



# Senate Interim Committee on Labor and Business

## COVID-19 Response and Implementation of HB 3389

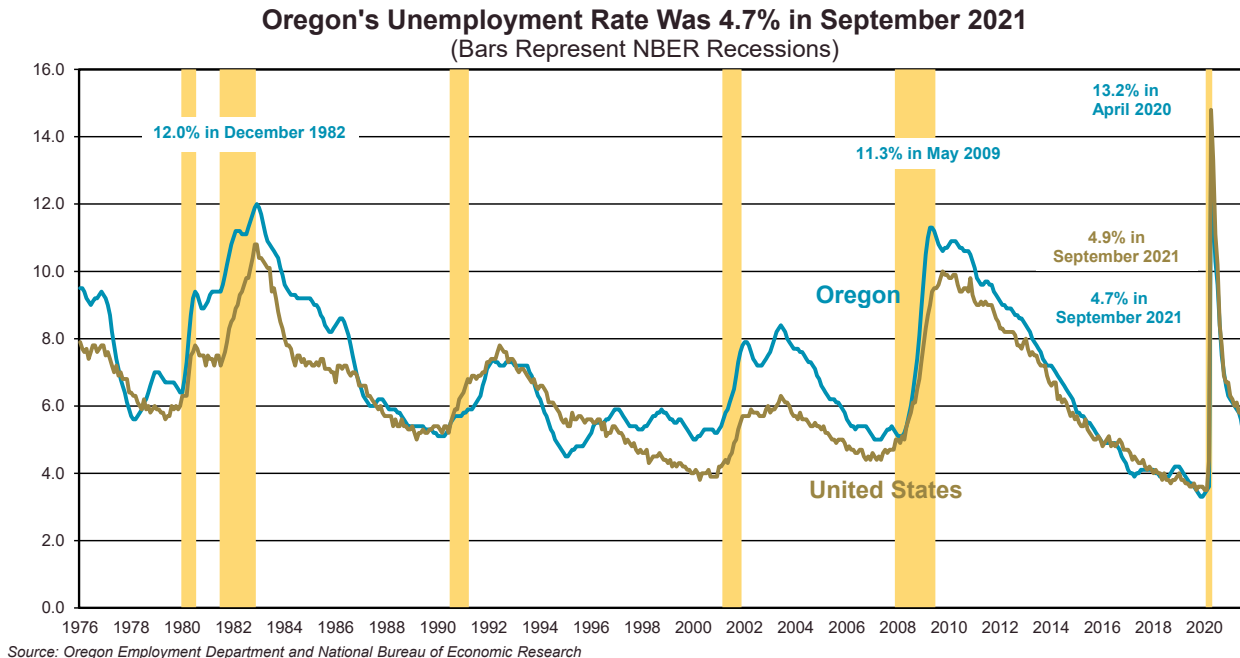
David Gerstenfeld, Acting Director  
Lindi Leahy, Unemployment Insurance Division Director

November 16, 2021

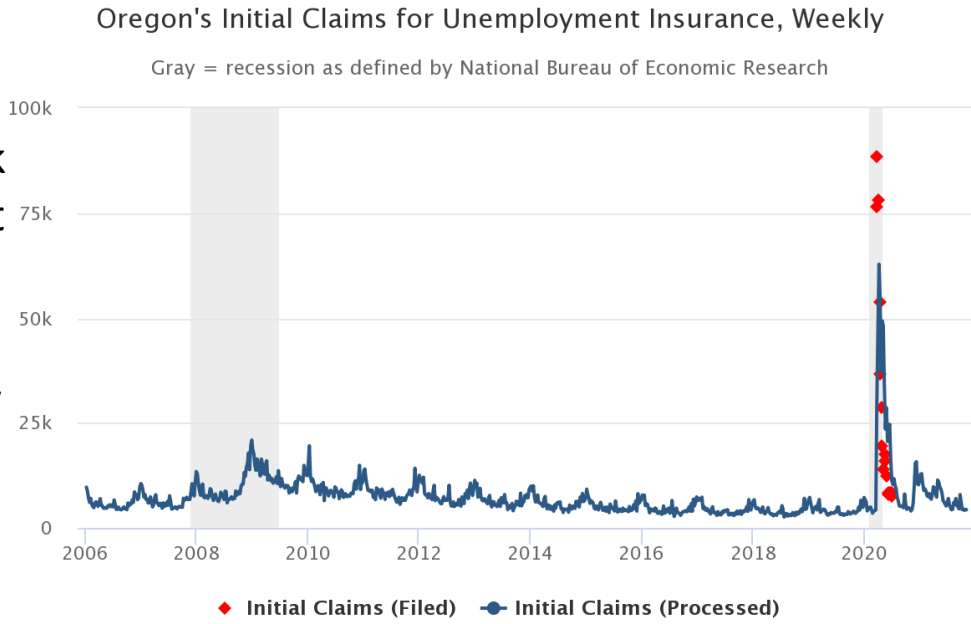


# Impact of COVID-19 Pandemic

Oregon went from its lowest-ever unemployment rate to its highest, almost overnight



