

Employment Department

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	--	15,688,586	9,787,440	2,745,191	87,908,837
Other Funds	145,089,641	192,385,467	200,294,735	203,212,822	274,260,764
Other Funds (NL)	980,218,895	1,582,000,000	4,021,119,206	5,058,847,795	5,058,847,795
Federal Funds	146,465,578	154,315,171	289,627,887	247,835,817	242,743,874
Federal Funds (NL)	65,274,200	100,000,000	5,571,008,796	131,179,119	131,179,119
Total Funds	1,337,048,314	2,044,389,224	10,091,838,064	5,643,820,744	5,794,940,389
Positions	1,303	1,389	2,574	1,917	2,363
FTE	1,249.88	1,323.58	1,946.31	1,684.500	1,981.40

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The mission of the Oregon Employment Department is to support business and support employment. The agency does this through services offered in five program areas: Unemployment Insurance provides wage replacement income to qualifying workers unemployed through no fault of their own; Workforce Operations offers job listings, referrals, and career development resources; Workforce and Economic Research coordinates the collection and dissemination of occupation and economic climate data for the state, workforce regions, and counties of Oregon; the Paid Family Medical Leave Insurance Division is designing a paid leave program for workers, funded with employer and employee contributions; and the Office of Administrative Hearings conducts contested case hearings for approximately 70 state agencies. In addition, the Employment Department has a specific budgetary program area focused on the modernization of its business processes and information technology systems.

General Fund has been allocated for start-up costs related to the Paid Family Medical Leave Insurance (PFMLI) Program. Per statute, 2019-21 allocations must be repaid when employer-employee collections are sufficient to pay for administration and benefits, with a statutory deadline of January 1, 2024. Other Funds are comprised of fees, employer unemployment taxes, penalties, fees for service, and eventually PFMLI contributions, which fund a portion of agency administrative costs. Federal Funds from the Department of Labor provide administrative grant funds for unemployment insurance and workforce programs. Other Funds Non-Limited and Federal Funds Non-Limited represent unemployment insurance benefit payments to Oregon workers and federal employees located in Oregon, and direct payments for training and assistance through the federal Trade Adjustment Act to Oregonians who have lost jobs due to foreign competition.

CSL Summary and Issues

There are no differences between DAS and LFO on the assumed current service level. Standard DAS pricelist and inflationary adjustments per budget instructions were applied. One-time expenditures related to limited duration positions in the Workforce Operations division were phased out, as well as limitation related to special payments for clients of workforce operations programs. General Fund in the amount of \$10.9 million for one-time services and supplies expenses for new Paid Family Medical Leave Insurance program employees was also phased out.

Mandated caseload increases were included to incorporate forecasted rates of UI claimants and the staff needed to serve them, as well as additional central/shared services employees to support the influx of new UI workers. However, these caseload increases were projected in late February, prior to the onset of the pandemic, so OED will request additional resources based on updated forecasting during the upcoming legislative session. Caseload increases are supported by Other Funds and Federal Funds resources.

Policy Issues

The Legislative Fiscal Office recommendation is likely to include caseload adjustments to reflect more up-to-date employment projections. Further adjustments to the agency's budget are likely to be needed to reflect additional federal relief programs approved in December 2020.

Pandemic Policy Issues

The Employment Department has struggled to implement multiple unemployment benefit assistance program under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The struggle stemmed from a combination of the sheer volume of claims (unprecedented in the Department's history), new eligibility guidelines allowing for benefits to new classes of workers, direct payments to workers that were in addition to calculated benefit payments, and a directive to provide benefits during a "waiting week". The specifics of CARES Act, state and federal policy changes required reprogramming of antiquated computer systems, work arounds, and other trouble shooting; the volume of claims required the hiring and training of nearly 1,000 additional employees. Complicated claims required investigation and determinations under the process of adjudication, which could further delay benefits to Oregonians. A change of leadership resulted in the Paid Family Medical Leave Insurance Program director stepping in to take over as Acting Director of the Agency, while the Modernization program also experienced some turnover and changes in leadership. These issues appear to have stabilized for the most part, and the Employment Department reports it is largely caught up on the backlog of claims; however, some claims remain in the adjudication process. Further, the Employment Department has indicated that administrative funding for administering CARES Act programs is only covering about 75% of expenses, meaning that the Employment Department may have to absorb the rest, by applying Supplemental Employment Department Administrative Funds that would otherwise have been used to support efforts in the Workforce Operations and Modernization programs.

The Employment Department may require additional personnel and expenditure limitation in a 2019-21 omnibus budget reconciliation bill to administer unemployment assistance programs under the most recent round of federal aid, approved in December 2020. As of this writing, the extent and amounts of additional resources were being evaluated.

Other Significant Issues and Background

The Employment Department was directed via budget note to conduct a risk assessment of its ability to plan, manage, and implement multiple major IT projects (for both the agency's unemployment insurance programs and the Paid Family Medical Leave Insurance Program), and provide regular updates to both the Office of the State Chief Information Officer and the Legislative Fiscal Office. The agency reported the results of the risk assessment at the December 2020 meeting of the Legislative Emergency Board.¹

The legislatively adopted budget will need to be adjusted for progress in hiring and project design in the first calendar quarter of 2021, for both its modernization and the Paid Family Medical Leave Insurance program. Whether all Governor's recommended resources and expenditure limitation for these projects will ultimately be necessary will depend on the agency's momentum in meeting project milestones through the stage gate process and internal management plans. The Governor's Budget includes \$87.9 million General Fund, \$57.3 million of which is attributable to a stand-alone technology solution for the PFMLI program; OED will be evaluating alternatives to see if there is commonality in customers and functions with a modernized UI system, or whether it makes sense to outsource any portion of the PFMLI system. In absence of the completed evaluation, however, the Governor's budget included funding.

The Governor's budget also includes Other Funds and Federal Funds expenditure limitation to serve Department of Human Services clients who are looking for work under the Able-Bodied Adults Without Dependents (ABAWD), Supplemental Nutrition Assistance Program Training and Employment Program (STEP), and Job Opportunity Basic Skills (JOBS) programs, as well as workers who have lost their jobs due to foreign competition under the federal Trade Adjustment Assistance program.

Key Performance Measures

A copy of the OED Annual Performance Progress Report can be found on the LFO website:

https://www.oregonlegislature.gov/lfo/APPR/APPR_OED_2020-10-01.pdf

¹ <https://olis.oregonlegislature.gov/liz/2019I1/Downloads/CommitteeMeetingDocument/227136>