

SB 5508 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Rep. Gomberg

Joint Committee On Ways and Means

Action Date: 04/26/19

Action: Do Pass the A-Eng bill.

House Vote

Yeas: 7 - Gomberg, Holvey, McLain, Nosse, Piluso, Rayfield, Smith G

Nays: 2 - McLane, Stark

Senate Vote

Yeas: 8 - Beyer, Frederick, Hansell, Johnson, Manning Jr, Roblan, Steiner Hayward, Wagner

Nays: 3 - Girod, Heard, Thomsen

Exc: 1 - Winters

Prepared By: Michelle Lisper, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

**Employment Department
2019-21**

Budget Summary*

	2017-19 Legislatively Approved Budget ⁽¹⁾	2019-21 Current Service Level	2019-21 Committee Recommendation	Committee Change from 2017-19 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ 152,138,808	\$ 169,428,964	\$ 192,732,681	\$ 40,593,873	26.7%
Other Funds Capital Improvements	\$ 765,500	\$ 552,000	\$ 552,000	\$ (213,500)	(27.9%)
Other Funds Nonlimited	\$ 1,424,000,000	\$ 1,582,000,000	\$ 1,582,000,000	\$ 158,000,000	11.1%
Federal Funds Limited	\$ 159,644,349	\$ 153,562,854	\$ 154,981,070	\$ (4,663,279)	(2.9%)
Federal Funds Nonlimited	\$ 70,000,000	\$ 100,000,000	\$ 100,000,000	\$ 30,000,000	42.9%
Total	\$ 1,806,548,657	\$ 2,005,543,818	\$ 2,030,265,751	\$ 223,717,094	12.4%

Position Summary

Authorized Positions	1,320	1,270	1,356	36
Full-time Equivalent (FTE) positions	1,259.03	1,255.20	1,302.83	43.80

⁽¹⁾ Includes adjustments through December 2018

Summary of Revenue Changes

The majority of revenue in the Oregon Employment Department (OED) is designated for Unemployment Insurance benefits payments to eligible claimants. Unemployment taxes are collected by the state and held by the U.S. Treasury for payment of benefits. These payments are expended as Other Funds Nonlimited. Unemployment benefits paid by the federal government under emergency and extended benefit programs, the federal Trade Act, and for federal employees are all expended as Federal Funds Nonlimited.

The Supplemental Employment Department Administrative Fund (SEDAF) is the major source of Other Funds revenues supporting Department operations. SEDAF is generated from an assessment on employer payroll of 0.09 of one percent and is estimated to generate \$89.8 million in the 2019-21 biennium. Special Administrative Fund revenues from interest and tax compliance penalties will generate approximately \$48.0 million in the 2019-21 biennium while Fraud Control Fund revenues from overpayment collection activities are estimated at \$9.0 million. The Department also receives Other Funds revenues from contracts with other state agencies to provide employment placement, research services for employers and workforce partners, and administrative hearings conducted on behalf of state agencies.

The Federal Unemployment Tax Act revenues are generated through a tax on employers and are based on the number of claims, employer accounts, time spent on various workload activities, and staff costs. A portion of these revenues are returned to the state to fund administration of employment security programs. The Federal Wagner-Peyser Act funds are allocated based on the civilian labor force and unemployment history for employment related labor exchange services. Federal Funds support specific services such as Trade Act administration, labor

statistics, and reemployment eligibility assessments. The Federal Funds revenue accounts for 7.6 percent of total revenue collected by the Department.

Summary of Transportation and Economic Development Subcommittee Action

The Oregon Employment Department's mission is to support business and promote employment. To accomplish this mission, the Department administers the Unemployment Insurance (UI) benefits program, recruits and refers applicants to job openings, assists job seekers in their employment searches, and develops and distributes workforce and economic information. Within the Department, the Office of Administrative Hearings (OAH) adjudicates disputed unemployment insurance benefit eligibility determinations and citizen and business disputes with most state agencies.

