Oregon
Tina Kotek, Governor

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February 6, 2026

The Honorable Representative Thuy Tran, Chair
The Honorable Representative Rick Lewis, Vice-Chair
The Honorable Representative Mari Watanabe, Vice-Chair
House Committee on Emergency Management and Veterans
900 Court St NE
Salem, OR 97301

Re: Written Testimony for HB 4132

Dear Representatives Tran, Lewis, and Watanabe:

Thank you for the opportunity to provide testimony on HB 4132.

As PERS understands it, this bill as introduced allows for funds from the School District Unfunded Liability Fund (SDULF) and funds from the Employer Incentive Fund (or EIF) that are unexpended or unobligated, to be transferred to the Department of Veterans' Affairs under certain conditions.

The agency is providing the committee with an overview of these two funds and their current financial status. While HB 4132 does not currently define "unexpended and unobligated", it does outline the processes for potential distributions of these two funds.

School District Unfunded Liability Fund
This fund was created in 2018 by Senate Bill (SB) 1566.
Over time, there have been multiple income sources to the SDULF. Most have already sunset. Proceeds from estate taxes and capital gains taxes as an income source for the SDULF sunset in 2023 and the transfer of proceeds from debt collection as an income source sunset in 2024. The transfer of interest on unclaimed property as an income source will sunset in 2027. The fund itself is set to expire in 2042.

Prior to last year, School District Rate Pool employers were not able to take advantage of SDULF funds because the funds were never sufficient to establish a school district side account to provide a meaningful offset for the School District Rate Pool using that side account.

Consequently in the 2025 legislative session, SB 849 was passed to change how these funds would be handled and distributed.
SB 849 removed the requirement that this funding be put into a pooled side account, to allow distributions to be made directly in lump sum amounts among all school district employers. It then allowed for a distribution of the balance of the fund, as of February

28, 2025 equally among all school district employers to be applied against their 2025-2027 contribution rates. This provided an *average* savings of 1.68% for each school district employers' contribution rate.

SB 849 also set out that the PERS board shall apply any moneys that are credited to the fund after February 28, 2025, in equal amounts against all school district employers' individual employer contribution rates for the biennium following the crediting.
As of January 31st, the balance of the SDULF stands at $151 million.

Employer Incentive Fund
This fund was also created in 2018 by Senate Bill 1566.
As noted in the bill, the EIF provides a 25% match to employers making a lump sum payment from non-borrowed funds of at least $25,000. Funding for the EIF comes from transfers from Lottery Funds reflecting proceeds from sports betting. The EIF program (and thus the fund itself) is scheduled to sunset on July 1, 2042. After that, any unexpended moneys remaining in the Employer Incentive Fund will be transferred to the state General Fund.

A total match amount of $96 million was distributed to 110 participating employers located in 26 counties between 2019 and 2023.

Another application cycle began on April 1, 2025, when $36 milion was available for match. A total of 42 employers were approved for match, consuming all available funds. 8 employers remain on the waitlist.

As of January 31, 2026, the EIF balance was $3.8 million. This remaining amount has been promised to employers as matching funds and will be distributed upon receiving the qualifying deposits from those few employers who have not yet deposited their funds.

The outstandings requests from employers on the waitlist total $8.6 million

Sincerely,

Kevin Olineck
PERS Director