- The largest number of initial weekly UI claims during the Great Recession was 20,900. During the COVID-19 pandemic, that number was 88,600.
- During this pandemic we reached the peak volume in claims in two months. The Great Recession took 27 months to reach the peak volume of unemployment claims.
- The volume of claims remained historically high for several months.
- By October 2021, there were 4,350 new claims in a week. In mid-February 2020, it was 3,500.



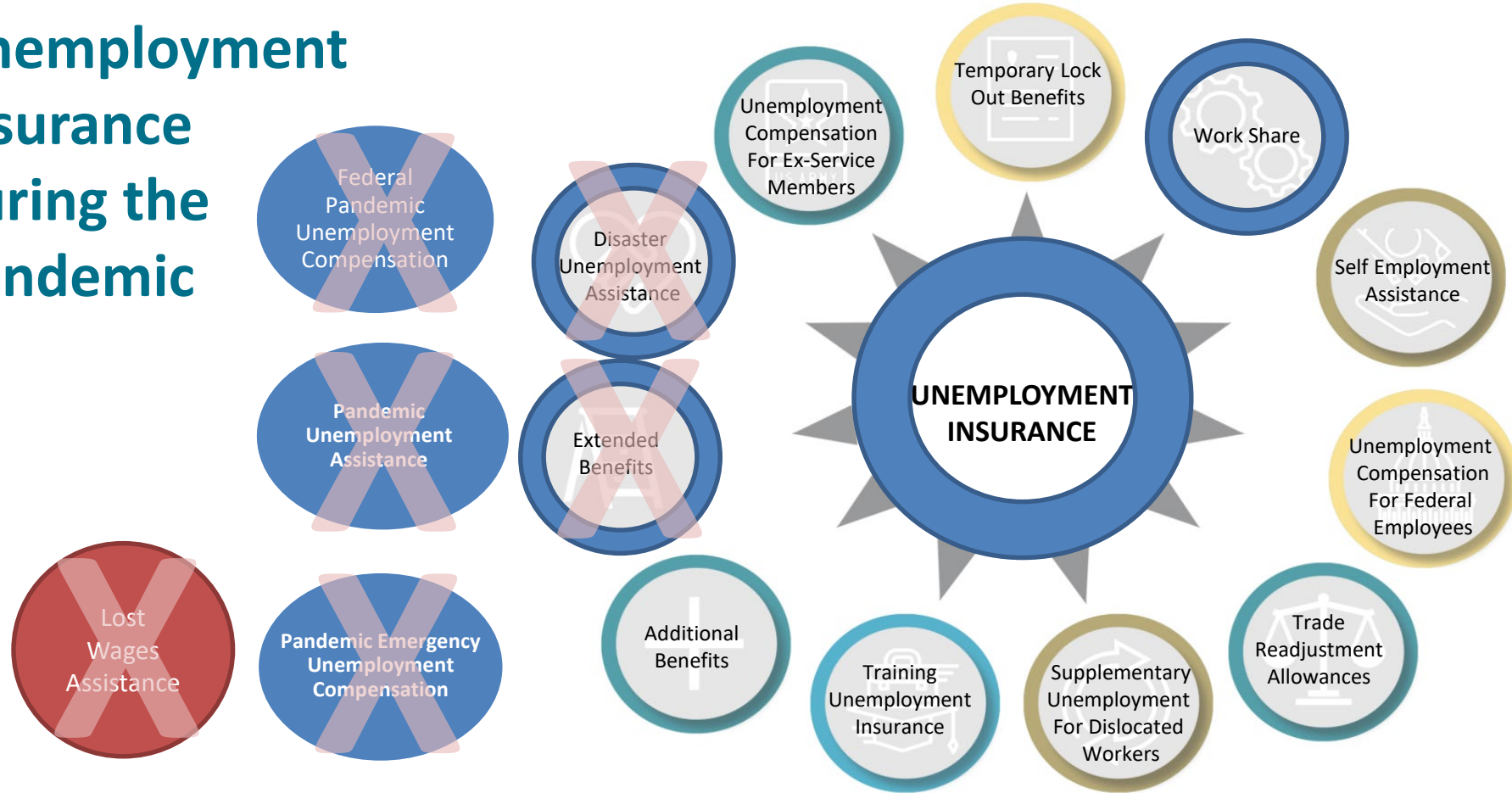
Source: U.S. Department of Labor, Oregon Employment Department



