

EMPLOYMENT DEPARTMENT ADMINISTRATIVE FUNDING

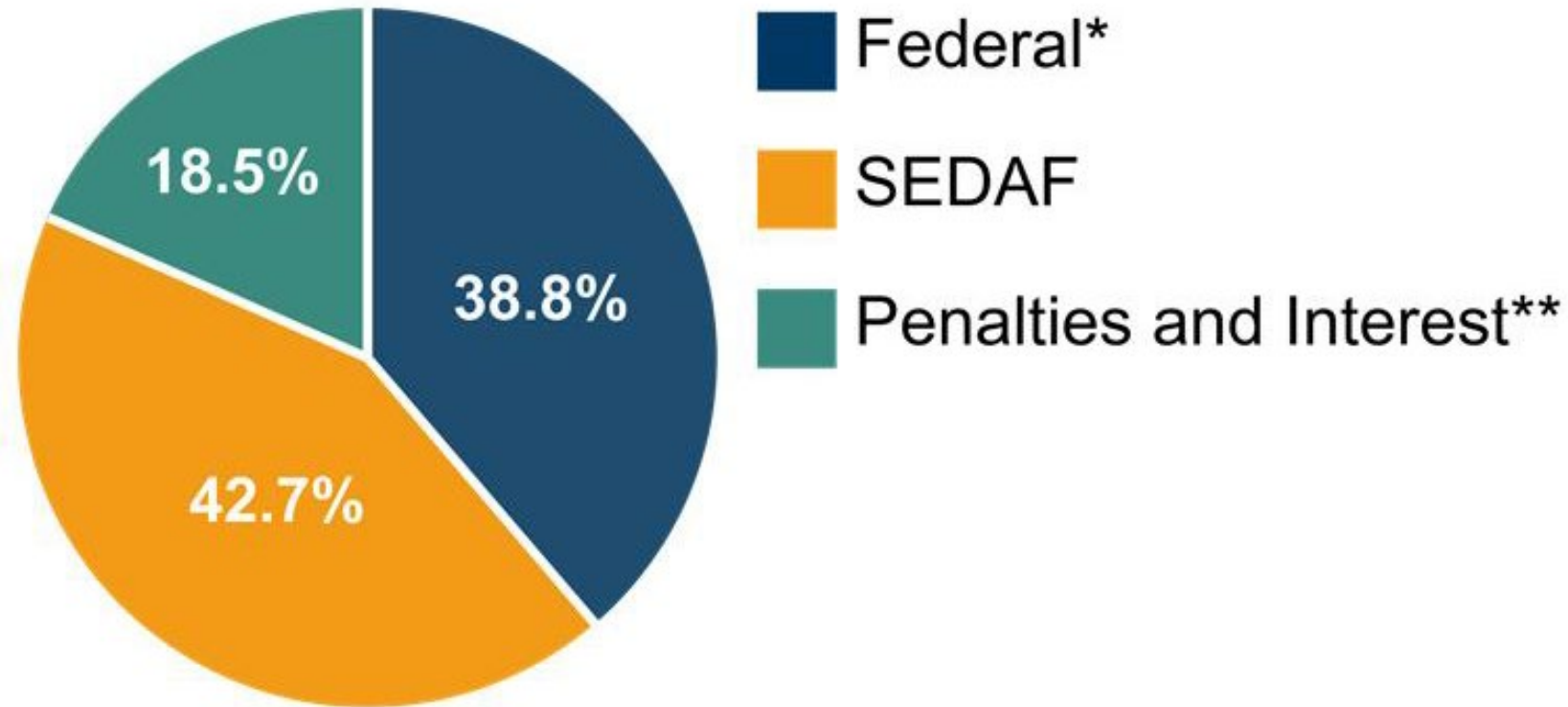
**Senate Finance and Revenue Committee
Monday, May 19, 2025**