The Subcommittee approved a budget of \$2,030,265,751 total funds, which consists of the following: \$193,284,681 Other Funds expenditure limitation; \$1,582,000,000 Other Funds Nonlimited expenditures; \$154,981,070 Federal Funds expenditure limitation; \$100,000,000 Federal Funds Nonlimited expenditures; and 1,356 positions (1,302.83 FTE). This represents a 12.4 percent increase in total funds and a 3.5 percent increase in FTE from the 2017-19 Legislatively Approved Budget through December 2018. The increase in expenditure limitation and staffing needs associated with the modernization of the Department's business practices and information technology systems are primarily due to the expansion of two federal programs: the Supplemental Nutrition Assistance Program (SNAP) Training & Employment (STEP) and Able-Bodied Adults Without Dependents (ABAWD).

The policy packages approved by the Subcommittee include the following:

- \$158,387 total funds in additional expenditure limitation to address position reclassifications with a net zero increase in the number of positions or full-time equivalents (FTE).
- \$9.4 million in additional Federal Funds expenditure limitation and 41 positions for job placement services for Department of Human Services (DHS) clients.
- \$1.5 million in additional Federal Funds expenditure limitation and eight positions to accommodate the reauthorization and expansion of the Federal Trade Act and the Foreign Labor Certification programs, provided there is an increase in program participation.
- \$13.7 million Other Funds expenditure limitation and 37 positions, which will enable the Department to procure and begin to implement a replacement system for administration of Unemployment Insurance tax and benefits, working through the Joint State Office of State Chief Information Office (OSCIO) and Legislative Fiscal Office (LFO) Stage Gate Review Process.

Shared Services Division

This Division provides a broad range of strategic and operational support services for all OED programs. Core administrative functions are provided by the Director's Office, Legislative Affairs and Communications; Administrative Business Support, which includes Accounting and Payroll, Budget and Program Analysis, Contracts and Procurement, Facilities and Safety/Risk; Information Technology Services and Human Resources. The centralization of core administrative functions allows other Department divisions to focus on the delivery of services to customers.

The Subcommittee approved a budget of \$42,441,089 total funds: \$16,778,300 Other Funds expenditure limitation; \$25,662,789 Federal Funds expenditure limitation; and 131 positions (130.50 FTE). The Subcommittee approved the following adjustments to the Division's current service level budget:

Policy Package 801, LFO Analyst Adjustments. This package reduces Federal Funds expenditure limitation by \$59,613, and adjusts positions as follows:

- An upward reclassification of an Information System Support (ISS) 6 position to an ISS 7 position, to provide additional capacity on information security;
- An upward reclassification of two Principal Executive Manager D (PEM-D) positions to two PEM-E positions in the Administrative Business section. The reclassification is due to additional position responsibilities related to property, risk management, and policy administration oversight;
- A lateral reclassification of an Operation and Policy Analyst 3 to a Project Manager 2 to appropriately reflect duties related to managing facility leases and property projects; and
- Reducing months on an Accounting Technician 3 position in the Administrative Business Services section from 1.00 FTE to 0.50 FTE, due to a decrease in workload. This reduction will partially finance the other recommended adjustments.

Unemployment Insurance

The Unemployment Insurance (UI) program provides partial, temporary income replacement for workers who are unemployed through no fault of their own. The Division staff determine eligibility; pay unemployment benefits; review appeals of eligibility, benefit, and tax decisions; and administer the state's unemployment tax program. The Employment Appeals Board is included in this program area.

The Subcommittee approved a budget of \$124,979,956 total funds: \$40,857,869 Other Funds expenditure limitation; \$84,122,087 Federal Funds expenditure limitation; 533 positions (490.07 FTE), and includes the following adjustments to the Division's current service level budget:

Policy Package 801, LFO Analyst Adjustments. This package increases the Federal Funds expenditure limitation by \$204,437, adds one position (1.00 FTE), and identifies the following positions adjustments:

- Upward reclassification of a Revenue Agent 3 position to an Operations and Policy Analyst 2 position, and the establishment of one Operation and Policy Analyst 3 position. Both adjustments will be used to respond to the U.S. Department of Labor requirements for additional analysis and reporting.
- Upward reclassification of an Operations and Policy Analyst 1 to an Executive Assistant, to reflect the duties used to support the Employment Appeals Board.

