

HOUSE BILL 4035

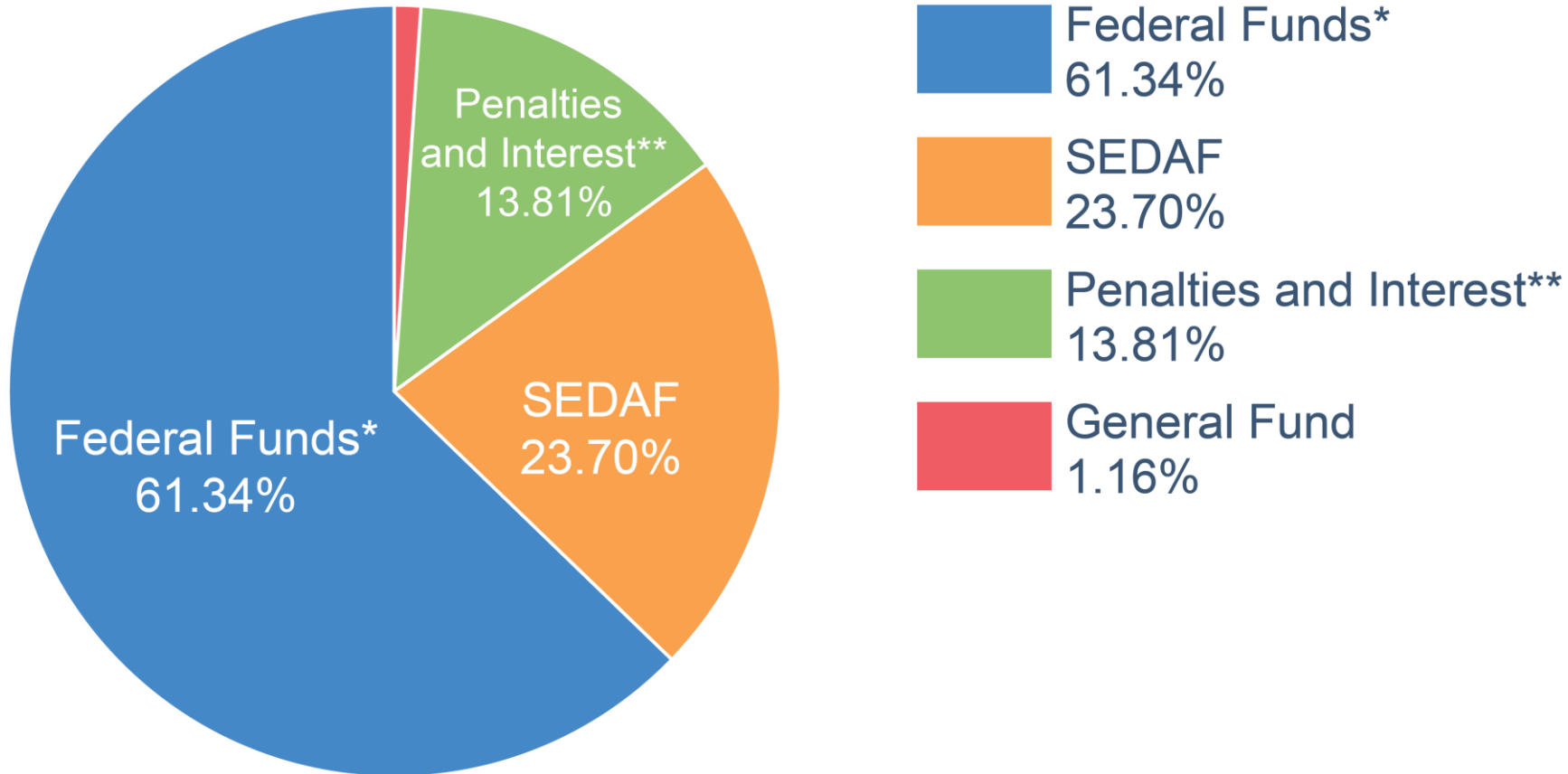
INCREASE TO SEDAF DIVERSION RATE

Senate Finance and Revenue Committee
Tuesday, February 27, 2024, 3:00 pm

David Gerstenfeld, Director
Oregon Employment Department

2023-25 OED Revenue