David Gerstenfeld, Director

OED Revenue for Federal programs

2025-27 OED Projected Revenue

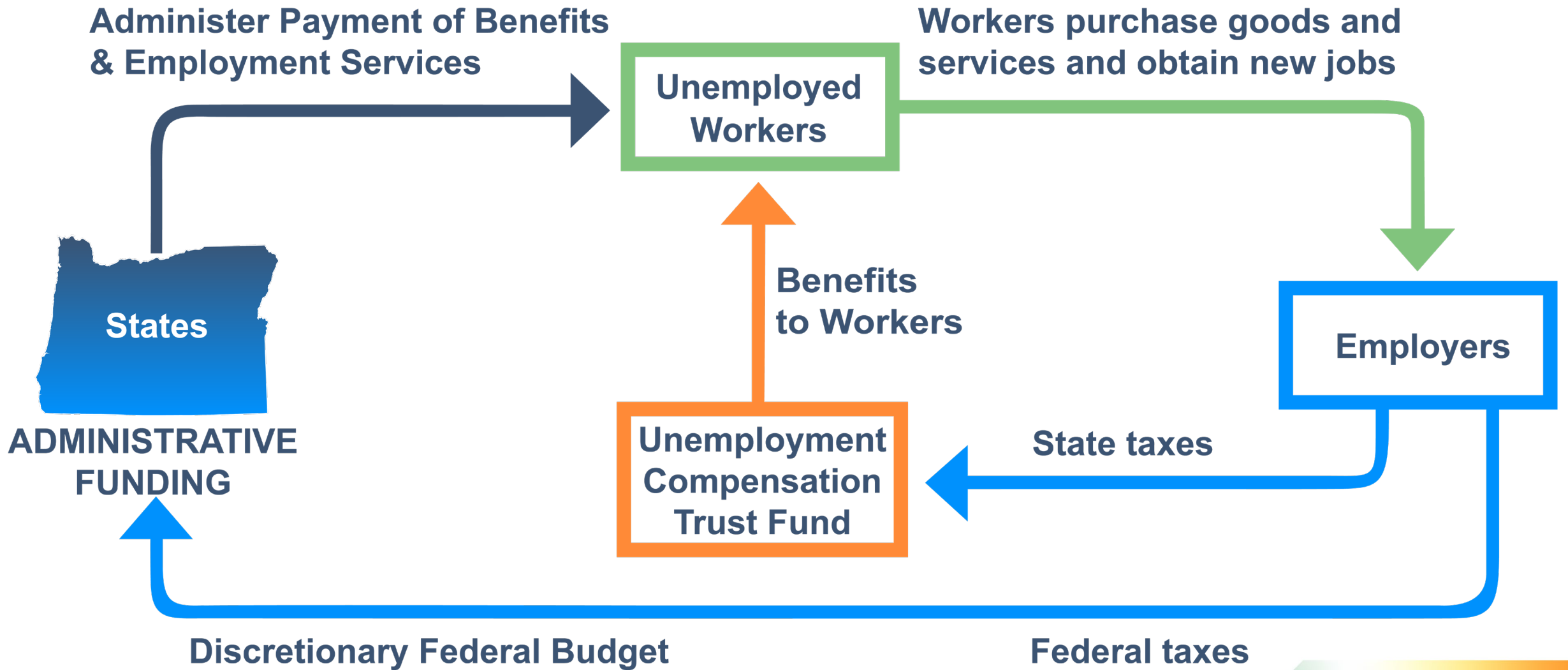
(Excludes Modernization, Paid Leave Oregon, and Office of Administrative Hearings)



Federal funds includes UI Administration, Employment Services, Labor Market Information, Veteran Services

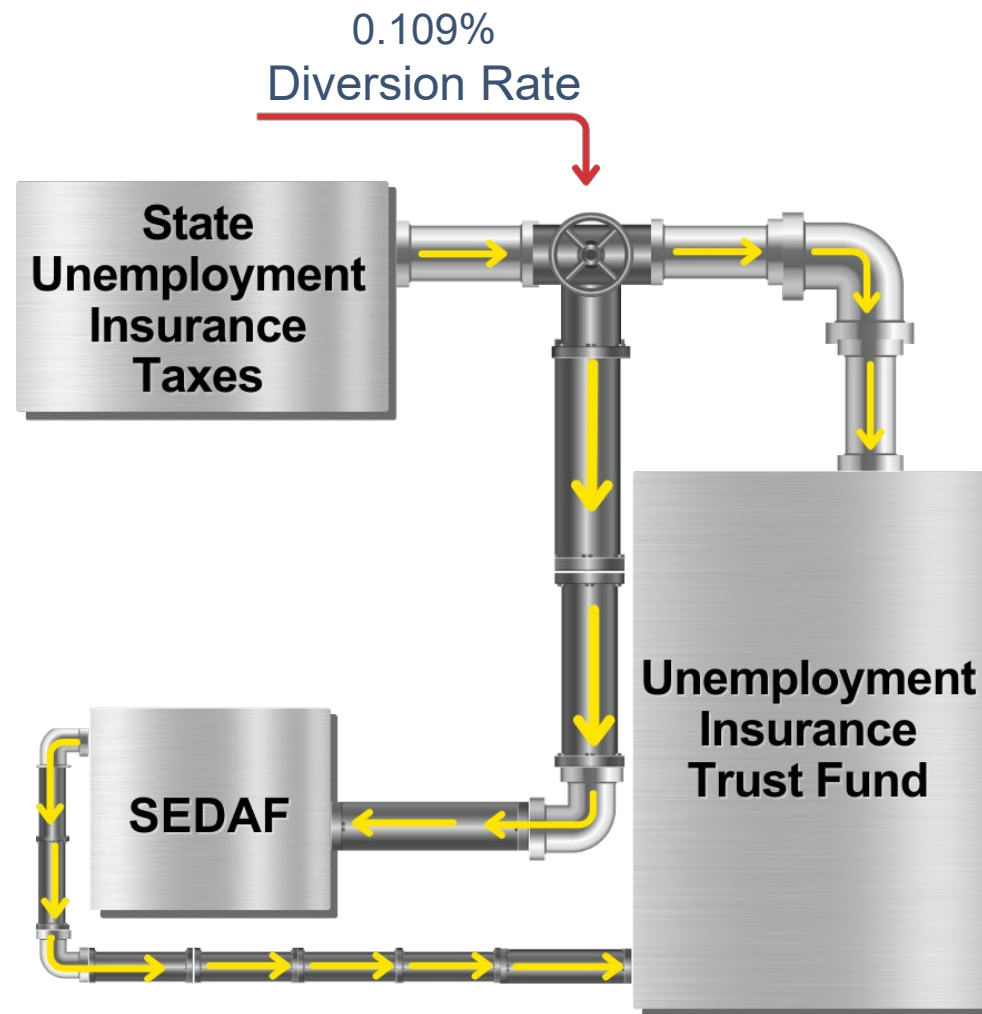
Includes the penalties and interest from overpaid benefits and delinquent taxes