Workforce Operations Division

The Workforce Operations Division (formerly known as the Business and Employment Services Division) connects Oregon employers and job seekers by helping businesses find skilled workers, employee training opportunities, and offering skill assessments and career paths to job seekers. The Division has a statewide network of field offices and one-stop centers. The Division partners with regional and local training providers (per federal Workforce Innovation and Opportunity Act Title I), the Oregon Workforce Investment Board, Local Workforce Development Boards, inter-agency partnerships (including the Department of Human Services, the Commission for the Blind, and the Higher Education Coordinating Commission), local economic development organizations, and Oregon community colleges.

The Subcommittee approved a budget of \$115,925,572 total funds; \$78,559,991 Other Funds expenditure limitation; \$37,365,581 Federal Funds expenditure limitation; 480 positions (479.75 FTE), and includes the following adjustments to the Division's current service level budget:

Policy Package 102, Employment Service Contracts: Department of Human Services. This package increases Other Funds expenditure limitation by \$9,395,046, adds 18 permanent full-time positions (18.00 FTE), and adds 23 full-time limited duration (23.00 FTE) positions. The Department has a job placement services contract for DHS clients in the following three programs:

- Job Opportunity Skills (JOBS);
- Supplemental Nutrition Assistance Program (SNAP) Training & Employment (STEP); and
- Able-Bodied Adults Without Dependents (ABAWD).

Basic skill assessment and training have been provided to DHS clients for the past eight biennia, under contract. This package represents specific services to particular populations. Clients in the JOBS and ABAWD programs must complete a federally mandated work participation requirements to receive benefits. The STEP program is a voluntary program and participating clients are assessed and provided limited training

as needed. ABAWD clients who chose to participate will receive STEP services along with other assessed services as needed. The STEP and ABAWD programs are now moving into the third year under a DHS contract. These more intensive services were initially offered in seven counties in 2017-19. Since January 1, 2018 the program has expanded to another six counties and may need to request additional resources and expenditure limitation.

Policy Package 103, Trade Act and Foreign Labor Certification. This package increases Federal Funds expenditure limitation by \$1,468,736 and eight permanent full-time positions (8.00 FTE). The Department, through the Trade Act program, assists workers who have lost their jobs due to foreign competition, pursuant to the guidelines associated with the Federal Trade Act.

Requests by Oregon employers for Foreign Labor Certification have tripled in the past three years. The Department is responsible for assuring the U.S. Department of Labor the requesting employers have exhausted efforts to fill their positions with U.S. workers before obtaining certification. Part of the certifying efforts require the agency to conduct compliance field checks of the requesting employers.

Policy Package 801, LFO Analyst Adjustments. This package increases Other Funds expenditure limitation by \$28,631 and includes the following position adjustments:

- Establish one Operations and Policy Analyst 1 position to serve as an infrastructure coordinator responsible for integrating and maintaining a wide variety of legal agreements, documents, and services;
- A downward reclassification of a PEM-D position to a PEM-B position. This position was under-filled and is now aligned with the duties it performs and also assists with financing the agency-wide adjustments; and
- Abolish a vacant Business and Employment Specialist 2 position, which assists with financing the agency-wide adjustments.

Office of Administrative Hearings

The Office of Administrative Hearings provides an independent and impartial forum for citizens and businesses to adjudicate their disputes with state agencies.

The Subcommittee approved a budget of \$29,379,031 Other Funds expenditure limitation and 103 positions (101.88 FTE).

Workforce and Economic Research Division

The Workforce and Economic Research Division has primary responsibility for providing quality workforce and economic information for the state, its workforce regions and counties. The Division is Oregon's designated Employment Statistics Agency (under the federal Workforce Investment Act of 1998) and Oregon's designated agency for the coordination of occupational and career information.

The Subcommittee approved a budget of \$15,573,054 total funds; \$7,742,441 Other Funds expenditure limitation; \$7,830,613 Federal Funds expenditure limitation, 54 positions (54.00 FTE) and includes the following adjustments to the Division's current service level budget:

Package 801, LFO Analyst Adjustments. This package increases the Other Funds expenditure limitation by \$70,690, reduces Federal Funds expenditure limitation by \$195,344, and results in a net reduction of one position (0.50 FTE) due to the following positions adjustments:

- Abolishment of one (1.00 FTE) vacant Information Support Specialist 6 position; and
- Increase in months on an existing Administrative Specialist 2 position to meet workload demands, effectively resulting in this position becoming full-time.