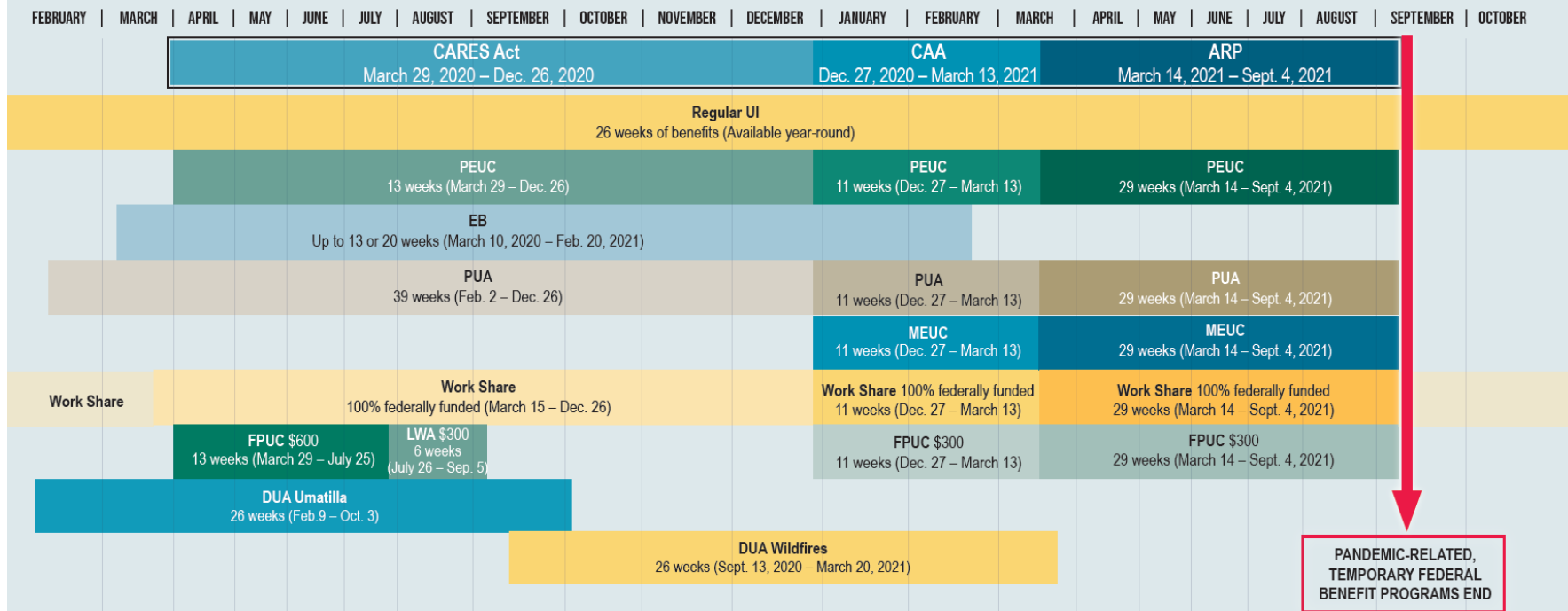
# Unemployment Insurance is a collection of different programs