Unemployment Insurance Funding System



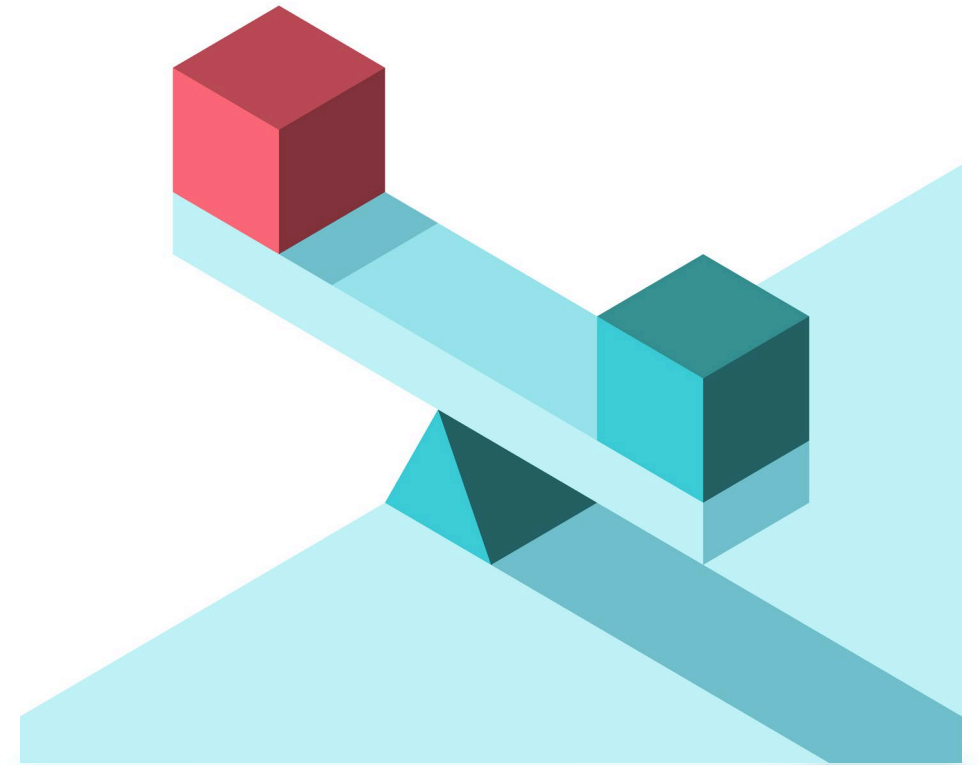
What is SEDAF?

- Supplemental Employment Department Administrative Fund (SEDAF)
- Created in 1987 to help cover unfunded administrative costs
- Current diversion rate is 0.109%
- Statutory safeguards
 - Legislatively approved in budget
 - Unused funds revert to UI Trust Fund

