

HB 5007 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Sen. Beyer

Joint Committee On Ways and Means

Action Date: 06/04/21

Action: Do pass the A-Eng bill.

Senate Vote

Yeas: 11 - Anderson, Frederick, Girod, Golden, Gorsek, Hansell, Johnson, Knopp, Lieber, Steiner Hayward, Taylor

Exc: 1 - Thomsen

House Vote

Yeas: 11 - Bynum, Drazan, Gomberg, Leif, McLain, Nosse, Rayfield, Sanchez, Smith G, Sollman, Stark

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Employment Department

2021-23

Budget Summary*

| | 2019-21 | 2021 - 23 | 2021-23 | Committee Change from 2019-21 Leg. | |
|--------------------------|--|-------------------------|--------------------------|---|---------------|
| | Legislatively Approved Budget ⁽¹⁾ | Current Service Level | Committee Recommendation | Committee Change from 2019-21 Leg. Approved | |
| | | | | \$ Change | % Change |
| General Fund | \$ 9,787,440 | \$ 2,745,191 | \$ 47,107,449 | \$ 37,320,009 | 381.3% |
| Other Funds Limited | \$ 200,294,735 | \$ 203,212,822 | \$ 279,077,807 | \$ 78,783,072 | 39.3% |
| Other Funds Nonlimited | \$ 4,021,119,206 | \$ 5,058,847,795 | \$ 5,058,847,795 | \$ 1,037,728,589 | 25.8% |
| Federal Funds Limited | \$ 289,627,887 | \$ 247,835,817 | \$ 294,964,603 | \$ 5,336,716 | 1.8% |
| Federal Funds Nonlimited | \$ 5,571,008,796 | \$ 131,179,119 | \$ 1,081,179,119 | \$ (4,489,829,677) | -80.6% |
| Total | \$ 10,091,838,064 | \$ 5,643,820,744 | \$ 6,761,176,773 | \$ (3,330,661,291) | -33.0% |

Position Summary

| | | | | |
|--------------------------------------|----------|----------|----------|--------|
| Authorized Positions | 2,574 | 1,917 | 3,270 | 696 |
| Full-time Equivalent (FTE) positions | 1,946.04 | 1,684.50 | 2,240.27 | 294.23 |

⁽¹⁾ Includes adjustments through January 2021

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The majority of the revenue, 77.7%, 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 expended as Federal Funds Nonlimited.

The major source of Other Funds revenue supporting agency operations, the Supplemental Employment Department Administrative Fund, is generated from an assessment on employer payroll of 0.09% of 1%. The Department also collects revenues from interest and tax compliance penalties, which is called the Special Administrative Fund or the Penalty and Interest Fund, in addition to collecting Fraud Control Fund revenues from overpayment collection activities. The agency 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.

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. Federal Wagner-Peyser Act funds are allocated based on the civilian labor force and unemployment history for employment related labor exchange services. Federal Funds also support specific services such as Trade Act

administration, labor statistics and reemployment eligibility assessments. Federal Funds revenue account for 20.3% of total revenue for the agency.

To implement the Family and Medical Leave Insurance Act, passed in House Bill 2005 during the 2019 Legislative Session, the Department will receive a \$47.1 million General Fund appropriation, as an interest free loan, for implementation of the program. The Department anticipates it will be able to generate enough revenue from payroll tax collections to repay the \$9.8 million General Fund appropriation (loan) from the 2019-2021 legislatively approved budget and the 2021-2023 \$47.1 million General Fund appropriation (for a total of \$56.9 million) in June 2023.

Summary of Transportation and Economic Development Subcommittee Action

The mission of the Oregon Employment Department (Department) is to support business and promote employment. The Department also provides administrative support to the Office of Administrative Hearings (OAH) and the Employment Appeals Board. The Department accomplishes its mission through the payment of unemployment insurance benefits; serving businesses by recruiting and referring the best qualified applicants to jobs, and providing resources to job seekers in support of their employment needs; and developing and distributing quality workforce and economic information to promote informed decision making. In 2019, the Legislative Assembly passed HB 2005 establishing the Paid Family and Medical Leave Insurance Program (PFMLI) to provide eligible employees in the state of Oregon, with a portion of their wages while the employee is out on family, medical, or safe leave. This program is to be implemented and administered within the Department.

There are six programs within the Department: Shared Services, Unemployment Insurance Division, Workforce Operations Division, Workforce and Economic Research Division, Paid Family Medical Leave Insurance Program, and the Modernization Program.