# Unemployment Insurance during the Pandemic



# UNEMPLOYMENT BENEFITS AVAILABLE 2020-2021



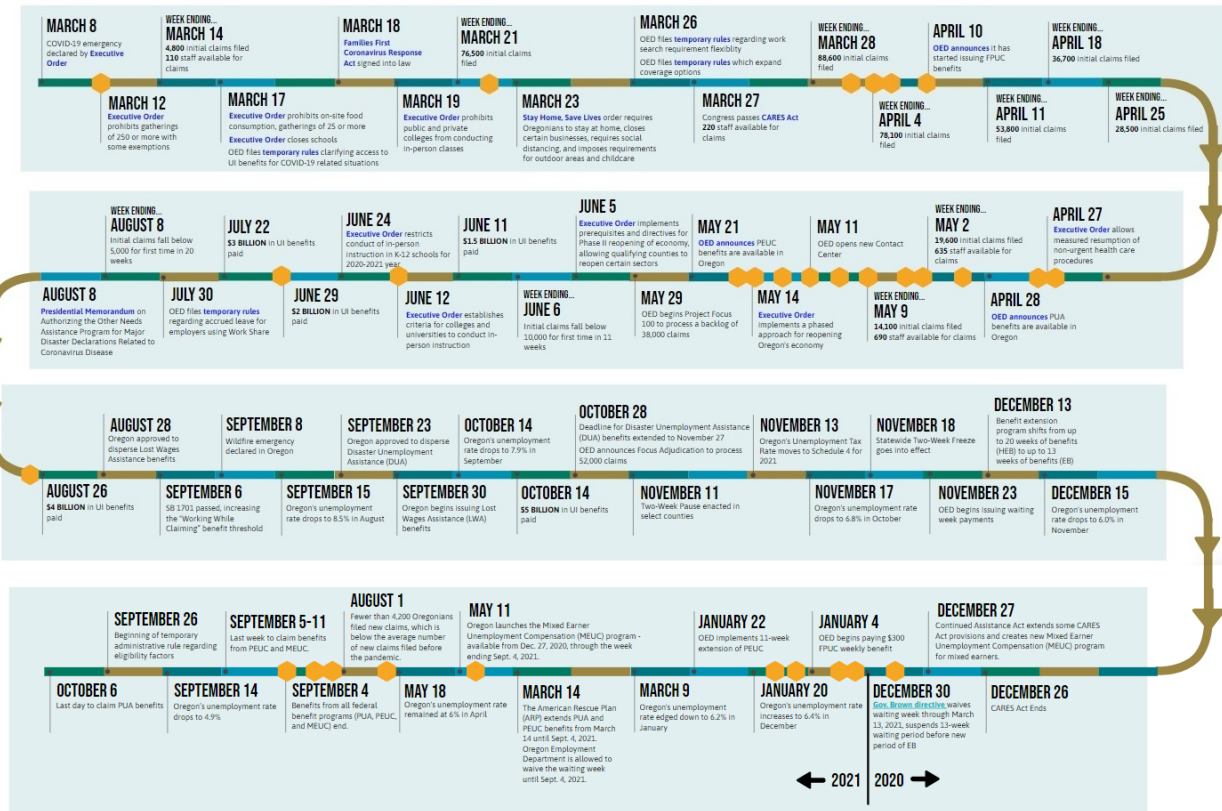
# Federal Temporary Programs Ended September 4, 2021

- 11,000 people lost federal benefits but were moved to a regular UI claim
- 81,000 people lost all benefits
- Backdated claims continued to be filed; work on these programs continues
- Federal guidance continued to come even after programs ended



# TIMELINE OF COVID-19 EVENTS

Unemployment Insurance  
 Program Letters are  
 guidance from the U.S.  
 Department of Labor -  
 click icon to access





# Rapid and Constant Changes for UI

- Implemented many state and federal changes including multiple federal UI programs and two instances of DUA
- Temporary rules adopted March 17 and March 26, 2020, and September 26, 2021
- Waiting week waived for March 8, 2020, through September 4, 2021
- Quickly hired and trained hundreds of new employees, engaged with the National Guard and other contractors, and trained and reassigned hundreds of OED employees from other areas of the agency to help process UI claims and assist customers
- Implemented SB 1701 (2<sup>nd</sup> Special Session, 2020) and HB 3178 (2021), allowing more weekly earnings before UI benefits are reduced
- Implemented SB 1703 (2<sup>nd</sup> Special Session, 2020) and HB 3043 (2021) to use Department of Revenue data to help process PUA applications and combat fraud
- Created new communication channels, made multiple enhancements to the Online Claim System, and increased access for limited English proficiency customers
- Many other changes and improvements



# People Served by the Unemployment Insurance Program

Employers Calendar Year 2020		2021 Jan – Sep
Subject Employers	140,000	145,000
Number of wage records filed	8.7 million	6.4 million
Amount of payroll taxes collected	\$910 million	\$810 million

Workers	CY 2019	CY 2020	Increase	2021 Jan - Sep
Claims for benefits	237,000	1.5 million	500%	517,500
Weeks of benefits claimed	1.45 million	13 million	790%	8.53 million
Workers receiving benefits	114,000	583,000	400%	369,600
Amount of benefits paid	\$521 million	\$6.7 billion	1,100%	\$4.34 billion