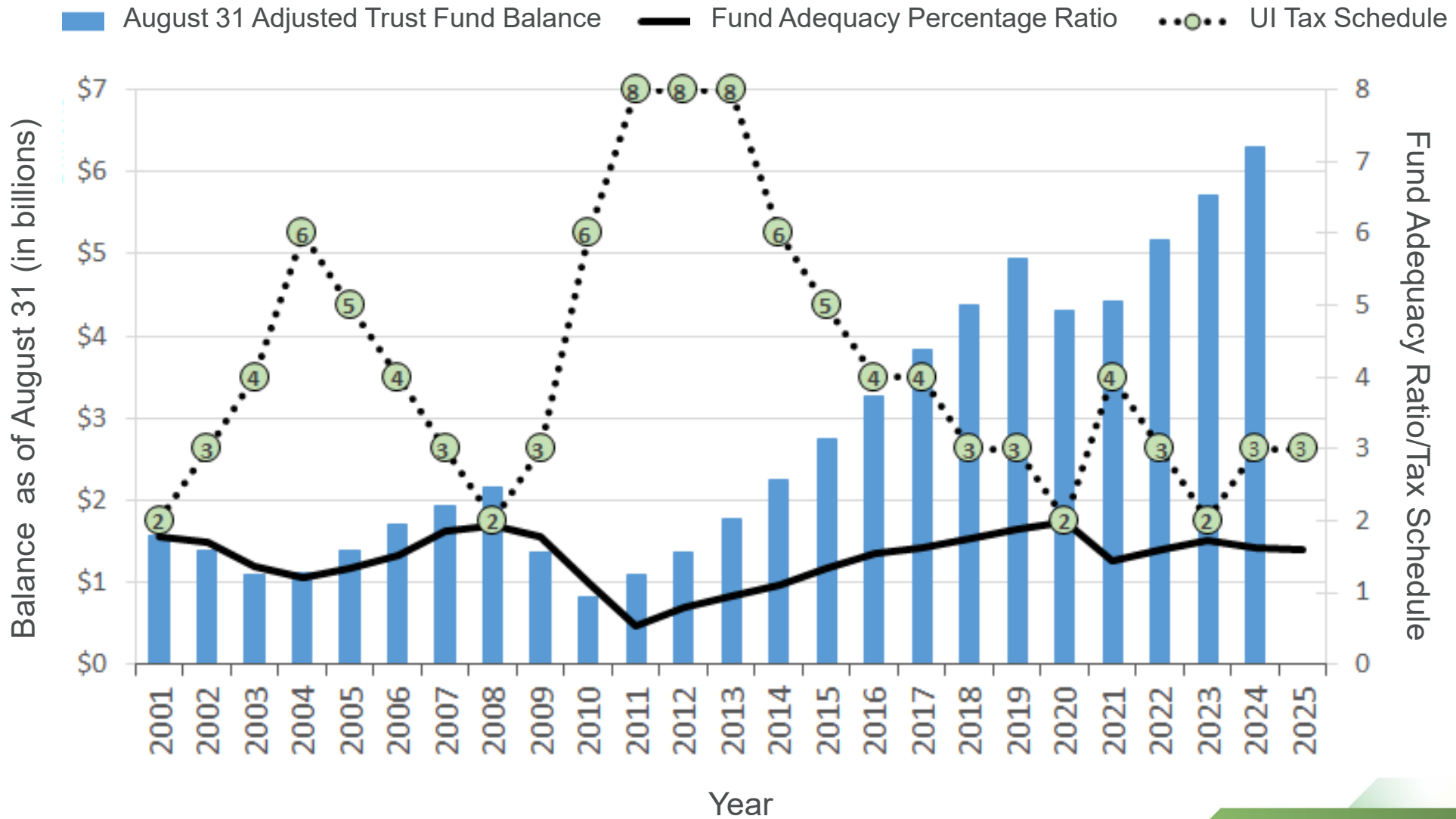


Healthy UI Trust Fund

- Employers pay payroll taxes and reimbursements into the Unemployment Insurance (UI) Trust Fund
- UI Trust Fund may only pay benefits per Federal law
- Legislatively designed, self-balancing formula
- Oregon's UI Trust Fund is solvent, one of the healthiest in the country
- Balance earns interest, helping keep employers' tax rates lower

