

Oregon Unemployment Rate Discussion

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Prepared For:
HB 3389 Hearing

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Asking for your support of HB 3389

- As a result of Executive Order 20-12 (due to Covid-19), social unrest, and the unprecedented wildfire season, Oregon businesses were asked to participate in both voluntary and mandatory temporary business closures. For many business sectors, that meant directing most or all of their w2 employees to apply for unemployment benefits.
- As it relates to unemployment benefits and notwithstanding any wrongdoing by any party, due to current legislative mandates, business owners have ended up carrying 100% of the financial burdens attributed to the decisions of these county-wide and state-wide closures. These decisions were made at the Gubernatorial and OHA Director level.
- The Oregon Congress is in a great position to make this financial hardship right with the Oregon business community. HB 3389 offers a tangible financial solution to Oregon businesses for the real-world problem created by the significant increases in unemployment insurance rates. Furthermore, HB 3389 prioritizes businesses and communities hit hardest by Executive Order 20-12, the social unrest, and the wildfires. Therefore, I support HB 3389.

Asking for your support of HB 3389

- Below are my payroll numbers by year. Without HB 3389, all else being equal,

(#1) my profitability/net income will go down by \$0.37 per hour worked.

(#2) my businesses will see a 100% increase in the true cost of my UI rate for the next 3 years (from \$50,890 to \$105,121), while during that same period gross payroll is projected to be down by 5%.

Payroll Numbers by Year					
Items	2018	2019	2020	2021	Notes
UI Rate (Oregon)	1.60%	2.00%	2.00%	3.40%	Estimate for 2021 based on Q1 2021 numbers
Benefit Ratio	0.0033567	0.042083	0.042083	0.042083	
Taxable Wage Base	39,300.00	43,800.00	43,800.00	43,800.00	
Gross Payroll Total	\$3,254,724	\$3,415,262	\$2,608,803	\$3,091,793	
Number of Hours Worked	167,738	161,730	112,367	129,706	
OR UI Payment	\$ 50,890	\$ 77,450	\$ 49,693	\$ 105,121	
UI Rate as a f(x) of labor hours worked.	\$0.30	\$0.48	\$0.44	\$0.81	without passing HB 3389

Quick Review - Problem Statement

- As a result of Executive Order 20-12, in response to the COVID-19 pandemic, nonessential businesses were required by Governor Brown to shutter their businesses. As a result, many employers across the State asked most or all their w2 based workers (employees) to file for unemployment as those businesses anticipated significant negative impacts to gross revenue.
- Oregon Employers were asked / instructed not to object to or fight unemployment claims.
- The Oregon Employment Department (OED) was flooded with calls from claimants who wanted to file for unemployment.



Problem Statement... part two

- To address the overflow of claimant calls, OED shut down all avenues to Oregon based employers to communicate with OED, as OED turned its attention to managing employee claims. However, this wasn't enough.
- Facing tens of thousands of unanswered claims, in May 2020, Kay Erickson, OED Director, resigned as a result of mounting pressure from US Senator Wyden's office.
- Oregon remained among the slowest in the US to pay UI benefits.

“In America, one in six households with children are food insecure.”

**Prof. Scott Galloway
12/29/2020**

Problem Statement... part three

- Oregon saw a massive spike in unemployment claims between mid March 2020 and end of June 2020.
- At the same time, the Oregon Health Authority (OHA) worked to setup guidelines for a phased based and sector based, county specific re-opening plan. OHA outlined key metrics associated with stopping the spread of COVID-19. (see: <https://govstatus.egov.com/or-covid-19>). Non-essential businesses could re-open based on criteria developed by OHA.
- By the time counties applied and were granted permission to re-open, many nonessential Oregon businesses had entire staffs of employees who had been on unemployment for at least three months.

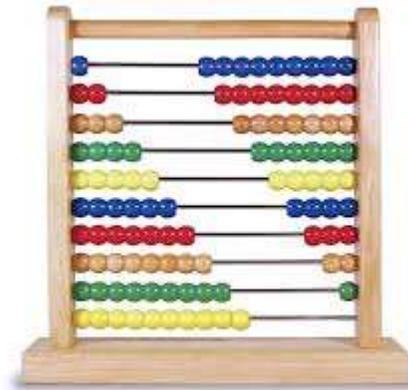
**A third of Americans
are worried about
paying their rent.”**

**Prof. Scott Galloway,
12/29/2020**

Unemployment Insurance (UI) Rate

UI Rate - how it's calculated.