Modernization Initiative Division

The Modernization Initiative Division includes the team of individuals working to evaluate, improve and replace core business processes and aging information technology systems for the Department. This initiative began in the 2015-17 biennium and since that time, the Department has determined primary systems lack integration with one another, are inflexible, are near the end of their useful life, and are difficult to securely maintain. The Department is expected to work closely with OSCIO, LFO and the Department of Administrative Services Chief Financial Office (DAS CFO) to accomplish improvements and updates over several biennia.

The Subcommittee approved a budget of \$19,967,049 Other Funds expenditure limitation, and 55 positions (46.63 FTE), and include the following adjustments to the Division's current service level budget:

Policy Package 101, Modernization Business Services and Technology Infrastructure. This package is increases Other Funds expenditure limitation by \$13,699,764 and adds 37 permanent positions (28.63 FTE) for the purpose of improving and replacing core business processes and aging information technology systems for the Department. This recommendation is requesting DAS CFO to unschedule \$7,300,000 Other Funds expenditure limitation, pending a report to the Legislature during the 2020 Session. The report should include an update on the project status, which will include vendor selection, resource utilization, and updates on the project schedule and resource requirements.

Project deliverables include:

- Completion and posting of a UI tax and benefit modernization project Request for Proposal;
- Solution vendor selection and contracting;
- Project team staff recruitments;
- Facility preparation;
- Equipment installation;
- Data analysis, cleansing, and conversion;
- Updated business case, risk assessment, and a complete detailed project management plan; and
- Independent quality assurance review and oversight as required by the Joint State OSCIO and LFO Stage Gate review process.

This funding is expected to enable the Department to initiate the procurement and begin implementation of the replacement system for the Unemployment Insurance Program.

The Department is directed to continue to work closely with and regularly report project status to the OSCIO, DAS CFO, and LFO throughout the project's lifecycle. The Department will continue to follow the Joint State OSCIO and LFO Stage Gate review process, utilizing processes and the OSCIO Project/Portfolio Management System for purposes of project review, approval, status updates, and quality assurance activities throughout the life of the project.

Funding streams supporting this recommendation include the following:

- \$12.9 million in Penalty and Interest payments to the Department;
- \$811,275 from the Supplemental Employment Department Administrative Fund; and
- Base budget expenditures assumed for this project that consist of \$314,246 in Penalty and Interest payments, \$985,990 from the Supplemental Employment Department Administration Fund (SEDAF), and \$4,857,463 in Modernization funding.

Modernization funding originated from an allocation of \$85.6 million distributed to OED by the U.S. Department of Labor in 2009. The Department projects an \$80.6 million ending balance as of June 30, 2019. This balance has been identified by the Department to fund current

and future costs related to the Modernizations Initiative, including systems supporting Workforce Operations. Costs for the Workforce Operations projects are not yet fully defined. As of February 28, 2019, the Department has spent a total of \$3,723,904 on the project.

Policy Package 801, LFO Analyst Adjustments. This package increases Other Funds expenditure limitation by \$109,586 for the Modernization Initiative and provides for the following position adjustments:

- An upward reclassification of a Procurement and Contract Specialist 3 position to a Project Manager 2 position to reflect duties not originally envisioned when the position was approved in 2017; and
- An upward reclassification of a PEM-F position to a PEM-G position (I series). This adjustment is for the Modernization Initiative Director. Additional duties and responsibilities include the management of additional staff, as well as multiple portfolios and vendors as the initiative moves towards project procurement and execution.

Nonlimited

Nonlimited funds include unemployment tax collections, trust fund interest earnings, and federal revenues used to pay UI and associated benefits to qualified applicants. Nonlimited funds also include federal revenues used to pay benefits related to federal training programs, such as the Trade Adjustment Assistance Program and as reimbursement of UI benefit paid for workers.

