

ANALYSIS

Item 28: Employment Department Paid Leave Oregon Support and System Enhancements

Analyst: Michelle Deister

Request: Increase Other Funds expenditure limitation for the Employment Department by \$3,061,009 and establish 11 limited duration positions (6.75 FTE) for Paid Leave Oregon programming and process enhancements.

Analysis: The Oregon Employment Department (OED) is requesting additional resources in order to implement a series of enhancements to the Paid Leave Oregon program in order to achieve performance metrics related to application processing times.

OED is working toward a goal of making application determinations within two weeks of receipt. Currently, the Department's average is 25 days, and claim volumes are predicted to increase by approximately 5% per year between 2026 and 2028. The request includes \$1,025,000 of contract funding for 5,000 hours of information technology programming costs to improve efficiency on an ongoing basis through creation of the following:

- A portal for health care providers to directly upload of verification documents to Paid Leave Oregon.
- Recognition of eligibility for seasonal and school employees.
- Combining two existing applications into one.
- Improving automated claim and penalty decision letters issued by the system.
- Identity verification, enhanced security for payment options, and interfaces with other agencies to detect potential fraud.

The request also includes limited duration positions which will work with existing staff and managers to develop business requirements, design, and test functionality of the contracted improvements. Positions include a project manager, a supervisor, an Operations and Policy Analyst 3, and eight Operations and Policy Analyst 2 positions. The agency request assumes a start dates for two supervisory positions of March 2026, and the Operations and Policy Analyst positions as of May 2026.

The Legislative Fiscal Office recommendation reflects all positions starting in May 2026, given the challenge with timelines associated with legislative approval and the subsequent hiring process. OED is targeting spring 2027 for project completion, and closeout through June 2027. As limited duration, the eleven requested positions would be phased out of the 2027-29 budget. If the project timeline goes beyond June 2027, any limitation or position authority

would need to be requested as part of the 2027-29 budget process. No increases to contribution rates for employers or employees are required and OED estimates the Paid Leave Oregon fund balance would be equivalent to approximately 7.5 months of operating expenditures in 2026 and 2027.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$2,989,139 in Other Funds expenditure limitation and authorizing the establishment of 11 limited duration positions (6.42 FTE) for the Employment Department in a budget reconciliation bill during the 2026 legislative session for Paid Leave Oregon programming and process enhancements.

Request: Increase Other Funds expenditure limitation by \$3,061,009 and establish 11 limited duration positions (6.75 FTE) to implement critical system enhancements for Paid Leave Oregon (PLO).

Recommendation: Approve the request during the 2026 Legislative Session.

Discussion: The current average paid leave application processing time is approximately 25 days, exceeding the program's Key Performance Measure (KPM) target of 21 days. The agency acknowledges that current performance falls short of this goal, with only about 30 percent of claims processed within 21 days, and that these delays are contributing to increased customer inquiries and elevated contact center hold times of nearly 40 minutes, well above the long-term goal of 15 minutes.

OED has pursued multiple alternatives prior to making this request. The agency has implemented several process improvements and small system enhancements, increasing staff productivity to keep pace with the growing volume of paid leave claims filed. However, OED indicates that system limitations, rather than staff effort or workflow design, are now the primary constraint. The Frances system is described as cumbersome for both customers and staff, requiring the issuance of more than 15 notices per claimant due to system configuration. These inefficiencies add processing time, increase customer confusion, and drive additional contact center demand. Agency analytics show that productivity gains have stabilized despite rising claim volume, but they also demonstrate that productivity improvements alone are insufficient to achieve the statutory two-week payment goal. OED concludes that significant system enhancements are required to further reduce processing times and without these investments delays and customer service challenges are likely to persist. OED will fund these investments through PLO resources and will not use any unemployment insurance funding.

PLO initially prioritized basic system functionality to launch benefit payments beginning in September 2023. The program has been operational for more than two years and additional system needs have become clearer through sustained use, customer feedback, and ongoing discussions with the Governor's Office. These insights highlighted opportunities to streamline workflows, improve clarity for claimants, and address unresolved system issues affecting specific worker populations, such as seasonal and school employees. OED reports that the requested staffing and system investments were not incorporated into the 2026 Paid Leave contribution rate setting. However, OED projects that the Paid Leave trust fund remains financially stable. This request will not require a contribution rate increase. The trust fund is expected to reach approximately \$608 million by the end of the biennium, with reserves well above the statutory six-month minimum. Even with an estimated \$3 million in costs associated with this request, the fund balance would decline only modestly to approximately \$605 million, maintaining reserves of more than 7.5 months in both 2026 and 2027.

The request includes:

- One-time funding of approximately \$1.0 million to implement three major system enhancement projects to:
 - establish a direct interface with healthcare providers to streamline verification and enable faster determinations;
 - redesign and unify the Paid Leave application and associated questionnaires to reduce redundancy and improve clarity; and
 - strengthen fraud investigation and identity verification capabilities to protect both claimants and program integrity.

These projects are intended to reduce manual processing, improve decision accuracy, and support partial automation where feasible. Funding of approximately \$2.0 million is requested to support 11 limited duration positions totaling 6.75 FTE, along with associated Services and Supplies. These positions are designed to supplement existing staff capacity by providing project management, business analysis, policy support, testing, and change management functions necessary to implement system enhancements without diverting development resources from other agency divisions.