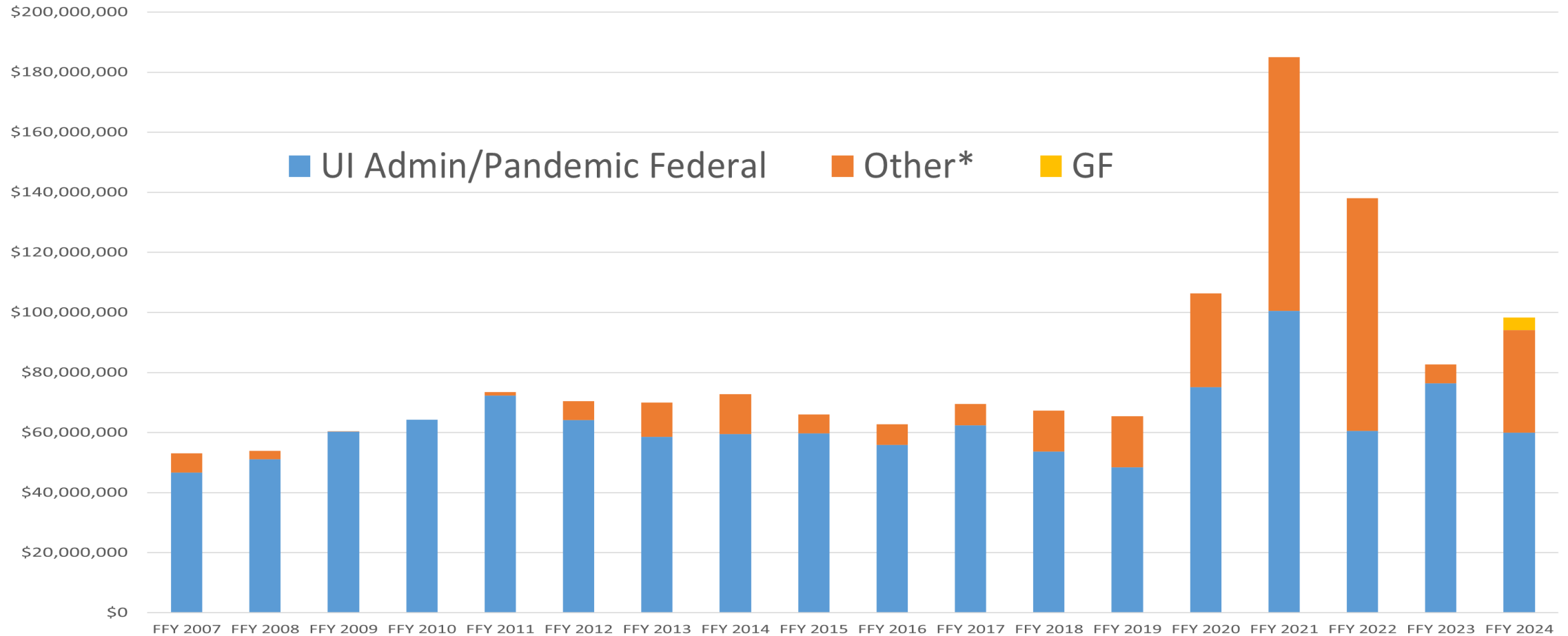


Oregon's UI Trust Fund is Solvent



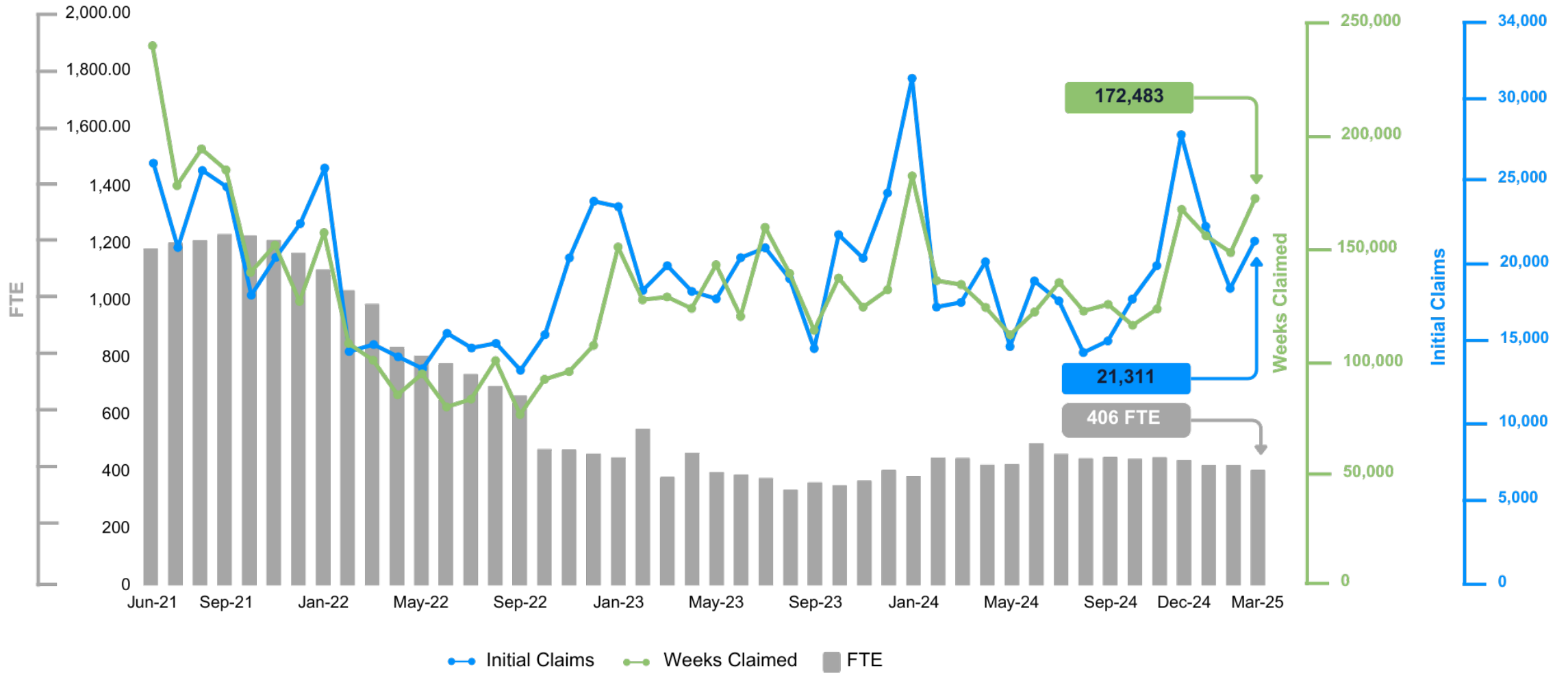
Budget Drivers: Federal/UI Administrative Funds