The Subcommittee approved a budget of \$1,582,000,000 Other Funds Nonlimited and \$100,000,000 Federal Funds Nonlimited expenditures. No positions are included in this program unit.

Summary of Maximum Supervisory Ratio

The Subcommittee reviewed the Department's proposed Maximum Supervisory Ratio of 1:11.43 for the 2019-21 biennium, while the Office of Administrative Hearings reported a maximum supervisory ratio of 1:11.875 for the 2017-19 biennium and an estimated at 1:11.78 for the 2019-21 biennium.

Summary of Performance Measure Action

See attached "Legislatively Approved 2019-2021 Key Performance Measures."

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Employment Department
Michelle Lisper -- 971-283-6360

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE	
			LIMITED	NONLIMITED	LIMITED	NONLIMITED				
2017-19 Legislatively Approved Budget at Dec 2018 *	\$	- \$	- \$	152,904,308	\$ 1,424,000,000	\$ 159,644,349	\$ 70,000,000	\$ 1,806,548,657	1,320	1,259.03
2019-21 Current Service Level (CSL)*	\$	- \$	- \$	169,980,964	\$ 1,582,000,000	\$ 153,562,854	\$ 100,000,000	\$ 2,005,543,818	1,270	1,225.20
SUBCOMMITTEE ADJUSTMENTS (from CSL)										
SCR 010-05 - Shared Services										
Package 801: LFO Analyst Adjustments										
Personal Services	\$	- \$	- \$	- \$	- \$	(59,613)	\$ -	(59,613)	0	(0.50)
SCR 010-10 - Unemployment Insurance										
Package 801: LFO Analyst Adjustments										
Personal Services	\$	- \$	- \$	- \$	- \$	204,437	\$ -	204,437	1	1.00
SCR 010-20 - Workforce Operations										
Package 102: Employment Service Contracts: Department of Human Services										
Personal Services	\$	- \$	- \$	5,819,046	\$ -	\$ -	- \$	5,819,046	41	41.00
Services and Supplies	\$	- \$	- \$	1,476,000	\$ -	\$ -	- \$	1,476,000		
Special Payments	\$	- \$	- \$	2,100,000	\$ -	\$ -	- \$	2,100,000		
Package 103: Trade Act and Foreign Labor Certification										
Personal Services	\$	- \$	- \$	- \$	- \$	1,180,736	\$ -	1,180,736	8	8.00
Services and Supplies	\$	- \$	- \$	- \$	- \$	288,000	\$ -	288,000		
Package 801: LFO Analyst Adjustments										
Personal Services	\$	- \$	- \$	28,631	\$ -	\$ -	- \$	28,631	0	0.00
SCR 010-50 - Workforce and Economic Research										
Package 801: LFO Analyst Adjustments										
Personal Services	\$	- \$	- \$	70,690	\$ -	(195,344)	\$ -	(124,654)	(1)	(0.50)
SCR 010-90 - Modernization Initiative										
Package 101: Modernize Business and Technology Infrastructure										
Personal Services	\$	- \$	- \$	5,938,398	\$ -	\$ -	- \$	5,938,398	37	28.63
Services and Supplies	\$	- \$	- \$	7,761,366	\$ -	\$ -	- \$	7,761,366		
Package 801: LFO Analyst Adjustments										
Personal Services	\$	- \$	- \$	109,586	\$ -	\$ -	- \$	109,586	0	0.00
TOTAL ADJUSTMENTS	\$	- \$	- \$	23,303,717	\$ -	1,418,216	\$ -	24,721,933	86	77.63
SUBCOMMITTEE RECOMMENDATION *	\$	- \$	- \$	193,284,681	\$ 1,582,000,000	\$ 154,981,070	\$ 100,000,000	\$ 2,030,265,751	1,356	1,302.83
% Change from 2017-19 Leg Approved Budget	0.0%	0.0%	0.0%	26.4%	11.1%	-2.9%	42.9%	12.4%	2.7%	3.5%
% Change from 2019-21 Current Service Level	0.0%	0.0%	0.0%	13.7%	0.0%	0.9%	0.0%	1.2%	6.8%	6.3%