OED emphasizes it intends to rely on internal job rotations and part-time assignments where possible, minimizing long-term staffing commitments.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 519, section 1(3), Oregon Laws 2025, for the Oregon Employment Department, Family and Medical Leave Program, by \$3,061,009 for the 2025-27 biennium.



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Tina Kotek, Governor

Employment Department

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December 8, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE, H-178
Salem, OR 97301

RE: Paid Leave Funding Request

Dear Senator Lieber and Representative Sanchez:

Nature of the Request

The Oregon Employment Department respectfully requests your support for increased budget and staffing limitation to implement critical system enhancements for the Paid Leave Oregon program.

Since launching benefit payments in September 2023, Paid Leave Oregon has made substantial progress in delivering on its promise to support working Oregonians during life's most important moments. As the program matures, we have identified several high-impact projects that are essential to improving efficiency, reducing processing times, and ensuring a sustainable, customer-focused system.

Currently, the average application processing time is 25 days—exceeding our short-term goal of 21 days and falling well short of our long-term statutory goal of issuing benefits within two weeks of application. These delays have a cascading effect on our customer service performance. The longer applicants wait for a decision, the more frequently they call us to check on their claim status. As a result, our contact center is experiencing significantly increased volume, driving average hold times to nearly 40 minutes—far above our long-term goal of 15 minutes.

While we have implemented several process and system improvements to manage rising claim volumes, these efforts alone are not sufficient to close the gap between current performance and our long-term goals. Without additional resources to support the system enhancements below, we risk continued delays that impact both program efficiency and the customer experience.

A key challenge is the limited availability of development hours across the agency. The current prioritization process is constrained by a growing backlog of requests, making it difficult to allocate resources to the enhancements we urgently need. Without additional capacity, these critical improvements will be delayed, which will impact our ability to serve Oregonians efficiently and equitably.



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To address this, we are requesting:

- One-time budget authority to fund essential system enhancement projects, and
- Increased limitation to offer internal job rotations or assign existing staff part-time to support implementation, minimizing the need for new hires and maximizing the use of current resources.

These enhancements will:

- Improve processing times and customer service,
- Support long-term program sustainability,
- Ensure compliance with statutory goals, and
- Better serve the growing number of Oregonians relying on Paid Leave.

In terms of the impact on the program's trust fund, we project it to continue growing slowly, reaching approximately \$608 million by the end of the biennium, with reserves of 7.67 months in 2026 and 7.59 months in 2027. With the estimated \$3 million in costs through this request, if split evenly over six quarters, the balance would decrease slightly to \$605 million, with reserves of 7.63 months in 2026 and 7.55 months in 2027. The statutory goal is to maintain a six-month balance.

We are committed to delivering these improvements in a fiscally responsible manner, leveraging internal talent, and minimizing costs wherever possible. Your support will help us build a more responsive, efficient, and accountable program that meets the long-term needs of Oregon's workers and families.

Agency Action

Paid Leave has prioritized many small enhancements through our current agency processes; however, programming capacity remains limited. Advancing these projects below without impacting other agency divisions is not possible due to the significant development hours required.

To address staffing needs, the program has implemented other workload adjustments to maintain adequate staffing levels. The requested positions will play a critical role in supporting law and rule research and analysis, providing business requirements to developers, assisting with testing, and evaluating the impact of system modifications within Frances to implement effective change management activities for staff and customers.

Action Requested

OED is requesting an increase in the Paid Leave program budget authority and limitation to buy system development hours to implement system enhancements and hire the staff below.



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System enhancement projects

Cost of development hours: \$1,025,000 (approximately 5,000 hours)

Establishing an Interface with Health Care Providers

A direct interface with healthcare providers could drastically improve the customer experience through more timely decisions. This would create accounts for healthcare providers and a portal for them to send verification documentation directly to Paid Leave. It would streamline the verification process for claimants and could support some automatic claim processing.

Streamline the Application Process

Enhance the application process for customers by introducing a unified application for all types of requests. It would combine the application and main questionnaires, allowing claimants to provide all required information and documentation simultaneously. It would also improve the claim decision letters, making them easier to understand. This work would include implementing improvements to address eligibility claim issues and resolving issues that have not been fully programmed into the Frances system, such as those related to seasonal and school employees.

Enhance Fraud Investigations and ID Verification

This functionality enhancement for investigations and fraud ensures that misrepresentation and fraud decisions can be issued entirely, and penalties can be applied accurately. Additionally, implementing stronger fraud-prevention measures, such as verifying identity when bank information changes and removing high-risk payment options, will safeguard both customers and the program.

Staffing needed

Cost for 11 Limited Duration positions/6.75 FTE totaling \$1,793,009 Other Funds:

- Project Manager 3, one LD position/0.67 FTE, effective March 2026 at \$208,310
- Business Operations Supervisor 2, one LD position/0.67 FTE, effective March 2026 at \$183,049
- Operations and Policy Analyst 2, two positions/1.33 FTE, effective March 2026 at \$340,322
- Operations and Policy Analyst 2, six positions/3.50 FTE, effective May 2026 at \$893,334
- Operations and Policy Analyst 3, one position/0.58 FTE, effective May 2026 at \$167,994

The agency is also requesting \$243,000 Other Funds limitation for Services and Supplies associated with these positions, for a total of \$2,036,009 Other Funds.

Legislation Affected

Approval of this request increases Other Fund limitation by \$3,061,009 in Oregon Laws 2025, Chapter 519 Section 1(3).



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Tina Kotek, Governor

Sincerely,

Andrew Stolfi
Director, Oregon Employment Department

cc:

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