

**REVENUE IMPACT OF
PROPOSED LEGISLATION
81st Oregon Legislative Assembly
2021 Regular Session
Legislative Revenue Office**

Bill Number:	HB 3389
Revenue Area:	Unemployment Insurance
Economist:	Dae Baek
Date:	04/08/2021

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Provides that the same experience rating used to determine an employer’s 2020 unemployment insurance (UI) tax rate be used to determine its rate for the calendar years 2022, 2023, and 2024. Allows for a payment deferral of up to one-third of 2021 UI tax payments for certain employers. Authorizes forgiveness of a percentage of deferrable tax payments for certain employers. Reduces the UI Trust Fund Adequacy Percentage Ratio requirements in determining the statewide UI tax schedule. Changes the look-back period from 10 to 20 years in consideration of high benefit cost period. Excludes calendar years 2020 and 2021 from high benefit cost period. Takes effect on the 91st day after the 2021 adjournment sine die.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2021-22	2022-23	2021-23	2023-25	2025-27
Unemployment Insurance Trust Fund	-\$89.9	-\$201.9	-\$290.9	-\$649.5	-\$836.9

Data source: Oregon Employment Department

Impact Explanation:

The UI Trust Fund balance stands at \$3.8 billion as of March 28, 2021. The most recent current law UI Trust Fund forecast by the Oregon Employment Department anticipates that the fund balance will hit a low of \$3.1 billion in the first quarter of 2022, followed by a steady increase.

The policy in this bill reduces the employers’ UI tax payments to the UI Trust Fund in two ways - UI tax reduction (a consequence of a lower statewide UI tax schedule and lower employer tax rates) and deferment/forgiveness of UI tax contributions. The tax deferment and forgiveness are only for 2021-22 fiscal year, but the rate reductions due to tax schedule changes will have a lasting impact. The revenue impact also includes an expected loss in interest earnings stemming from employers’ lower contributions to the UI Trust Fund.

With the policy change in the bill, the fund balance is expected to be \$3.5 billion at the end of the 2021-23 biennium, and \$4.8 billion at the end of the 2023-25 biennium. The fund balance will continue to grow in the following years to reach over \$8 billion at the end of 2027-29 biennium. The detailed analysis is provided below.

During the 2021-23 biennium, the rate reduction is expected to result in \$194.4 million less in UI tax contributions. The loss from UI tax deferment and forgiveness is estimated to be \$83.9 million and it occurs in the fiscal year

2021-22. The loss of interest earnings is expected to be \$12.6 million. In total, the net inflow to the UI Trust Fund will decline by \$290.9 million.

In the 2023-25 biennium, UI tax contributions are expected to decline by \$609.9 million due to lower UI tax rates, with an expected interest loss of \$39.6 million. Total impact in the 2023-25 biennium is \$649.5 million less in the net inflow to the fund.

In the 2025-2027 biennium, UI tax contributions to the UI Trust Fund are estimated to be lower by \$785.9 million, and the reduction in interest earnings is estimated to be \$51.0 million. As a result, the net inflow to the UI Trust Fund is forecasted to be lower by \$836.9 million.

Creates, Extends, or Expands Tax Expenditure: Yes No