UI Administration Federal and Other Expenditures by Fund Type



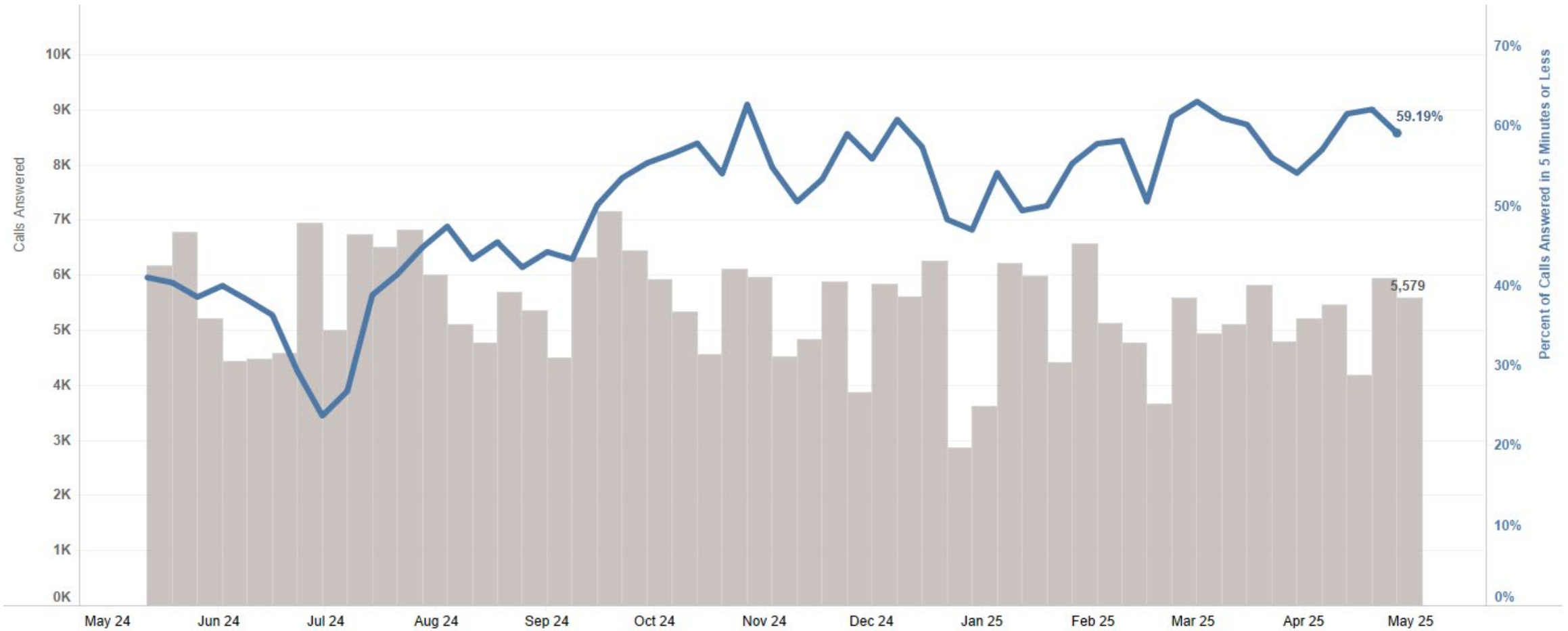
* Includes Coronavirus Relief Fund in support of UI (primarily from 2020-2022)

Impact of UI underfunding June 2021-December 2024

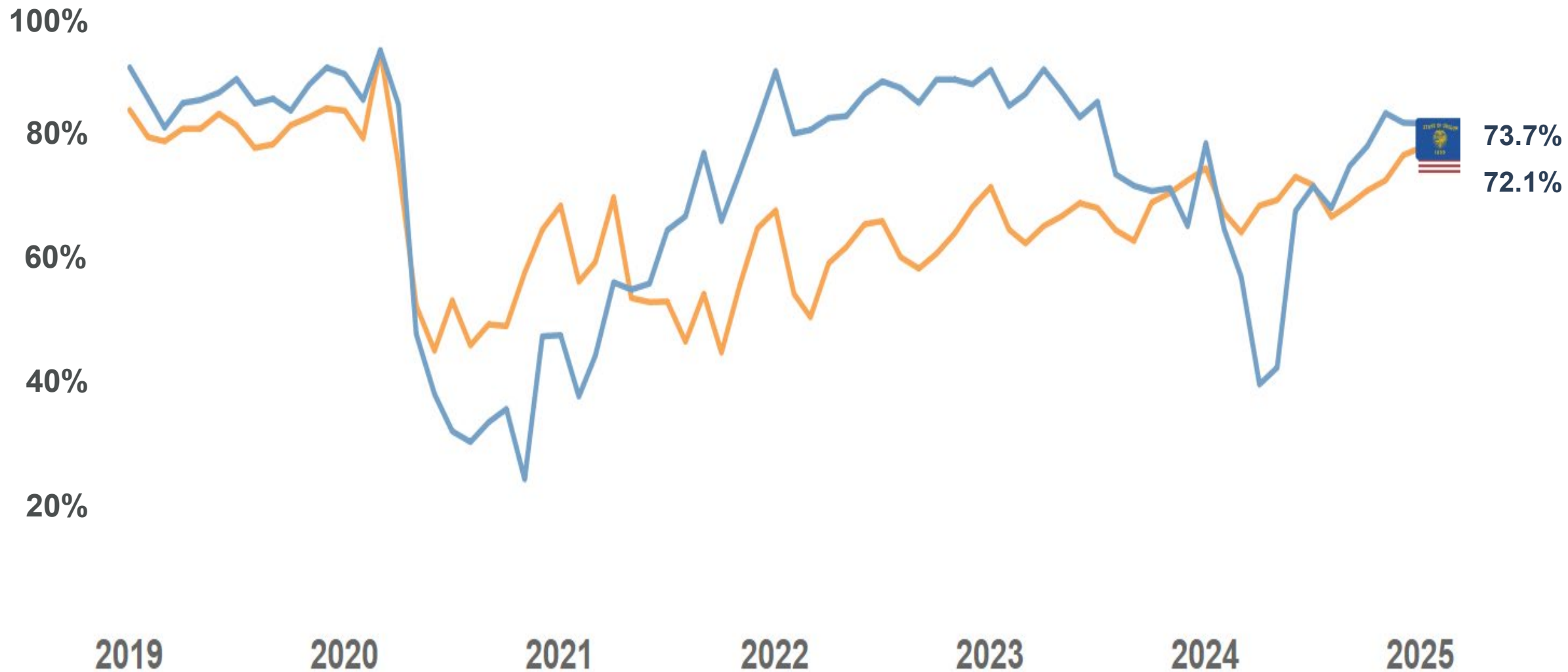


Updated Customer Service Data

Call Wait Times (all UI and C&R lines)