**Oregon paid out more benefits since March 15, 2020, than during the prior decade.** Almost **\$12** billion in benefits paid out through November 2, 2021 including:

- Regular unemployment: \$2.8 billion
- FPUC (“plus up” benefits - all versions combined): \$6 billion
- PEUC (for those who used up all of their regular benefits): \$1.3 billion
- PUA (for those not eligible for regular benefits): \$1 billion
- LWA (“plus up” benefits created by Presidential Executive Order): \$414 million
- EB (For those who used up regular benefits): \$116 million
- Work Share: \$112 million
- SEA (for those who are starting their own business): \$1 million
- Trade Act: \$10 million
- Other programs (MEUC, DUA, SUD, etc) : \$4 million



# Current State

<b>EMPLOYMENT DEPARTMENT INFORMATION DASHBOARD</b>			
As of November 9, 2021			
<b>4.7%</b> Sep Unemployment Rate*	<b>\$12.0 Billion</b> Total Benefits Paid**	<b>200</b> Jobs Lost in September	<b>107,000</b> Q3 Job Vacancies***
For the period of November 1 - November 5, 2021		For the period of October 24 - October 30, 2021	
<b>88.3%</b> of Calls Answered within 5 Minutes	<b>7.8%</b> of Calls Answered Between 5 and 15 Minutes	<b>15,911</b> Calls Answered Last Week	<b>96.8%</b> of Contact Us Submissions Resolved within 7 Days
For the period of October 31 - November 6, 2021			
<b>2,953</b> Initial Claims Submitted	<b>32,476</b> Weekly Claims Submitted	<b>\$18,176,814</b> Benefits Paid	<b>26,371</b> Customers Paid
Served by WorkSource Oregon for the month of October 2021			
<b>17,597</b> Job Seekers Served	<b>589</b> Employers Served	<b>44,232</b> New Job Listings****	<b>39,258</b> Open Listings****
<p>*Seasonally Adjusted            **From March 15, 2020 through report date            ***Q1 = Jan-March, Q2 = April-June, Q3 = July-August, Q4 = Sept - December            ****These listings include those from WorkSource Oregon and the nonprofit National Labor Exchange (NLx)</p>			



# Current State (cont)

Other key measures include:

- How quickly initial benefit payments are made – making them within 21 days about 78% of the time
- Adjudication – resolving within 21 days about 55% of the time
- Neither of these are yet at the national goals, but we are doing better than the national average



# OED Focused on Moving Forward

## Internal rebuilding

## Revised UI eligibility requirements

- 1) Work search requirements and the waiting week reinstated
- 2) Pandemic-related, temporary eligibility standards ended
- 3) Temporary available for work rule in effect

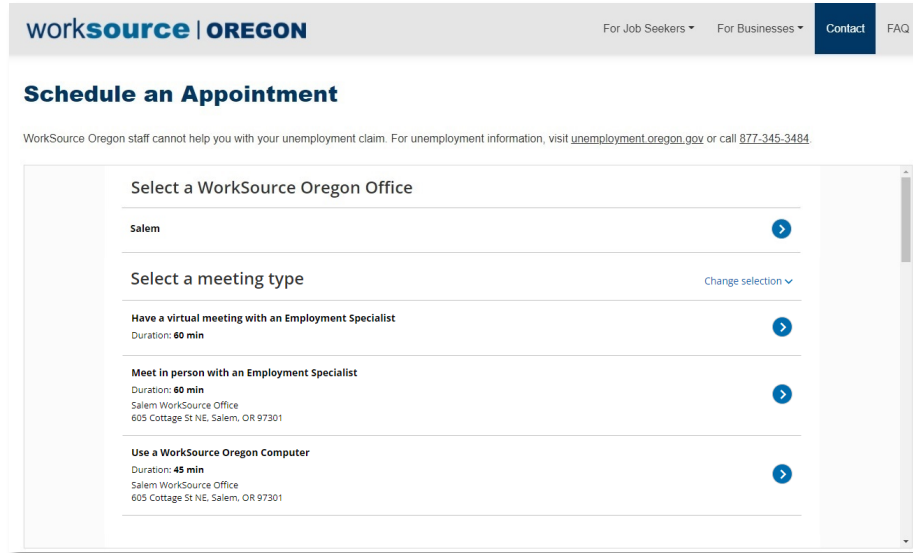
## Reemployment Services

- 1) iMatch Skills registration requirement gradually reinstated
- 2) WorkSource Oregon offices reopened to in-person assistance
- 3) Increased one-on-one meetings of claimants with reemployment specialists