The Subcommittee approved a budget of \$6,761,176,773 total funds; consisting of \$47,107,449 General Fund, \$279,077,807 Other Funds expenditure limitation, \$294,964,603 Federal Funds expenditure limitation, \$5,058,847,795 Other Funds Nonlimited, \$1,081,179,119 Federal Funds Nonlimited and 3,270 positions (2,240.27 FTE). This represents a total fund increase of 27% from the 2019-2021 legislatively approved budget as measured in January of 2021. The agency position count is increased by 696 positions (294.23 FTE) from the 2019-2021 legislatively approved budget.

Shared Services

The Shared Services division includes programs providing strategic and operational support to all agency programs and includes Administrative Business Services, Director's Office, Human Resources, Information Technology Services, Legislative Affairs, and Communications. Expenditures for the programs within the Shared Services benefitting an applicable agency program are directly charged to that program, and indirect expenditures are charged in accordance with the Department's Cost Allocation Plan, as approved by the U.S. Department of Labor (U.S. DOL).

Shared Services expenditures include costs for State Government Service Charges, agency vehicles, property maintenance, risk management, and Capital Outlay expenditures that serve the entire agency.

The Subcommittee recommended a budget of \$68,096,737 total funds (\$13,709,923 General Fund, \$17,818,439 Other Funds expenditure limitation, and \$36,568,375 Federal Funds expenditure limitation) and 223 positions (207.19 FTE). The Subcommittee recommended the following packages:

Package 099: Microsoft 365 Consolidation. The package reduces total funds by \$979,801 for the consolidation of Microsoft 365 within the Office of the State Information Officer at the E5 level of service. This cost is built into the State Government Service Charge for every agency as a cost increase for the 2021-23 biennium. This package makes a corresponding reduction to the agency base budget in an amount equivalent to what agencies should be paying in the current 2019-2021 biennium for Microsoft 365 at the E3 level of service.

Package 104: Paid Family and Medical Leave Insurance Implementation. This package provides the Department with the funds necessary to implement the PFMLI program created in HB 2005 passed by the 2019 Legislature. The package provides 53 permanent positions (52.28 FTE) for the Paid Family and Medical Leave Insurance program. The package assumes collections for paid family medical leave benefits will be delayed from HB 2005 approved dates to September 2022. This delay will enable the Department to leverage a modernized business IT system being developed for the Unemployment Insurance program to PFMLI contributions, since the programs will share many of the same customers and basic functions. PFMLI IT design will have to be incorporated following Enterprise Information Service and LFO stage gate protocols and approval steps. Benefits for the program are not anticipated to begin until the 2023-25 biennium and the majority of the benefits team expenditures will be delayed until that biennium.

HB 2005 (2019) specifies that General Fund supported start-up costs will be repaid through contributions by employers and employees, and the program will be self-supporting. The Employment Department is still assuming rates will be set and collections sufficient to repay the amount of General Fund appropriated for the program in both the 2019-2021 biennium and the 2021-2023 biennium by May or June of 2023. This assumption is based on the technology solution being implemented on time, with no major delays in design, approval, testing, or deployment, so that a mechanism for collecting contributions will be functional in time to meet that assumed timeline.

Package 801: LFO Analyst Adjustments. This package aligns existing positions to current duties, reflects updated personnel needs in various divisions of the Department, and implements permanent finance plans awaiting approval but not processed prior to deadlines associated with production of the Governor's recommended budget. All position actions have been reviewed and approved by the Chief Human Resource Office at the Department of Administrative Services. Agency-wide, the package results in a net increase of three permanent positions (3.00 FTE). For the Shared Services Division, the package increases Other Funds expenditure limitation by \$26,649, and Federal Funds expenditure limitation by \$1,267,486, and provides for 5 positions (5.00 FTE) within the Shared Services Division.

Package 802: Pandemic Workload. This package continues limited duration positions approved during the 2019-2021 biennium, to address high rates of unemployment insurance claims stemming from the COVID-19 pandemic and resulting economic disruption to Oregonians. Benefits are currently anticipated to expire in September of 2021; however, there are workload needs anticipated through at least February of 2022 related to addressing complicated claims, backlogs, administrative hearings, and final resolution. The four positions included in this package (1.33 FTE) are limited duration positions.

Unemployment Insurance

The Unemployment Insurance (UI) Division supports economic stability for Oregonians and Oregon communities through the payment of Unemployment Insurance benefits. The UI Division promotes reemployment and the preservation of a trained, local workforce for businesses during economic downturns. The UI program is a federal-state partnership. The program pays UI benefits, a temporary partial wage replacement, to workers who are unemployed through no fault of their own, and administers federal UI extensions when they are available. The program collects payroll taxes from Oregon employers, which are deposited into the Unemployment Insurance Trust Fund and used to pay unemployment insurance benefits. The Department partners with the U.S. DOL and other state agencies (including the Department of Consumer and Business Services, Department of Revenue, and other members of the Interagency Compliance Network) on matters related to employer and employee relationships.

