from the state's Unemployment Insurance Trust Fund will decrease by the same amounts.

Summary of Transportation and Economic Development Subcommittee Action

Senate Bill 192 updates Oregon statutes to be consistent with recent changes in federal Unemployment Insurance law. If Oregon were found to be out of conformity with federal law, financial sanctions against the Employment Department's administrative grant could result in a loss of up to \$109 million per biennium. Oregon employers could also lose a credit against their Federal Unemployment Tax Act (FUTA) obligations. The loss of this credit would result in a projected \$1.11 billion in additional federal payroll taxes for Oregon employers per biennium.

The bill disqualifies employers with a pattern of failing to respond adequately and in a timely fashion to information requests from the Employment Department, if the failure to respond resulted in an overpayment of unemployment insurance benefits, from the opportunity to have

their unemployment insurance account relieved of charges. Relief of charges means that the employers' unemployment insurance tax rates are not affected by a claim for benefits. The department anticipates denying relief of charges to employers who have failed to respond adequately and in a timely fashion to information requests at least twice, or to two percent of department requests, whichever is greater, in a one year period.

SB 192 also expands Oregon's Self Employment Assistance (SEA) program. This program permits people who are unemployed and likely to exhaust all of their UI benefits before getting reemployed to receive benefits while starting their own business. Historically, SEA benefits were only available to people during their regular UI benefits claim, generally 26 weeks. Recent changes to federal law allow states to pay SEA benefits to people receiving Extended Benefits, which is a different extension program. SB 192 amends Oregon law to permit the Employment Department to pay SEA benefits to people on the Extended Benefits program, which provides benefits beyond 26 weeks under periods of high unemployment. Making these changes qualifies Oregon to apply for federal grant funds to improve administration of the SEA program and enroll eligible claimants who wish to participate.

Finally, the bill makes several federally required modifications to Oregon's Work Share program. Work Share helps employers maintain their workforce during temporary business downturns through reduction of hours rather layoffs; employees are paid Work Share benefits to offset some of their lost hours. These changes will make Oregon eligible for three years of federal reimbursement for Work Share benefits that would otherwise be paid by the state. Modifications to the program include the following.

- Seasonal, temporary or intermittent employees are prohibited from participating in Work Share;
- Employers are required to document their plan for avoiding layoffs and reducing hours;
- Employers are required to maintain existing health and retirement benefits for employees receiving Work Share benefits;
- Benefits will continue to be paid while employees receive approved training; and
- Employers will not have their employer tax accounts charged when the Work Share program is fully federally funded.

Senate Bill 192 includes \$542,138 Federal Funds expenditure limitation and three limited duration Compliance Specialist 2 positions (2.50 full-time equivalent) to serve an estimated 200 additional employers who are expected to participate in the Work Share program. It also includes funding for 150 hours of temporary information technology programming and testing related to employer tax specific requirements resulting from the changes in statute. The Ways and Means Committee will be reviewing the department's information systems staffing and expenditures in the context of its total budget.

The bill also shifts \$14,035,745 expenditure authority from Other Funds Non-limited to Federal Funds Non-limited to reflect federal funding for Work Share benefits tied to the passage of the bill.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 192-A

**Oregon Employment Department
Bill McGee 503-378-2078**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	0.00
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	0.00
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
010-10 Unemployment Insurance									
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 482,138	\$ 0	\$ 482,138	3	2.50
Services and Supplies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,000	\$ 0	\$ 60,000	0	0.00
087-00 Non-limited									
Special Payments	\$ 0	\$ 0	\$ 0	\$ (14,035,745)	\$ 0	\$ 14,035,745	\$ 0	0	0.00
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ 0	\$ (14,035,745)	\$ 542,138	\$ 14,035,745	\$ 542,138	3	2.50
SUBCOMMITTEE RECOMMENDATION *	\$ 0	\$ 0	\$ 0	\$ (14,035,745)	\$ 542,138	\$ 14,035,745	\$ 542,138	\$ 3	2.50
% Change from 2011-13 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Change from 2013-15 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**PROPOSED AMENDMENTS TO
SENATE BILL 192**

1 On page 1 of the printed bill, line 3, after the semicolon insert “limiting
2 expenditures;”.

3 On page 7, after line 20, insert:

4 **“SECTION 6. Notwithstanding any other law limiting expenditures,
5 the amount of \$542,138 is established for the biennium beginning July
6 1, 2013, as the maximum limit for payment of expenses from federal
7 funds other than those described in sections 2 and 4, chapter _____,
8 Oregon Laws 2013 (Enrolled House Bill 5009), collected or received by
9 the Employment Department for the administration of the provisions
10 of this 2013 Act.”.**

11 In line 21, delete “7” and insert “8”.

12 _____