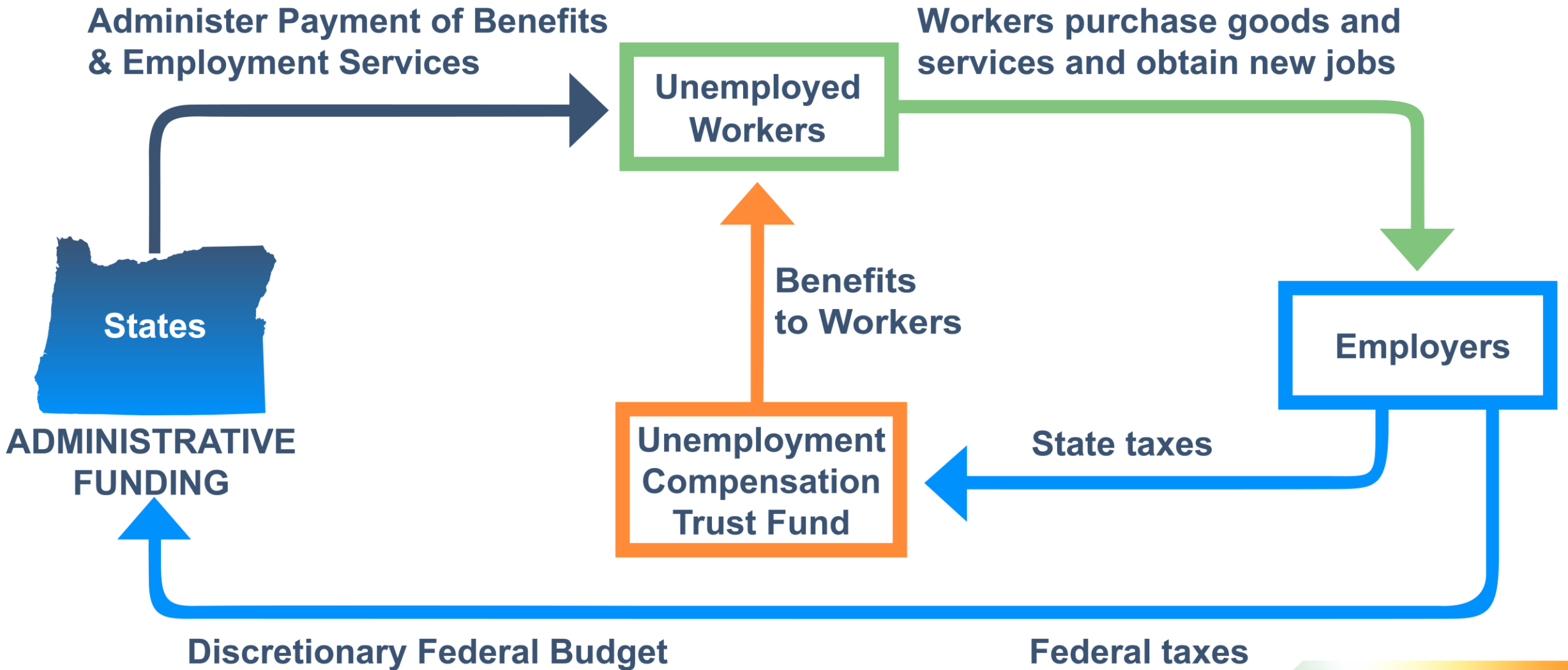
(Excludes Modernization, Paid Leave, and OAH Charges for Services)



Federal funds includes UI Administration, Employment Services, Labor Market Information, Veteran Services, and Trade Act