The Subcommittee recommended a budget of \$260,194,361 total funds (\$60,901,597 Other Funds expenditure limitation and \$199,292,764 Federal Funds expenditure limitation) and 1,935 positions (1,142.04 FTE). The Subcommittee recommended the following packages:

Package 103: Trade Act. This package adds three permanent employment adjudicator positions (3.00 FTE) to the UI division to reflect an enhancement to federally funded services to displaced workers. Additional positions in both this division and Workforce Operations will supplement existing services to workers whose jobs have been eliminated by international competition, by better integrating the identification, development, and placement of workers in work-based learning opportunities amongst businesses, workforce boards, and customers. The package increases Federal Funds expenditure limitation for this purpose by \$593,333.

Package 801: LFO Adjustments. This package aligns existing positions to current duties, reflects updated personnel needs in various divisions of the Employment Department, and implements permanent finance plans that were awaiting approval but not processed prior to deadlines associated with production of the Governor's recommended budget. All position actions have been reviewed and approved by the Chief Human Resource Office at the Department of Administrative Services. Agency-wide, the package results in a net increase of three permanent positions (3.00 FTE). For the Unemployment Insurance Division, the package reduces Federal Funds expenditure limitation by \$242,473 and eliminates 2 positions (2.00 FTE).

Package 802: Pandemic Workload. This package continues limited duration positions approved during the 2019-21 biennium, to address high rates of unemployment insurance claims stemming from the COVID-19 pandemic and its resulting economic disruption to Oregonians. Benefits

are currently anticipated to expire in September of 2021; however, there are workload needs anticipated at least through February related to addressing complicated claims, backlogs, administrative hearings, and final resolution. All positions included in this package are limited duration. The 861 positions (287.00 FTE) included in this package will be funded through a combination of the American Rescue Plan Act, the Coronavirus Aid, Relief, and Economic Security Act, and OED Other Funds. The package increases Other Funds expenditure limitation by \$23,069,115, and Federal Funds expenditure limitation by \$32,276,460.

Workforce Operations

The Workforce Operations Division manages the state's labor exchange system and serves all Oregonians and Oregon businesses through 39 WorkSource centers across the state. The Workforce Operations Division serves Oregon businesses by recruiting and referring the best qualified applicants to jobs, and provides resources to diverse job seekers in support of their employment needs. Through customizable services that solve challenges such as recruitment and training, Workforce Operations employees identify, screen, and refer job applicants to employers. Workforce Operations assists businesses in securing federal tax credits and offsetting training costs for hiring specific populations, such as persons receiving public assistance, people with disabilities, veterans, and the long-term unemployed (longer than six months).

The Subcommittee recommended a budget of \$146,000,049 total funds (\$95,259,589 Other Funds expenditure limitation and \$50,740,460 Federal Funds expenditure limitation) and 555 positions (548.76 FTE). The Subcommittee recommended the following packages:

Package 102: Employment Services for Organizations. This package provides resources to the Employment Department for the Employment Services Labor Exchange System to work with employers in recruiting workers. The Department of Human Services (DHS) contracts with the Employment Department to receive cost effective access to employment services for programs they administer. Existing contracts include the following programs: Supplemental Nutrition Assistance Program Employment & Training Program (STEP); Able Bodied Adults Without Dependents (ABAWD); and Job Opportunity Basic Skills (JOBS). Twenty-two of 56 positions in this package are permanent positions. The remaining positions are limited duration. The package also includes four limited duration positions (4.00 FTE) and \$1.6 million in special payments to assist Oregonians displaced by southern Oregon wildfires in finding work. These services are federally funded, and are not assumed to continue beyond the 2021-23 biennium. Package 102 increases Other Funds expenditure limitation by \$3,522,148, and Federal Funds expenditure limitation by \$4,420,606.

Package 103: Trade Act. This package provides the Department with resources necessary to conduct work under the Federal Trade Adjustment Assistance program. This package adds a total of 42 permanent positions (42.00 FTE) to the Workforce Operations division. Four of these positions are added due to projected caseload, and 38 positions are associated with enhanced service levels to Trade Act qualifying workers. These are workers whose jobs have been eliminated by international competition. The enhancements consist of focused efforts to identify and develop work-based learning opportunities amongst businesses, workforce boards, and other customers, and to place Trade Act-eligible workers in these positions. These federally funded enhancements to the Trade Act program are presumed to be ongoing. Other Funds expenditure limitation is increased by \$9,019,323.

