

Date: May 7, 2015

To: Joint Committee on Ways and Means, Subcommittee on Information Technology

From: Lisa Nisenfeld, Director, Oregon Employment Department

Subject: Follow Up Information

This memo is to provide you with some additional details and clarification in response to information needs expressed during Oregon Employment Department's (OED) May 5, 2015 presentation on Policy Option Package 101 (Business Services and Technology Infrastructure Modernization).

Source of Money and Allowable uses of the Modernization Funds that support POP 101

The money being used for the modernization project came from a separate distribution OED received in 2009 from the Federal Unemployment Trust Fund. These funds are now part of the Oregon Unemployment Trust Fund.

The distribution was conditional upon modernizing the state's Unemployment Compensation Laws, which occurred during the 2009 legislative session. Based on guidelines issued by the US Department of Labor, these Modernization Funds can be used to pay the following, as appropriated by the state legislature: unemployment compensation benefits, unemployment compensation administrative costs, and administration of the public employment service offices.

Originally, OED planned to use these funds to offset costs of benefit payments; however, in the 2013 legislative session OED's 2013-15 budget presentation updated legislators on its plans to use these funds for Business Services and Technology Infrastructure Modernization.

In light of the recent and proposed transfer of SEDAF revenue, will any of these Modernization Funds be required to be used for OED 2015-17 administrative/operational costs?

To cover funding contingencies related to OED's operating budget, linked in part to the \$37.9 million SEDAF fund transfer, OED is seeking appropriation authority from the legislature in SB 5508 to potentially spend up to \$25 million in Modernization Funds in 2015-17 for the following purposes:

- The Joint Ways and Means Transportation and Economic Development Subcommittee recommendations include expenditure limitation for POP 101 of \$3.02 million; however, OED anticipates the possibility of returning to Legislature or Emergency Board later in the biennium to provide a progress report and to seek approval to move forward with additional modernization project work, in the event that the agency is ready to proceed through a subsequent stage gate. The estimated potential additional cost is another \$2.23 million.
- The Joint Ways and Means Transportation and Economic Development Subcommittee recommendations also include \$1.9 million in limitation for Policy Option Package 109 (Customer Flow and Service Access); however, OED anticipates returning to the February 2016 Legislative Session with a progress report on work completed to that point, and may be requesting approval to spend up to an additional \$3.7 million for remaining WorkSource Center renovations that improve customer service and productivity.
- OED plans to manage to the recommended budget by potentially backfilling with approximately \$12.4 million; however, OED has planned and continues to plan to do all it can through the use of Other Funds and Federal Funds it may receive, to dedicate as much of the \$85 million in available Modernization Funds as possible to Business Services and Technology Infrastructure Modernization, minimizing the use of Modernization Funds for other activities.