- The Oregon UI Rate is determined by the benefit ratio on the employer's account. The benefit ratio is based on the benefit charges and the taxable payroll on the employer's account across a trailing three-year average. This calculation also includes any businesses acquired (stock sale or asset sale) over the last three years.
- The benefit ratio table provides clarity to employers as to how much their benefits pay.
- Employer tax liabilities are calculated by multiplying that employers' total taxable wages by that employer's tax rate.
- Employer's report and pay UI taxes through the quarterly OQ Form.



Historic Claims

- In response to Oregon Governor Brown's Executive Order 20-12, Oregon saw a historic spike in unemployment benefit claims.

2021 UI Tax Rates are here.

- The spike in UI claims was so substantial that it was an event that triggered a benefit ratio table increase for all employers across the state.
- The benefit ratio table increase will now also impact (1) businesses looking to relocate to Oregon as well as (2) new entrepreneurs who are thinking about starting a new business with employees in Oregon.
- In addition, those employers who were deemed non-essential (e.g., personal services sector, hospitality, restaurants), were hit hardest as the benefits paid were the highest.

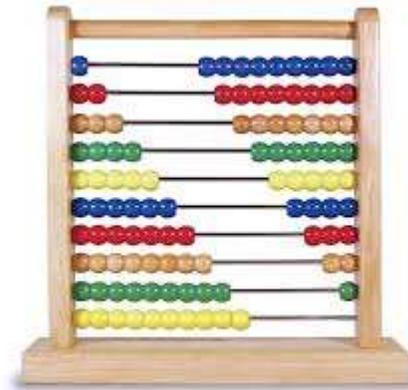
“If you make over \$100,000 a year, there has been no change in the likelihood of interruption in your employment. If you make less than \$40,000 a year, there is a 40% likelihood that you’ve seen an interruption in your employment.”

Prof. Scott Galloway

12/29/2020

Historic Claims

- What's worse, because the benefit ratio is calculated over a trailing three-year average, these spiked rates will follow the non-essential business owners through calendar year 2024, notwithstanding subsequent government mandated shutdowns.
- As a result, many business owners of non-essential businesses saw huge spikes in their rates. This in and of itself, is enough to force many of these employers into bankruptcy.



“In the US, between January 2020 and November 2020, small business revenues are down 27%, even though the NASDAQ is up 28%.” Prof. Scott Galloway 12/29/2020

Solutions

Why I support HB 3389

- In 2021, HB 3389 will help Oregon based employers hit the hardest by forced closures due to Executive Order 20-12. The deferment treatment as well as the escalations around forgiveness means that those hit hardest will deservedly see significant financial assistance in CY 2021. As an example, here's the financial assistance my business will receive in CY 2021.

2021 Payments	Q12021	Q2 2021	Q3 2021	Q4 2021	Q12022	Q22022	Total UI Payment
Current Path	\$ 26,280.24	\$ 26,280.24	\$ 26,280.24	\$ 26,280.24	0	0	\$ 105,120.96
With New Legislation Framework	\$ 17,607.76	\$ 17,607.76	\$ 17,607.76	\$ 17,607.76	0	\$ 34,689.92	\$ 105,120.96
deferred amount	\$ 8,672.48	\$ 8,672.48	\$ 8,672.48	\$ 8,672.48			
Forgiven Amount (1.4% increase in rates)						\$ 17,344.96	
Total Due with new legislative framework	\$ 17,607.76	\$ 17,607.76	\$ 17,607.76	\$ 17,607.76	\$ -	\$ 17,344.96	\$ 87,776.00

- This bill also addresses the large rate increase that would come from the three-year lookback period. For CY 2022 – 2024, the actual experience of the employing enterprises of an employer used to determine the tax rates applicable to the employer for calendar year 2020 shall be used to determine the tax rates applicable to the employer. The bill understands that CY 2021 was beyond all our control and will not punish employers for following Gov. Brown's mandates. **For my businesses, this is an estimated savings of \$146,000 through 2024.**

Reserve:

- OED has the highest reserve in the nation. At \$4+ billion the reserve can cover the 2021 anomaly and have significant reserve funds left over. This is the emergency OED has saved for. Now is the time to provide employer relief.

Thanks, and Q&A

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