# Enhanced Reemployment Services

- Refreshed and renewed WorkSource Oregon webpage at <https://worksourceoregon.org/>
- Implemented an online scheduling tool



The screenshot shows the 'worksource | OREGON' website header with navigation links for 'For Job Seekers', 'For Businesses', 'Contact', and 'FAQ'. The main heading is 'Schedule an Appointment'. Below this, a note states: 'WorkSource Oregon staff cannot help you with your unemployment claim. For unemployment information, visit [unemployment.oregon.gov](https://unemployment.oregon.gov) or call 877-345-3484.' The scheduling tool consists of three main sections, each with a right-pointing arrow button:

- Select a WorkSource Oregon Office**
  - Salem**
- Select a meeting type** (with a 'Change selection' dropdown)
  - Have a virtual meeting with an Employment Specialist**  
Duration: 60 min
  - Meet in person with an Employment Specialist**  
Duration: 60 min  
Salem WorkSource Office  
605 Cottage St NE, Salem, OR 97301
  - Use a WorkSource Oregon Computer**  
Duration: 45 min  
Salem WorkSource Office  
605 Cottage St NE, Salem, OR 97301

# Enhanced Reemployment Services (cont.)

- Increased community engagement through in-person and virtual hiring events

work**source** | Invites You To:  
**OREGON**  
**"Hiring Heroes for  
Healthcare In Oregon"**

As part of the Governor's Healthcare Initiative to help fill 15,000 Healthcare related job vacancies statewide, please join us on Wednesday, October 6, 2021 from 11:30 am—1 pm via zoom to explore career opportunities and meet employers hiring for Healthcare Heroes across Oregon.



Grow with **Google**

## Google Career Certificates

Prepare for a new career in a high-growth field in under six months, no experience required. You'll get professional training designed by Google, along with the opportunity to connect with top employers that are currently hiring.

Get started at [grow.google/certificates](https://grow.google/certificates).



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Development



# Significant Work Remains

- Workload remains high - retroactive federal program claims are still being filed; claims, on average, are much more complex now.
- UI Division continues to hire and train employees – about 1,250 employees now, compared to 355 before the pandemic
- Combating fraud, handling overpayment waivers, and recovery work will remain a high priority and significant amount of work for years to come

State of Oregon  
Employment Department

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**Suspected UI Fraud Investigations Referral Information**

Continue in English  
 Continuar en español

**Individual's Information (the individual suspected of fraud)** \* indicates required items

Social Security Number:  (if available)

\* Individual's Name:

State of Oregon  
Employment Department

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**Request for Waiver**

Examples of reasons you could be eligible to have your overpayment waived include:

1. The Employment Department made a mistake in processing your claim.
2. The Employment Department put benefits on an incorrect claim.
3. You did not cause the overpayment and repayment would mean you or your household has to go without basic necessities.
4. You did not cause the overpayment and you have a health issue or disability that would make repayment a hardship.

# Modernization Underway

The screenshot displays the Oregon State Employment Department Employer Portal. At the top, the navigation bar includes the Oregon logo, the text "Employer Portal", and a yellow banner for "Frances Rollout Testing". The main header features the "State of Oregon Employment Department" logo on the left and a login form on the right. The login form contains fields for "Email Address" and "Password", a "Log In" button, and links for "Forgot password?" and "New to e-Services? Sign Up". Below the header is a search bar with the text "Search our online services". The main content area is divided into four service tiles: "Submissions" (with a link to "Find a Submission"), "Online Registration" (with a link to "Register as a Self-Employed Individual"), "Report Fraud" (with links for "Report Identity Theft" and "Report Unemployment Insurance Fraud"), and "Agency Updates" (with links for "Combined Payroll Tax Report Instructions" and "View Agency Updates").



# Opportunities for Improvement

- Make shorter term improvements while Modernization is well under way
- Streamline the many emergency systems and processes put in place during the pandemic
- Improve communication systems for customers
- Increase dashboard visibility for public use
- Leverage technology to better administer programs



# Implementation of House Bill (HB) 3389



# House Bill 3389

- Bill signed on July 27, 2021, operative date of September 25, 2021
- Provides unemployment insurance tax relief to Oregon employers in response to the COVID-19 pandemic
- **Goal: support Oregon employers, stimulate recovery from the COVID-19 pandemic and maintain long-term solvency of Oregon's UI Trust Fund**



# House Bill 3389 (cont.)

- Legislators, the Governor's office, and OED worked together to craft bipartisan legislation that would reduce the tax impact to those employers, without putting the UI Trust Fund in danger of insolvency
- These changes take advantage of Oregon's solvent UI Trust Fund
  - Uses some existing reserves to provide **a mix of short-term and long-term** tax relief for Oregon businesses while protecting them against long-term risks of the UI Trust Fund becoming insolvent.
  - Businesses most impacted by the pandemic – like restaurants, barbershops and others that saw big increases in their experience ratings – will see the most relief.



