

## Employment Department

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	5,868,497	--	--	--	-
Other Funds	126,017,147	144,544,337	152,904,308	169,980,964	192,540,284
Other Funds (NL)	1,012,699,018	1,424,000,000	1,424,000,000	1,582,000,000	1,582,000,000
Federal Funds	134,330,971	155,927,081	159,644,349	153,562,854	154,194,760
Federal Funds (NL)	60,480,860	70,000,000	70,000,000	100,000,000	100,000,000
<b>Total Funds</b>	<b>1,339,396,493</b>	<b>1,794,471,418</b>	<b>1,806,548,657</b>	<b>2,005,543,818</b>	<b>2,028,735,044</b>
Positions	1,259	1,298	1,320	1,270	1,356
FTE	1,226.45	1,239.78	1,259.03	1,225.20	1302.83

\* Includes Emergency Board and administrative actions through December 2018.

### Program Description

The mission of the Oregon Employment Department is to support business and support employment. The agency does this through services offered in four program areas: Unemployment Insurance provides wage replacement income to qualifying workers unemployed through no fault of their own; Workforce Operations offers job listings, referrals, and career development resources; Workforce and Economic Research coordinates the collection and dissemination of occupation and economic climate data for the state, workforce regions, and counties of Oregon; and the Office of administrative Hearings conducts contested case hearings for approximately 70 state agencies.

The agency has no General Fund revenue, with Federal Funds from the Department of Labor providing administrative grant funds, and Other Funds -- from fees, employer unemployment taxes, penalties, fees for service, or a one-time distribution from the Federal Unemployment Trust Fund -- providing agency operating revenue and benefit payments.

### CSL Summary and Issues

There are no differences between DAS and LFO on the assumed Current Service Level for the Employment Department. Standard DAS price-list and inflationary adjustments per budget instructions were applied. One-time expenditures related to limited duration positions in the Workforce Operations division were phased out. Nineteen limited duration positions and federal funds related to UI caseload were phased out, and the 2019-21 agency request budget proposes to add nineteen permanent positions (nine of which are part time) to reflect workload increases related to overall job growth. In the event of a recession (assumed to be temporary), the Department will add limited duration employees to handle claims resulting from an economic downturn.

The Office of Administrative Hearings is not expected to have any significant increase in cases from 2017-19 levels.

### Policy Issues

The Employment Department's major policy issue involves its information technology (IT) infrastructure modernization project. The agency embarked on planning for improvements to business processes and replacement of antiquated technology systems in the 2015-17 biennium, using a one-time \$85.6 million distribution from the U.S. Department of Labor, which the Department has identified as the funding source for this endeavor. A total of \$2.7 million had been spent on the life of the project as of July 31, 2018 (compared with \$5.8 million in approved expenditure limitation; unexpended limitation is not carried forward to subsequent biennia, but rather, new estimates of expenditures are provided for each budget cycle). Actual projected expenditures for the 2017-19 biennium were projected to be 17% below what was approved for the project in the legislatively adopted budget. As of July 31, 2018 the balance of Modernization funds was \$82.2 million, and \$79.3 million is projected to remain at biennium's end.

The department is experiencing challenges in hiring approved positions, which is resulting in project delays. As of August, 2018, business and technical requirements and a revised had not been finalized, nor had the current state of the agency's enterprise architecture. Despite these delays, the Employment Department's 2019-21 budget request is predicated on the assumption that it will be developing an RFP and procuring services and software for a new and improved unemployment insurance tax system by July of 2019. The Employment Department is requesting \$13.7 million in Other Funds expenditure limitation and 37 positions (28.63 FTE). The plan is to assess, plan and implement complimentary IT improvements in other divisions after the UI Division solutions are executed. The Business and Employment Services Division is presumed to be next; remaining available revenue is likely to figure prominently into remaining agency business needs.

Other policy option packages include expenditure limitation and position authority related to contracted employment services for DHS clients (\$9 million Other Funds, 39 positions/39.00 FTE, 18 of which are permanent) and Trade Act and Foreign Labor Certification (\$1.5 million Federal Funds, 8 positions/8.00 FTE).

The Governor's Budget generally included expenditure limitation for all ARB Packages at requested levels, and included standard adjustment to DAS charges and attorney general rates. The Governor's Budget increased expenditures for Policy Option Package 102 - Employment Service Contracts associated with the Department of Human Services clients by \$355,854 OF and two positions; the enhancement reflects updated projections for participation in the Job Opportunity Basic Skills and Able-Bodied Adults Without Dependents programs by DHS clients.

### Other Significant Issues and Background

The Employment Department is a key agency in planning and implementing Governor Brown's "Future Ready Oregon" initiative, working closely with the Higher Education Coordinating Commission, Business Oregon and the Bureau of Labor and Industries to assess skills needs, develop training opportunities, and match employers and job seekers. However, new investments for this initiative appear to be targeted toward those other agencies.