National Comparison - First Payment Timeliness



January 2019 to March 2025

Why SEDAF is needed

Less revenue than projected

- Since the Governor's Request Budget was calculated:
 - ❖ New economic forecasts predict less revenue for OED for next biennium
 - ❖ Workforce costs have increased – COLAs, pay equity
 - ❖ Reductions in the UI administrative grant from USDOL
- OED must balance expenditures to available revenue
- With less projected revenue, OED will have to reduce 2025-27 spending



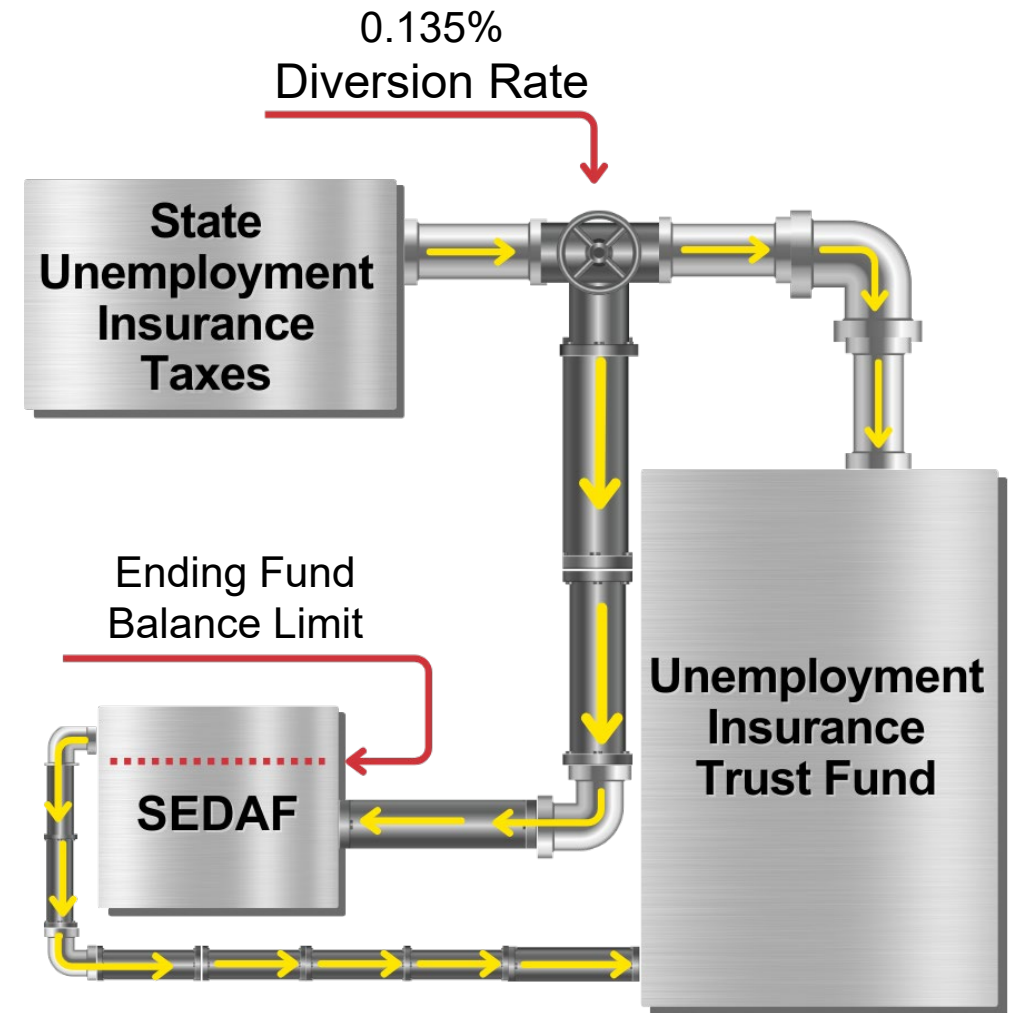
Impact if increase is not approved

- Implementation of roughly \$33 million cut package, including 74 positions
- Magnifies the effects of chronic federal underfunding and hinders our ability to serve Oregonians
- Reduce customer service
 - ❖ Increase delays in processing UI claims, resolving claim issues, and getting people their benefits
 - ❖ Fewer people will get through to OED or receive timely responses about their UI claims
- Reduce customer service for employers
- Close a WorkSource Oregon center
- Increase risk of fraud against the UI Trust Fund

