

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: SB 252 - A**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: 3/19/2013**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 to a \$25 fee, by employers.

**Government Unit(s) Affected:**

Employment Department

**Summary of Expenditure Impact:**

	<b>2013-15 Biennium</b>	<b>2015-17 Biennium</b>
Other Funds	\$153,592	\$11,224
Federal Funds		
NL Other Funds		
NL Federal Funds		
<b>Total Funds</b>	<b>\$153,592</b>	<b>\$11,224</b>
Positions	1	0
FTE	0.88	0

**Summary of Revenue Impact:**

	<b>2013-15 Biennium</b>	<b>2015-17 Biennium</b>
Other Funds	\$299,250	\$246,000
Federal Funds		
NL Other Funds		
NL Federal Funds		
<b>Total Funds</b>	<b>\$299,250</b>	<b>\$246,000</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 assessed is for late filings by employers with no payroll to report. OED does not generally issue billing notices for amounts owed on these reports if they are less than \$10. SB 252 - 1 will increase this penalty to \$25, which will result in \$165,000 additional Other Funds (OF) revenue in the 2013-15 biennium. LFO assumes that by the second biennium there will be increased compliance, therefore reducing the number of penalties, resulting in an additional \$120,000 OF in the 2015-17 biennium.

There also exist additional penalties that are currently assessed at \$5 that will be changed to \$25 under SB 252 - 1. Approximately one-quarter of those penalties are not currently 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 \$33,000 in 2013-15 biennium and \$24,000 OF revenue in the 2015-17 biennium.

OED has an additional \$85 penalty for continued late filings with payroll to report, that would be increased to \$100 under SB 252 - 1. The resulting increase on this penalty would increase OF revenue by \$101,250 in the 2013-15 biennium and \$102,000 OF in the 2015-17 biennium.

Initial implementation of SB 252 - 1 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 \$144,280. 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 - 1. The OED will be billed for these services by OAH at an estimated cost of \$5,612 per biennium.

LFO assumes that SB 252 - 1 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.