Package 801: LFO Analyst Adjustments. This package aligns existing positions to current duties, reflects updated personnel needs in various divisions of the Employment Department, and implements permanent finance plans that were awaiting approval but not processed prior to deadlines associated with production of the Governor's recommended budget. All position actions have been reviewed and approved by the Chief Human Resource Office at the Department of Administrative Services. Agency-wide, the package results in a net increase of three permanent positions (3.00 FTE). Other Funds expenditure limitation in the Workforce Operations Division is reduced by \$46,299 as a result of these adjustments.

Office of Administrative Hearings

The Office of Administrative Hearings (OAH) provides Oregonians and businesses an independent and impartial forum to dispute actions against them. The Office holds contested case hearings (dispositions) referred by over 70 Oregon agencies, boards, and commissions. These hearings are constitutionally required to give Oregonians and businesses a chance to dispute actions taken by the state that may affect their individual interests. The OAH Administrative Law Judges conduct hearings and make decisions independently from the agencies that took the initiating action. Oregon's Attorney General writes the rules of procedure that apply to hearings conducted by the OAH, and represents state agencies in contested case hearings. The work of the OAH is reviewed by the OAH Oversight Committee, comprised of eight representatives appointed by the Governor, Senate President, Speaker of the House, and Oregon Attorney General. The OAH Oversight Committee reviews the effectiveness, fairness, and efficiency of the OAH, and makes recommendations to the Governor and the Legislative Assembly. The Department is responsible for providing administrative services to the OAH. The Chief Administrative Law Judge is appointed by the Governor and has independent statutory authority to manage the OAH.

The Subcommittee recommended a budget of \$34,882,041 Other Funds expenditure limitation and 126 positions (112.80 FTE). The Subcommittee recommended the following packages:

Package 104: Paid Family and Medical Leave Insurance Program. This package provides the Department with the funds necessary to implement the PFMLI program created in House Bill 2005 passed by the 2019 Legislature. The package reflects anticipated delays from the statutory timeframes set forth in HB 2005 (2019), assuming collections will begin being charged no later than January 2023, and assuming that benefits won't be paid until the 2023-25 biennium. The LFO recommendation assumes administrative hearings personnel and related expenses will not be required/occur at the level anticipated by the Governor's budget, which was predicated on statutory (HB 2005) timeframes; the amounts budgeted that are attributable to cases related to the Paid Family and Medical Leave Insurance program conform to timelines assumed with the passage of HB 3398 (2021). Other Funds expenditure limitation is increased by \$964,429 and 15 positions (2.92 FTE) are added due to projected cases associated with the Paid Family and Medical Leave Insurance program.

Package 801: LFO Analyst Adjustments. This package increases Other Funds expenditure limitation by \$221,497 and adds 1 position (1.00 FTE) for the purpose of aligning existing positions to current duties. The package reflects updated personnel needs. All position actions have been reviewed and approved by the Chief Human Resource Office at the Department of Administrative Services.

Workforce and Economic Research

The Workforce and Economic Research Division collects, estimates, analyzes, publishes, and distributes economic and workforce information to help stakeholders understand current and future economic conditions and workforce trends. Customers receive services from Workforce and Economic Research, through email, phone, in-person, or through the QualityInfo.org website. The Workforce and Economic Research Division has ongoing collaborative partnerships with state and local entities relating to education (K-12 through higher education), social services, and economic development. These relationships are integral to help inform program development and implementation, and measure program outcomes.

The Subcommittee recommended a budget of \$16,237,017 total funds (\$7,874,013 Other Funds expenditure limitation and \$8,363,004 Federal Funds expenditure limitation) and 52 positions (52.00 FTE). The Subcommittee recommended the following package:

Package 801: LFO Analyst Adjustments. This package aligns existing positions to current duties, reflects updated personnel needs in various divisions of the Employment Department, and implements permanent finance plans that were awaiting approval but not processed prior to deadlines associated with production of the Governor's recommended budget. All position actions have been reviewed and approved by the Chief Human Resource Office at the Department of Administrative Services. The package results in a decrease of \$223,293 Other Funds expenditure limitation and 1 position (1.00 FTE) for the Workforce and Economic Research division.

Paid Family and Medical Leave Insurance

The Paid Family and Medical Leave Insurance (PFMLI) program was created through House Bill 2005 in the 2019 Legislative Session to provide eligible Oregon employees with a portion of their wages while the employee is out on family, medical, or safe leave. A family and medical leave insurance program provides employees and certain other individuals with compensated time off from work to: Care for and bond with a child during the first year of the child's birth or arrival through adoption or foster care; Provide care for a family member who has a serious health condition; Recover from their own serious health condition; or Take "safe leave" related to domestic violence, stalking, sexual assault, or harassment.