# HB 3389 Key Provisions

- Avoids setting future UI Trust Fund balance targets based on the amount of benefits paid during the pandemic
- Extends the ‘look back period’
  - The ‘look back period’ is used to determine solvency level. HB 3389 changed this from 10 years to 20 years. This change will enhance long-term UI Trust Fund stability by taking a broader range of economic situations into account.



# HB 3389 Key Provisions (cont.)

- Uses the same experience ratings used to determine employers' 2020 UI tax rates when determining rates for 2022, 2023, and 2024
- Effectively, this disregards the impact of the pandemic when determining each employer's experience rating so businesses that had to close for public health reasons do not see their experience rating greatly increase as a result of measures taken to protect public health
- Tax rates may fluctuate in 2022 – 2024 due to tax schedule changes; however, rates will be based on experience rates prior to pandemic





# HB 3389 Key Provisions (cont.)

- Reduces fund adequacy targets by about 10% overall
  - This reduces the overall amount of taxes collected.
- Codifies in statute deferral offered by the Department during the pandemic
  - Allows employers who meet certain criteria to **defer** up to one-third of their taxes due for calendar year 2021 until June 30, 2022 **without accruing interest or penalties** on the deferred amounts.



# HB 3389 Key Provisions (cont.)

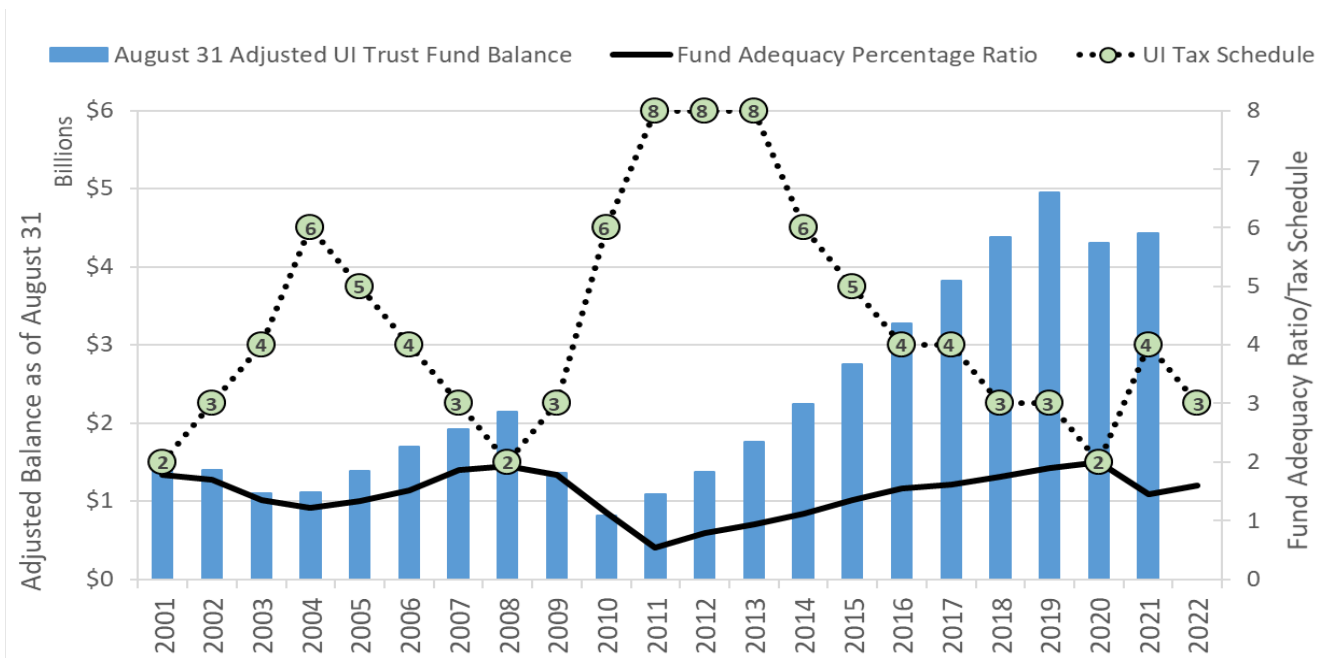
- Enables eligible employers full or partial forgiveness of their deferrable 2021 UI taxes based on each employer's UI tax rate increase from 2020 to 2021
  - Increases of more than 2% get 100% forgiveness of deferrable UI taxes
  - Increases of more than 1.5% to 2% get 75% of their deferrable UI taxes forgiven
  - Increases of more than 1% to 1.5% get 50% of their deferrable UI taxes forgiven



