

HB 4035 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Dae Baek, Senior Economist

Meeting Dates: 3/4, 3/5

WHAT THE MEASURE DOES:

Increases the Supplemental Employment Department Administration Fund allocation out of unemployment insurance tax revenues. Takes effect on the 91st day following the adjournment sine die.

ISSUES DISCUSSED:

- History of Supplemental Employment Department Administration Fund (SEDAF)
- Fluctuations in the Unemployment Insurance (UI) Trust Fund and adequacy of the fund
- Insufficient federal funds for state's UI program administration
- Purpose of the additional SEDAF allocation
- Statutory safeguards and legislative oversight over SEDAF
- No impact on individual employer tax rates
- Rollout of new information technology system

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

This measure does not change unemployment insurance (UI) tax rate for any UI tax paying employer. It simply increases the Supplemental Employment Department Administration Fund (SEDAF) allocation out of UI tax revenues. With the change, the SEDAF adds more money to the pool of revenues that are being used to run the state UI program.

For a calendar quarter, the current dedication to the SEDAF is 0.09% point of any UI tax rate and this measure changes it to 0.109% point. For example, if an employer is subject to 2.0% UI tax rate, 0.109% tax on UI tax-subjected wages will be collected and dedicated to the SEDAF and the remaining 1.891% (which is 2.0% minus 0.109%) tax of UI tax-subjected wages will be collected and sent to the UI Trust Fund. In the end, the employer tax rate stays unchanged at 2.0% and any adjustment occurs internally at the Oregon Employment Department (OED).

The change in the measure is expected to have minimal impact on the trust fund balance, and there will be no change in the currently anticipated UI tax schedules.