The Subcommittee recommended a budget of \$39,172,443 total funds (\$31,485,152 General Fund and \$7,687,291 Other Funds expenditure limitation) and 301 positions (99.48 FTE). The Subcommittee recommended the following packages:

Package 093: Transfers to General Fund. This package anticipates collection of employer and employee contributions to repay General Fund startup costs totaling \$56.9 million associated with implementing the PFMLI program by June of 2023. The amount of the transfer equates to

\$9,787,440 for the 2019-2021 legislatively approved General Fund appropriation for the program, plus \$47,107,449 for Policy Option Packages 104 and 105. The actual repayment will depend on actual expenditures made from the General Fund, and no interest is associated with the General Fund appropriation to the Department. These assumptions conform to timelines included in HB 3398 (2021), which alter statutory timelines for contributions and benefit dates.

Package 104: Paid Family and Medical Leave Insurance Implementation. This package provides the Department with the funds necessary to implement the PFMLI program created in House Bill 2005 passed by the 2019 Legislature. The package assumes collections for paid family and medical leave benefits will be delayed from HB 2005 approved dates. This delay will enable the Department to leverage a modernized business IT system being developed for the Unemployment Insurance program to PFMLI contributions, since the programs will share many of the same customers and basic functions. PFMLI IT design will have to be incorporated following Enterprise Information Service and LFO stage gate protocols and approval steps. Benefits for the program are not anticipated to begin until the 2023-25 biennium, and the majority of the benefits expenditures will be delayed until that biennium.

HB 2005 (which created the PFMLI program) specifies that General Fund supported start-up costs will be repaid through contributions by employers and employees, and that the program will be self-supporting. The Department anticipates rates will be set and the payroll contribution collections will be sufficient to repay the General Fund appropriations for the 2019-21 biennium and the 2021-23 biennium in June of 2023. However, this assumption is based on the technology solution being implemented on time, with no major delays in design, approval, testing, or deployment, so that a mechanism for collecting contributions will be functional in time to meet that assumed timeline.

This package includes 28 limited duration positions (4.67 FTE) (public service representative positions which will communicate and explain both internally and externally about the new program components as they are rolled out and operationalized), and 265 permanent positions (86.81). The recommended positions include a mix of policy analyst positions, compliance specialists, office and administrative specialists, Accounting technicians, managers, adjudicators, investigators, economists, and public service representatives. The package is comprised \$19,568,587 General Fund and \$5,466,896 in additional Other Funds expenditure limitation. The Subcommittee recommended the following budget note related to the program:

Budget Note

The Employment Department is directed to work with the Legislative Fiscal Office to report to an appropriate legislative committee on progress toward collecting Paid Family and Medical Leave Insurance Program contributions and repayment of General Fund-supported start up costs related to the program. The report or reports shall include information related to rates, collection amounts, repayment schedules, program implementation schedules, and associated factors which may influence forecasts and outcomes.

Package 105: PFMLI Information Technology Implementation. The package provides the Department with the funds necessary to implement the technology associated with the development of the PFMLI program created in House Bill 2005 passed by the 2019 Legislature. The package consists of \$9,171,374 General Fund and \$2,220,395 in additional Other Funds expenditure limitation, and reflects the Department's intent to leverage a modernized business IT system being developed for the Unemployment Insurance program, since the programs will share many of the same customers and basic functions. The PFMLI-related design aspects will be financed exclusively with PFMLI contributions. PFMLI IT design will have to be incorporated following Enterprise Information Service and LFO stage gate protocols and approval steps.

Modernization Initiative

The Modernization Program was created to assist with monitoring and tracking the Modernization project. The project is aimed at converting legacy business and technology systems for more flexible and efficient UI program administration. The Department has significantly invested in the modernization program to transform the agency's business and technology systems to meet the needs of Oregon's businesses and citizens. The mission of the modernization program is to ensure the agency can continue to successfully Support Business and Promote Employment. The systems that support the Department's core business functions are based on obsolete or outdated technology and are reaching maximum capacity. Many of these systems were designed in the 1990s, and rely on a myriad of disparate, aging software applications and databases. This poses risk of system failure and difficulties in maintaining system support. Many of the Department's business processes are inefficient, manual, or constrained by current system capabilities that do not provide the flexibility to meet the changing needs and expectations of its customers and partners.

The initiative effectively began in the 2015-2017 biennium. In the 2019-2021 biennium, the primary focus has been on releasing a request for proposal, completing negotiations and awarding a contract to a solution vendor; hiring program and project staff, initiating organizational change management activities, and developing baselines for project scope, schedule, and budget. During 2021-23, the program's focus will shift to delivery and implementation of the initial modernization project, focused on transformation of systems and processes for the Unemployment Insurance program. The Department currently projects the tax solution, for unemployment insurance, will be deployed during the 2021-23 biennium. Implementation of the benefits solution will begin in the 2021-2023 biennium and continue into the 2023-25 biennium.