# HB 3389 Key Provisions (cont.)

## UI Tax Schedule:

- One schedule lower in 2022
- Expected to be two schedules lower in 2023 – 2025



# Communications and Public Outreach

- Published an informational web page
- Sent direct emails to employers
- Distributed a press release
- Posted on social media
- Added a section to weekly email update
- Mailed notices to employers



# Impact on Employers

- **These changes, from 2021 – 2029, are estimated to save employers \$2.2 billion**
- Estimated over 50,000 more employers will have a tax rate of 2.5% or less, and more than 42,300 fewer employers will have a rate of 2.6% or more
- 76,000-80,000 employers are projected to be eligible for deferral with over \$42 million of 2021 tax liability estimated to be forgiven



# Deferral and Forgiveness

Employers must meet the following conditions:

- As of January 1, 2021 have paid all outstanding UI tax contributions and related liabilities, including those determined in a payment plan.
- File all required 2021 payroll reports on time.
- Pay all 2021 tax liabilities on time that are not deferred or forgiven.
- Experience a UI tax rate increase of 0.5% or more from 2020 to 2021.



# Deferral and Forgiveness - What to Expect

- Employers do not need to file an application
- Employers will continue receiving automatically generated notices for unpaid, deferred 2021 UI taxes; these can be disregarded if the employer meets all of the deferral requirements
- Employers must meet the requirements for the full 2021 tax year; refunds/credits will begin after January 2022, when the last 2021 wage reports and payments are due - work should be completed by mid-late 2022
- If a report or payment is late the employer becomes ineligible:
  - The Department will notify the employer in writing; deferred UI tax, accrued penalties and interest become due.
  - Employers who experience errors in their quarterly filing should notify the Employment Department immediately so extenuating circumstances can be reviewed.



# Deferral and Forgiveness - Amounts

- Employer contributions of **\$98 million** are deferrable for Q1 – Q2, 2021
- **\$23 million** of Q1 – Q2, 2021, deferrable amount is eligible for forgiveness
- After Q3 and Q4, 2021 are completed, impact amounts and the number of eligible employers for prior quarters could change

Category	Employers	Quarter 1		Quarter 2	
		Deferrable Amount	Forgiveness Amount	Deferrable Amount	Forgiveness Amount
Deferral only	61,158	\$35,220,421.27	\$0.00	\$30,167,284.50	\$0.00
50% forgiveness	5,272	\$7,294,428.26	\$3,647,214.13	\$7,056,115.38	\$3,528,057.69
75% forgiveness	5,568	\$5,334,054.28	\$4,000,540.71	\$5,307,023.07	\$3,980,267.30
100% forgiveness	8,810	\$3,569,510.87	\$3,569,510.87	\$4,103,517.39	\$4,103,517.39
Total	80,808	\$51,418,414.69	\$11,217,265.71	\$46,633,940.34	\$11,611,842.38





# UI Trust Fund Solvency - National

- 11 states and territories had outstanding balances or were currently borrowing as of November 1, 2021, totaling over \$45.3 billion. these figures do not count non-federal borrowing
- Many states used CARES Act or ARPA funds to avoid, or minimize, borrowing money for the UI Trust Fund. Oregon was able to direct those funds to provide other needed support to Oregonians
- Employers in states that borrow money face increased UI taxes to repay borrowed funds, interest, and in some cases they lose federal payroll tax credits as well



# Trust Fund Solvency - Oregon

- Oregon is a leader in funding its UI Trust Fund
  - Our UI Trust Fund has provided exactly the type of countercyclical economic safety net it was designed to.
  - Allowed Oregon to weather the ‘Great Recession’ and the ‘Pandemic Recession’, the most severe strain on the UI Trust Fund ever, without having to borrow and incur more costs to Oregon employers, but instead was able to use some of its accumulated savings to mitigate the impact to Oregon business.
  - HB 3389 leveraged Oregon’s very solvent UI Trust Fund to provide relief to employers while protecting them against long-term risks of the UI Trust Fund becoming insolvent.



# Thank You

