

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: SB 252**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:**

Increases to \$100 minimum penalty for late filings of payroll and tax reports, and penalty for continued late filings of zero payroll reports, by employers.

**Government Unit(s) Affected:**

Employment Department

**Summary of Expenditure Impact:**

	<b>2013-15 Biennium</b>	<b>2015-17 Biennium</b>
Other Funds	\$158,600	\$11,200
Federal Funds		
NL Other Funds		
NL Federal Funds		
<b>Total Funds</b>		
Positions	1	0
FTE	0.88	0

**Summary of Revenue Impact:**

	<b>2013-15 Biennium</b>	<b>2015-17 Biennium</b>
Other Funds	\$918,000	\$696,000
Federal Funds		
NL Other Funds		
NL Federal Funds		
<b>Total Funds</b>		

**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:**

The current Oregon Employment Department (OED) minimum civil penalty is \$5.00 and OED does not generally issue billing notices for amounts owed that are less than \$10. SB 252 will increase these minimum penalties from \$5 to \$100, which will result in an estimated 4,800 annual penalties that were not previously collected, therefore producing \$480,000 additional Other Funds (OF) revenue in the first year. LFO assumes that by the second year there will be increased compliance, therefore reducing the number of penalties to an additional \$240,000 OF annually.

There also exist approximately 1,200 penalties ranging from \$10-\$99. Approximately one-quarter of those penalties are not pursued because of the cost of trying to collect them and the minimal impact the penalty has on increasing employer compliance. OF revenue from these penalties is estimated to be increased \$114,000 in the first year and \$57,000 OF revenue in the second year.

OED has an additional \$85 fine that would be increased to \$100 under SB 252. The resulting price increase on the 4,200 annual penalties would increase OF revenue by \$63,000 annually. We assume that by the second year there will be increased compliance, therefore reducing the number of penalties to 3,400 and \$51,000 OF annually.

Initial implementation of SB 252 is estimated to require approximately 80 hours of temporary work for information systems programming and updating department materials at a cost of \$3,700. The agency anticipates a need for one limited duration .88 FTE Compliance Specialist 2 position for 21 months at a cost of \$143,700. This position would address public questions and concerns regarding the change in penalty policy, as well as help process the additional penalty workload.

Enforcing these additional penalties will also result in a larger number of administrative hearings for assessments that are challenged. The Office of Administrative Hearings (OAH) anticipates approximately five more administrative hearing requests per year with the passage of SB 252. The OED will be billed for these services by OAH at an estimated cost of \$5,600 per biennium.

LFO assumes that SB 252 will increase the number of penalties enforced in the short term, however over the course of a biennium, the total number of penalties will be reduced due to increased employer compliance. OED reports that increased compliance rates over time would slightly reduce the amount of resources needed to pursue penalties and therefore could reduce delays in processing unemployment insurance benefits. Calculations are based on an assumed effective date of October 1, 2013.