The Subcommittee recommended a budget of \$56,567,211 total funds (\$1,912,374 General Fund and \$54,654,837 Other Funds expenditure limitation) and 78 positions (78.00 FTE). The Subcommittee recommended the following packages:

Package 088: September 2020 Emergency Board. This package adds the 2021-23 costs for actions taken at the September 2020 meeting of the Emergency Board to provide permanent full-time positions to the Modernization Initiative. Other Funds expenditure limitation is increased by \$3,133,276 and FTE is increased by 12.00.

Package 101: Modernize Business Services and Technology Infrastructure. This package provides \$26,617,716 in Other Funds expenditure limitation to continue the Modernization Initiative, which is the project responsible for updating the Department's archaic COBAL mainframe

system to allow for more flexibility in the Departments' technology and delivery of services. The lack of modern technology lead to substantial problems in allowing the Department to implement and deliver several federal programs designed to address the impacts of COVID-19 on the economy. The package provides position authority for 16 permanent positions (4.00 FTE) granted by the 2020 Legislative Emergency Board.

Package 104: Paid Family and Medical Leave Insurance Implementation. This package assigns resources to design the information systems capabilities to information technology solutions that will be necessary to collect contributions and pay benefits for the PFMLI program. The PFMLI portion of the system must be funded separately from the UI Tax and Benefit portion of the system. The General Fund portion of this package is \$1,912,374 and is included in the amounts anticipated to be repaid prior to the end of the 2021-23 biennium (see package 093, in the Paid Family and Medical Leave Insurance program). \$168,125 in additional Other Funds expenditure limitation and 7 positions (7.00 FTE) are also included in the package. The amounts budgeted are consistent with timelines assumed in HB 3398 (2021), which alters statutory timelines for contributions and benefit payments.

Employment Dept - Nonlimited

Nonlimited funds include unemployment tax collections, Unemployment Insurance Trust Fund interest earnings, and federal revenues that are used to pay unemployment insurance and associated benefits to qualified applicants. Nonlimited funds also include federal revenue used to pay benefits related to federal training programs, such as the Trade Adjustment Assistance Program and as reimbursement of unemployment insurance benefits paid for administration of the unemployment insurance program.

Unemployment Insurance taxes are assessed to employers pursuant to ORS 657.462, collected by the state and then transferred to Oregon's specific account within the Federal Unemployment Trust fund, in accordance with Sections 303 (a)(4) and (5) of the Social Security Act and Sections 3304 (a)(3) and (4) of the Federal Unemployment Tax Act. Interest earnings are computed on the fund balance and credited to the unemployment Insurance Trust Fund. Funds are transferred to the Oregon Unemployment Benefit Fund for payment of unemployment insurance benefits to eligible claimants. Federal funds are also deposited into the Federal Unemployment Trust Fund for payment of various federal unemployment benefit and training programs.

The Subcommittee recommended a budget of \$5,058,847,795 Other Funds Nonlimited and \$1,081,179,119 Federal Funds Nonlimited. There are no positions within this budget structure. The Subcommittee recommended the following package:

Package 802: Pandemic Workload. This package budgets additional unemployment insurance benefit payments to eligible Oregonians resulting from federally approved benefit extensions (\$950,000,000 Federal Funds Non-limited).

Summary of Performance Measure Action

See attached Legislatively Adopted 2021-23 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Employment Department
Tamara Brickman - (971) 719-3492

