



In support of SB 881

Thank you for the opportunity to provide comments in support of Senate Bill 881, an amendment that clarifies the definition of a small employer to include a client employer, defines a worker leasing company, and outlines reporting methods for contributions paid into the Paid Leave Oregon program.

Professional Business Solutions, Inc. (pbsi), is a small PEO (worker leasing company) operating in Portland, Oregon. We have been in business for 25 years and we have been supporting local, small businesses in the areas of HR and government compliance, including payroll, worker policies, workers' compensation, safety and health, benefits, and other administrative functions having to do with employment. We have become an integral partner in the operation and success of hundreds of small clients over the 25 years we have been in business. We love adding to the success of our clients, and we love what we do!

Under Paid Leave Oregon, the Oregon Employment Department is currently requiring quarterly reporting by business identification number (BIN) in the FRANCES system, and the software does not recognize worker leasing clients (or client employers) as independent employers unless reporting is done under a separate BIN. My PEO files payroll taxes in the aggregate for all clients, so using our PEO's BIN does not accurately track employee wages to the individual client employers. This has created a situation whereby small client employers with less than 25 employees will be treated similarly to those with 25 or more employees. As a result, our client employers with fewer than 25 employees are not considered "small employers" under the rules and thus required to pay the 0.40% contribution. These same small client employers are not eligible to apply for small employer training and replacement worker grants, and are not given the option to apply for equivalent plans. We do not believe this was the original intent of the Paid Leave Oregon program.

Our industry has worked closely with Oregon agencies in the past to make sure that new programs are fairly applied to small businesses given the unique relationship between a PEO and its clients. Currently, Paid Leave Oregon rules only allow the worker leasing company to count employees at the worker leasing level (aggregating all employees the work under the worker leasing company), and not at the client employer level. This is inconsistent with how Oregon has handled similar legislation, such as Oregon Family Leave, Oregon's Paid Sick Time, and OregonSaves. In these instances, the employee count is tied to the client employer only, and not the worker leasing company. The current approach will force our clients to reconsider working with a PEO because they will receive less favorable treatment under Paid Leave Oregon for doing so.

We are a strong supporter of the Paid Leave Oregon program, and many other programs that have been implemented over the years. These programs add value to our service as we assist small companies in navigating the complexities and requirements of employment matters. We believe our organization, as well as our industry, has increased participation, improved reporting, and fostered support and understanding for the many programs implemented to benefit Oregon workers.

We would like to offer our full support for Senate Bill 881, codifying the definition of a client employer, including the definition of a worker leasing company, and clarifying the reporting process for a worker leasing company through FRANCES.

Of particular importance is the projected fiscal impact currently being used in consideration of this bill. We believe the proposed fiscal impact of \$450,000 is deceptive and does not reflect the reality of the situation. First, the \$450,000 the fund is projected to lose is generated from anticipated contributions that are derived directly from small businesses with less than 25 employees, an employer base that is not required to pay the contributions in the first place. The only difference is that the small employer works with a worker leasing company; the small employer would not otherwise have to pay employer contributions if not for its relationship with the worker leasing company. To say that the fund would lose \$450,000 is misleading.

Second, should this bill fail, the client employers would have no other choice than to leave the worker leasing company relationship to escape paying the unfair contributions applied to them, even though they qualify as a small employer. The result is that the trust fund loses the contributions regardless, Oregon loses an important business model that thousands of small businesses have come to rely on, and small businesses are forced into business practices and compliance that they know little about. This hurts small business.

The worker leasing industry has been working closely with the relevant agencies over the last few months to come up with a solution that works for all parties involved. Our industry has agreed to pay, on an interim basis, the employer portion of contributions based on our small client companies (nearly 75% of our client base). This consideration is to give the OED time to create a permanent solution within FRANCES that will allow worker leasing companies the ability to correctly report contributions that are based on client companies with 25 or more employees. Also, this bill would give worker leasing companies (and small client employers) a path to collect overpayments at some point in the near future.

Thank you again for the opportunity to comment on this important bill.

Regards,

Anthony S. Kell

President