*Excludes Capital Construction Expenditures

Legislatively Approved 2019 - 2021 Key Performance Measures

Published: 4/19/2019 11:37:09 AM

Agency: Employment Department

Mission Statement:

The mission of the Oregon Employment Department is to Support Business and Promote Employment.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2020	Target 2021
1. ENTERED EMPLOYMENT - Percentage of job seekers who receive service from Workforce Operations that are still employed after six months.		Approved	69%	63%	63%
2. EMPLOYMENT RETENTION - Percent of job seekers who receive service from Workforce Operations that are still employed after 12 months.		Approved	69%	65%	65%
3. COST PER PLACEMENT - Total cost of Workforce Operations (Business & Employment Services) program divided by the total number of job seekers entered into employment after receiving services.		Approved	\$510.00	\$424.00	\$433.00
4. FIRST PAYMENT TIMELINESS - Percentage of initial Unemployment Insurance payments made within 21 days of eligibility.		Approved	94%	89%	89%
5. NON-MONETARY DETERMINATIONS TIMELINESS - Percentage of claims that are adjudicated within 21 days of issue detection.		Approved	72%	80%	80%
6. UNEMPLOYMENT INSURANCE ADMINISTRATIVE COSTS AS A PERCENT OF BENEFITS PAID - Compares dollars paid to unemployed workers against the cost of providing those benefits. Specifically, all costs associated with Unemployment Insurance administration, including related Department of Justice and Office of Administrative Hearings costs, less Re-Employment Eligibility Assessments and State Government Service Charges, divided by Total Unemployment Insurance Benefits paid.		Approved	12%	10%	10%
7. UNEMPLOYMENT INSURANCE APPEALS TIMELINESS - Percentage of cases requesting a hearing that are heard or are otherwise resolved within 30 days of the date of request.		Approved	61%	60%	60%
8. NON-UNEMPLOYMENT INSURANCE APPEALS TIMELINESS - Percentage of orders issued within the standards established by the user agencies.		Approved	92%	93%	93%
9. AVERAGE DAYS TO ISSUE AN ORDER - Average number of days to issue an order following the close of record.		Approved	4.50	6.60	6.60
10. COST PER REFERRAL TO OAH - Average cost of hearing referral to the Office of Administrative Hearings.		Approved	\$564.00	\$657.00	\$657.00
11. HIGHER AUTHORITY APPEALS TIMELINESS - Percentage of cases requesting an appeal that receive a decision within 45 days of the date of request.		Approved	100%	80%	80%
12. TIMELINESS OF NEW STATUS DETERMINATIONS - Percentage of new status determinations completed within 90 days of the end of the liable quarter.		Approved	74%	80%	80%
13. CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent," including overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	Expertise	Approved	82.70%	95.50%	95.50%
	Accuracy		79.90%	95.50%	95.50%
	Availability of Information		81.70%	95.50%	95.50%

SB 5508 A

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2020	Target 2021
	Timeliness		81.40%	95.50%	95.50%
	Overall		83.30%	95.50%	95.50%
	Helpfulness		84%	95.50%	95.50%
14. FOUNDATIONAL SURVEY RESPONSE RATE - Ordinary (non-weighted) arithmetic mean of four annual response rates: (1) Occupational Employment Statistics employment; (2) Occupational Employment Statistics units; (3) Annual Refiling Survey employment; and (4) Annual Refiling Survey units.		Approved	86%	80%	80%

LFO Recommendation:

The Legislative Fiscal Office recommends Key Performance Measures for the Employment Department as set out above.

Note that the target for KPM # 10 is calculated based on assumed workload (which includes projections as to the number and type of hearing) and the Governor's recommended budget for this division.

Regarding KPM #14, the Legislative Fiscal Office recommends increasing the target for survey response rates from 73% to 80%, based on performance to date.

SubCommittee Action:

The Subcommittee discussed the appropriateness of the targets, given that agency performance was well in excess of several of the targets proposed. The cyclical nature of the Department's workload (e.g. heavy volume of claims, determinations, appeals, and utilization of workforce resources during a recession) can impact the agency's ability to achieve or exceed the targets, compared to a time of low unemployment and economic stability. A majority of the Subcommittee voted to approve the Legislative Fiscal Office recommendation.