| DESCRIPTION | GENERAL FUND | LOTTERY FUNDS | OTHER FUNDS | | FEDERAL FUNDS | | TOTAL ALL FUNDS | POS | FTE | |
|---|---------------|---------------|----------------|------------------|----------------|------------------|-----------------|-------|----------|--|
| | | | LIMITED | NONLIMITED | LIMITED | NONLIMITED | | | | |
| 2019-21 Legislatively Approved Budget at Jan. 2021* | \$ 9,787,440 | \$ - | \$ 200,294,735 | \$ 4,021,119,206 | \$ 289,627,887 | \$ 5,571,008,796 | 10,091,838,064 | 2,574 | 1,946.04 | |
| 2021-23 Current Service Level (CSL)* | \$ 2,745,191 | \$ - | \$ 203,212,822 | \$ 5,058,847,795 | \$ 247,835,817 | \$ 131,179,119 | 5,643,820,744 | 1,917 | 1,684.50 | |
| SUBCOMMITTEE ADJUSTMENTS (from CSL) | | | | | | | | | | |
| SCR 47100-010-05 - Shared Services | | | | | | | | | | |
| Package 099: Microsoft 365 Consolidation | | | | | | | | | | |
| Services and Supplies | \$ - | \$ - | \$ (480,102) | \$ - | \$ (499,699) | \$ - | (979,801) | | | |
| Package 104: Paid Family and Medical Leave Insurance Implementation | | | | | | | | | | |
| Personal Services | \$ 11,430,402 | \$ - | \$ 1,051,435 | \$ - | \$ - | \$ - | 12,481,837 | 53 | 52.28 | |
| Services and Supplies | \$ 2,279,521 | \$ - | \$ 79,560 | \$ - | \$ - | \$ - | 2,359,081 | | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 26,649 | \$ - | \$ 1,087,486 | \$ - | 1,114,135 | 5 | 5.00 | |
| Services and Supplies | \$ - | \$ - | \$ - | \$ - | \$ 180,000 | \$ - | 180,000 | | | |
| Package 802: Pandemic Workload | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 63,838 | \$ - | \$ 255,350 | \$ - | 319,188 | 4 | 1.33 | |
| Services and Supplies | \$ - | \$ - | \$ 9,600 | \$ - | \$ 38,400 | \$ - | 48,000 | | | |
| SCR 47100-010-10 - Unemployment Insurance | | | | | | | | | | |
| Package 103: Trade Act | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ - | \$ - | \$ 485,333 | \$ - | 485,333 | 3 | 3.00 | |
| Services and Supplies | \$ - | \$ - | \$ - | \$ - | \$ 108,000 | \$ - | 108,000 | | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ - | \$ - | \$ (242,473) | \$ - | (242,473) | -2 | -2.00 | |
| Package 802: Pandemic Workload | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 18,782,715 | \$ - | \$ 26,230,860 | \$ - | 45,013,575 | 861 | 287.00 | |
| Services and Supplies | \$ - | \$ - | \$ 4,286,400 | \$ - | \$ 6,045,600 | \$ - | 10,332,000 | | | |
| SCR 47100-010-20 - Workforce Operations | | | | | | | | | | |
| Package 102: Employment Services for Oregonians | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 6,141,148 | \$ - | \$ 1,476,564 | \$ - | 7,617,712 | 56 | 49.76 | |
| Services and Supplies | \$ - | \$ - | \$ 1,381,000 | \$ - | \$ 344,042 | \$ - | 1,725,042 | | | |
| Special Payments - 6035 Dist. To Individuals | \$ - | \$ - | \$ 6,000,000 | \$ - | \$ 2,600,000 | \$ - | 8,600,000 | | | |
| Package 103: Trade Act | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ - | \$ - | \$ 7,507,323 | \$ - | 7,507,323 | 42 | 42.00 | |
| Services and Supplies | \$ - | \$ - | \$ - | \$ - | \$ 1,512,000 | \$ - | 1,512,000 | | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ (46,299) | \$ - | \$ - | \$ - | (46,299) | | | |