Impact if increase is approved

Increasing the diversion rate to 0.135%

- Avoids implementation of cut package
- Retains resources for almost every part of the agency
- Ensures improvements in customer service are maintained
 - Continue to reduce delays in processing UI claims, resolving claim issues, and getting people their benefits
 - Ensure more people can contact OED about their UI claim
 - Improve UI customer service for employers
- Reduces risk of fraud depleting the UI Trust Fund
- Fewer complaints to legislators and media



Proposed SEDAF Reversion Methodology

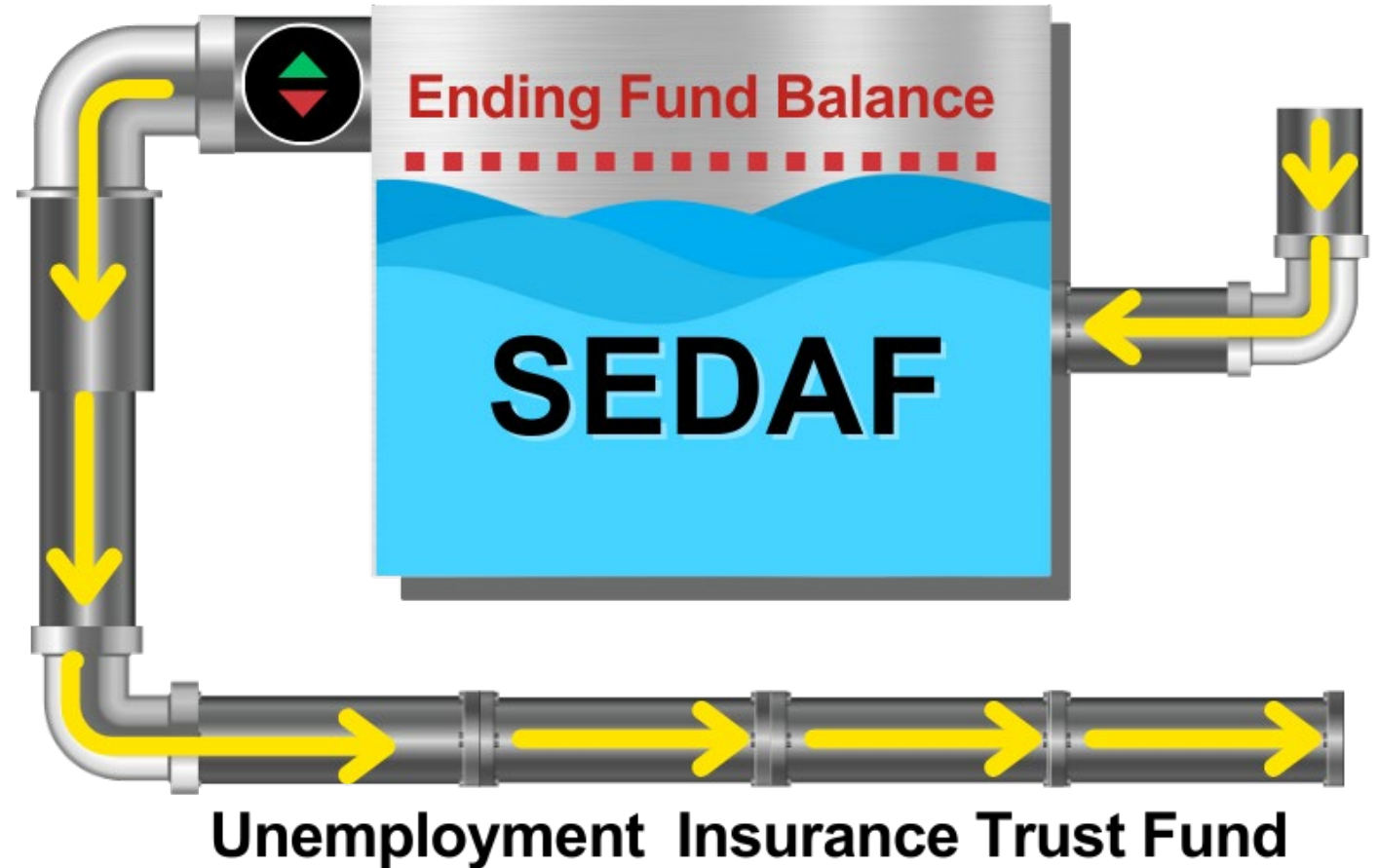
Calculating the Ending Fund Balance June 30 of odd years

Current Law

- 150% of the revenue from the 1st Qtr. of the previous Year
- Looks backward
- Based on taxes collected

Proposed new methodology

- Projected administrative expenditures for 3 months
- Looks forward
- Based on Legislatively Adopted Budget



Proposed SEDAF Reversion Methodology

Making this change will:

- Greatly increase flexibility to respond to:
 - ❖ Emerging customer service needs
 - ❖ Fluctuations in Federal funding
- Maximize federal reimbursement rates
- Follow best practices for fiscal planning and responsibility
- Allow OED to be better prepared for economic downturns





The proposed amendment to Senate Bill 143

- Helps customer service
- Does **not** increase employer taxes
- Does **not** change tax schedules
- Keeps UI Trust Fund solvent
- Maintains statutory safeguards

QUESTIONS?