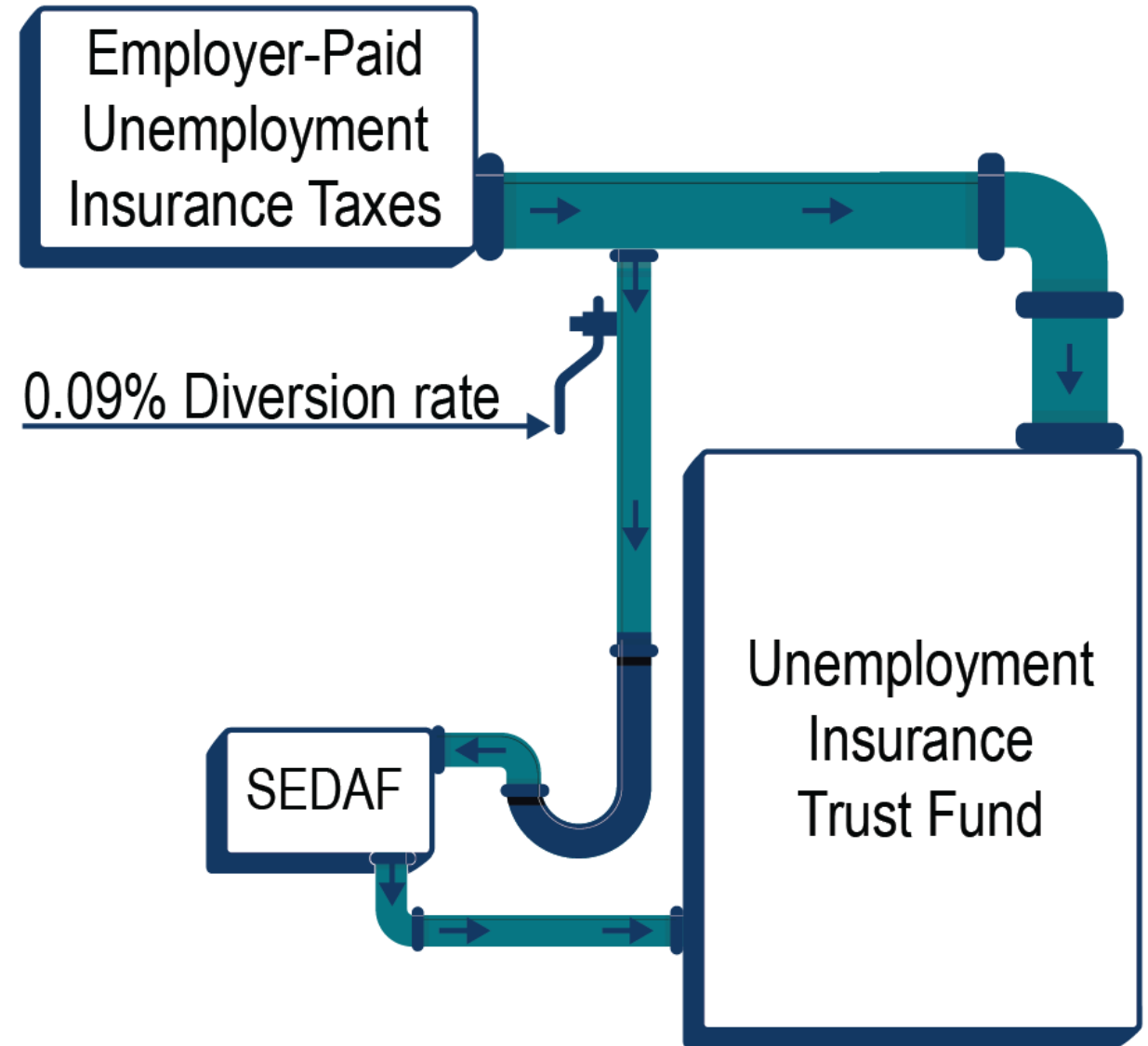
Includes the penalties and interest from overpaid benefits and delinquent taxes

UNEMPLOYMENT INSURANCE FUNDING SYSTEM



WHAT IS SEDAF?

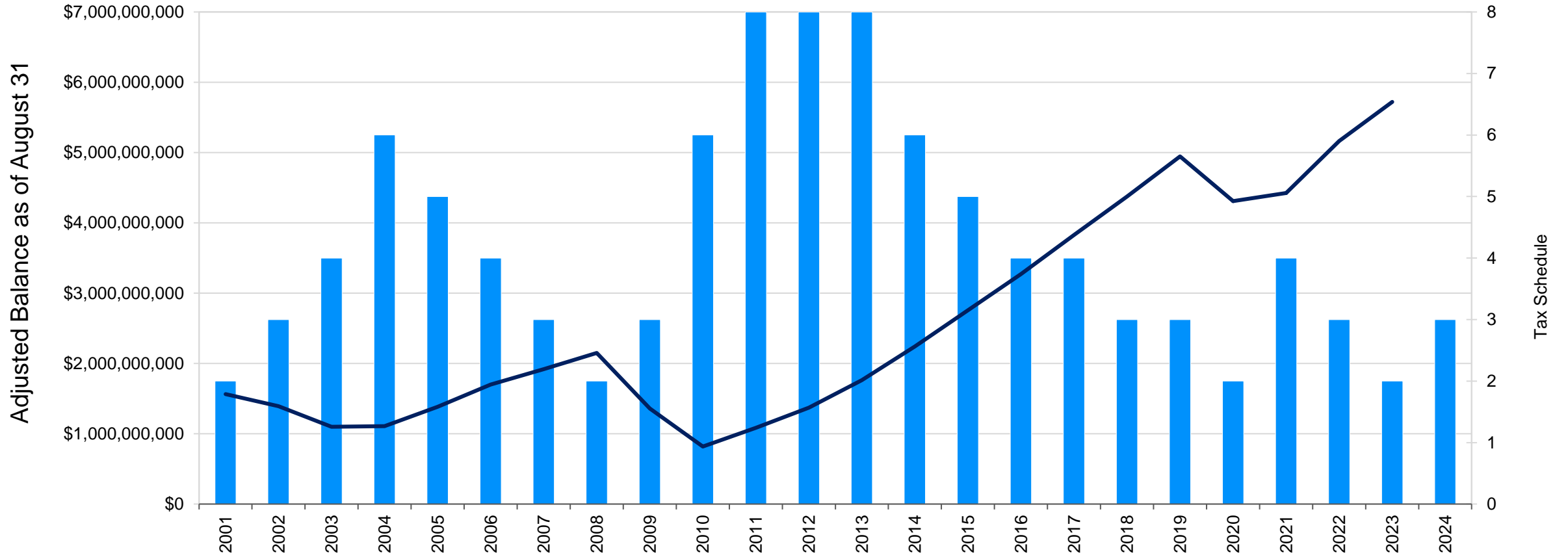
- Supplemental Employment Department Administrative Fund (SEDAF)
- Created in 1987 to help cover unfunded administrative costs
- Current SEDAF diversion rate is 0.09%
- Unused funds go to the UI Trust Fund