| DESCRIPTION | GENERAL FUND | LOTTERY FUNDS | OTHER FUNDS | | FEDERAL FUNDS | | TOTAL ALL FUNDS | POS | FTE |
|--|---------------|---------------|----------------|------------------|----------------|------------------|------------------|-------|----------|
| | | | LIMITED | NONLIMITED | LIMITED | NONLIMITED | | | |
| SCR 47100-010-40 - Office of Administrative Hearings | | | | | | | | | |
| Package 104: Paid Family and Medical Leave Insurance Implementation | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 724,429 | \$ - | \$ - | \$ - | \$ 724,429 | 15 | 2.92 |
| Services and Supplies | \$ - | \$ - | \$ 240,000 | \$ - | \$ - | \$ - | \$ 240,000 | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 221,497 | \$ - | \$ - | \$ - | \$ 221,497 | 1 | 1.00 |
| SCR 47100-010-50 - Workforce and Economic Research | | | | | | | | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ (223,293) | \$ - | \$ - | \$ - | \$ (223,293) | -1 | -1.00 |
| SCR 47100-010-80 - Paid Family and Medical Leave Insurance | | | | | | | | | |
| Package 104: Paid Family and Medical Leave Insurance Implementation | | | | | | | | | |
| Personal Services | \$ 12,609,330 | \$ - | \$ 3,961,564 | \$ - | \$ - | \$ - | \$ 16,570,894 | 293 | 91.48 |
| Services and Supplies | \$ 6,959,257 | \$ - | \$ 1,505,332 | \$ - | \$ - | \$ - | \$ 8,464,589 | | |
| Package 105: PFMLI Information Technology Implementation | | | | | | | | | |
| Services and Supplies | \$ 9,171,374 | \$ - | \$ 2,220,395 | \$ - | \$ - | \$ - | \$ 11,391,769 | | |
| SCR 47100-010-90 - Modernization Initiative | | | | | | | | | |
| Package 088: September 2020 Emergency Board | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 3,133,276 | \$ - | \$ - | \$ - | \$ 3,133,276 | 0 | 12.00 |
| Package 101: Modernize Business Services and Technology Infrastructure | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 273,268 | \$ - | \$ - | \$ - | \$ 273,268 | 16 | 4.00 |
| Services and Supplies | \$ - | \$ - | \$ 26,344,448 | \$ - | \$ - | \$ - | \$ 26,344,448 | | |
| Package 104: Paid Family and Medical Leave Insurance Implementation | | | | | | | | | |
| Personal Services | \$ 1,618,374 | \$ - | \$ 147,125 | \$ - | \$ - | \$ - | \$ 1,765,499 | 7 | 7.00 |
| Services and Supplies | \$ 294,000 | \$ - | \$ 21,000 | \$ - | \$ - | \$ - | \$ 315,000 | | |
| SCR 47100-087 - Employment Department - Nonlimited | | | | | | | | | |
| Special Payments (6035) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 950,000,000 | \$ 950,000,000 | | |
| TOTAL ADJUSTMENTS | \$ 44,362,258 | \$ - | \$ 75,864,985 | \$ - | \$ 47,128,786 | \$ 950,000,000 | \$ 1,117,356,029 | 1,353 | 555.77 |
| SUBCOMMITTEE RECOMMENDATION * | \$ 47,107,449 | \$ - | \$ 279,077,807 | \$ 5,058,847,795 | \$ 294,964,603 | \$ 1,081,179,119 | \$ 6,761,176,773 | 3,270 | 2,240.27 |
| % Change from 2019-21 Leg Approved Budget | 381.3% | 0.0% | 39.3% | 25.8% | 1.8% | -80.6% | -33.0% | 27.0% | 15.1% |
| % Change from 2021-23 Current Service Level | 1616.0% | 0.0% | 37.3% | 0.0% | 19.0% | 724.2% | 19.8% | 70.6% | 33.0% |

*Excludes Capital Construction Expenditures

Legislatively Approved 2021 - 2023 Key Performance Measures

Published: 5/24/2021 11:16:26 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 2022 | Target 2023 |
|--|-----------------------------|----------------|----------------------|-------------|-------------|
| 1. ENTERED EMPLOYMENT - Percentage of job seekers who receive service from Workforce Operations that are still employed after six months. | | Approved | 68% | 63% | 63% |
| 2. EMPLOYMENT RETENTION - Percent of job seekers who receive service from Workforce Operations that are still employed after 12 months. | | Approved | 70% | 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 | \$481.00 | \$441.00 | \$441.00 |
| 4. FIRST PAYMENT TIMELINESS - Percentage of initial Unemployment Insurance payments made within 21 days of eligibility. | | Approved | 73% | 89% | 89% |
| 5. NON-MONETARY DETERMINATIONS TIMELINESS - Percentage of claims that are adjudicated within 21 days of issue detection. | | Approved | 56% | 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 | 3% | 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 | 72% | 60% | 60% |
| 8. NON-UNEMPLOYMENT INSURANCE APPEALS TIMELINESS - Percentage of orders issued within the standards established by the user agencies. | | Approved | 91% | 93% | 93% |
| 9. AVERAGE DAYS TO ISSUE AN ORDER - Average number of days to issue an order following the close of record. | | Approved | 4.40 | 6.60 | 6.60 |
| 10. COST PER REFERRAL TO OAH - Average cost of hearing referral to the Office of Administrative Hearings. | | Approved | \$737.00 | \$742.00 | \$742.00 |
| 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 | 79% | 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 | 60.20% | 95.50% | 95.50% |
| | Accuracy | | 62.60% | 95.50% | 95.50% |
| | Availability of Information | | 64.20% | 95.50% | 95.50% |

| Legislatively Approved KPMs | Metrics | Agency Request | Last Reported Result | Target 2022 | Target 2023 |
|--|-------------|----------------|----------------------|-------------|-------------|
| | Timeliness | | 61.80% | 95.50% | 95.50% |
| | Overall | | 65.30% | 95.50% | 95.50% |
| | Helpfulness | | 61% | 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:

Given the delays that customers were experiencing with filing and receiving unemployment insurance benefits at the outset of the COVID-19 pandemic, customer service KPMs were suspended during 2019 in consultation with the Legislature. The Legislative Fiscal Office recommends that the survey be reinstated for 2022 reporting year.

The Legislative Fiscal Office recommends key performance measures and targets as presented.

SubCommittee Action:

The Subcommittee approved the LFO recommendation.