- Employers pay payroll taxes/contributions into the Unemployment Insurance (UI) Trust Fund
- Per federal law, UI Trust Fund may only pay benefits
- Legislatively designed, self-balancing formula
- Oregon's UI Trust Fund is solvent, one of the healthiest in the country
- Balance earns interest, keeping employers' tax rates lower

OREGON'S SELF-BALANCING TRUST FUND

■ UI Tax Schedule — August 31 Adjusted Trust Fund Balance

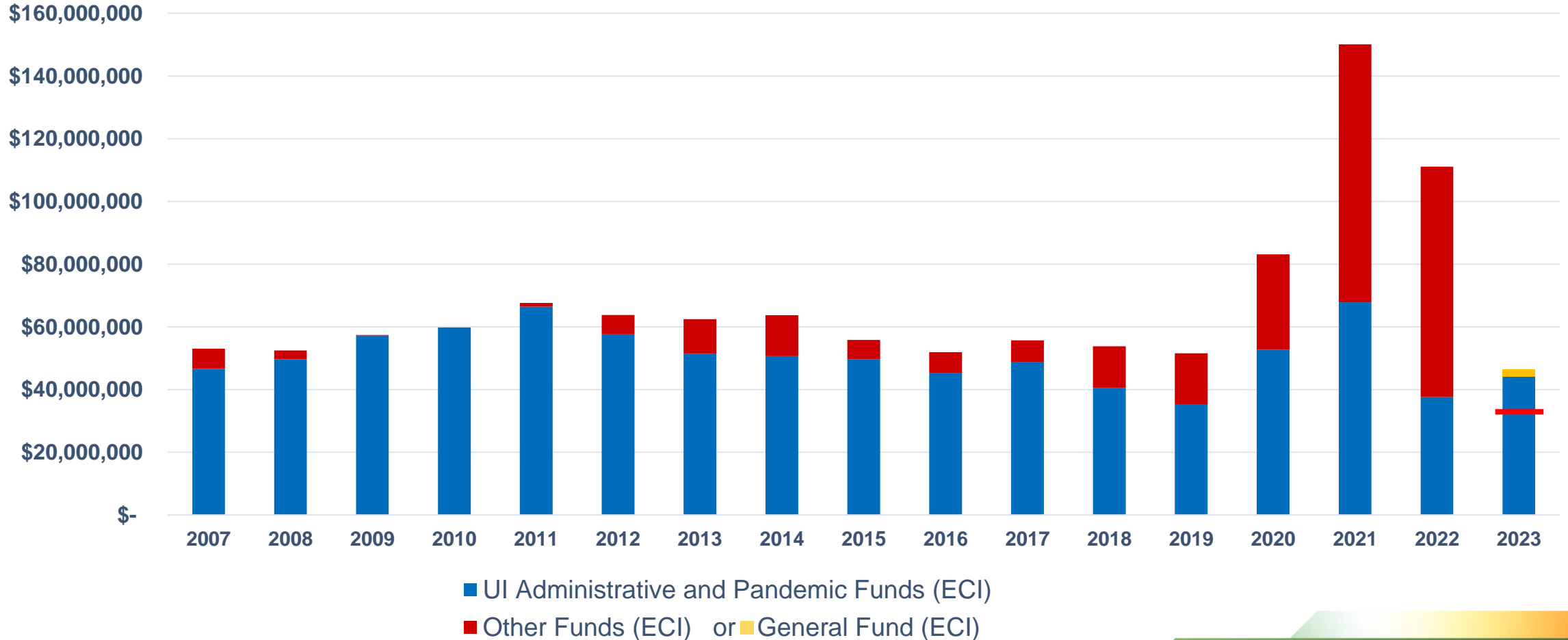


CHRONIC FEDERAL UNDERFUNDING

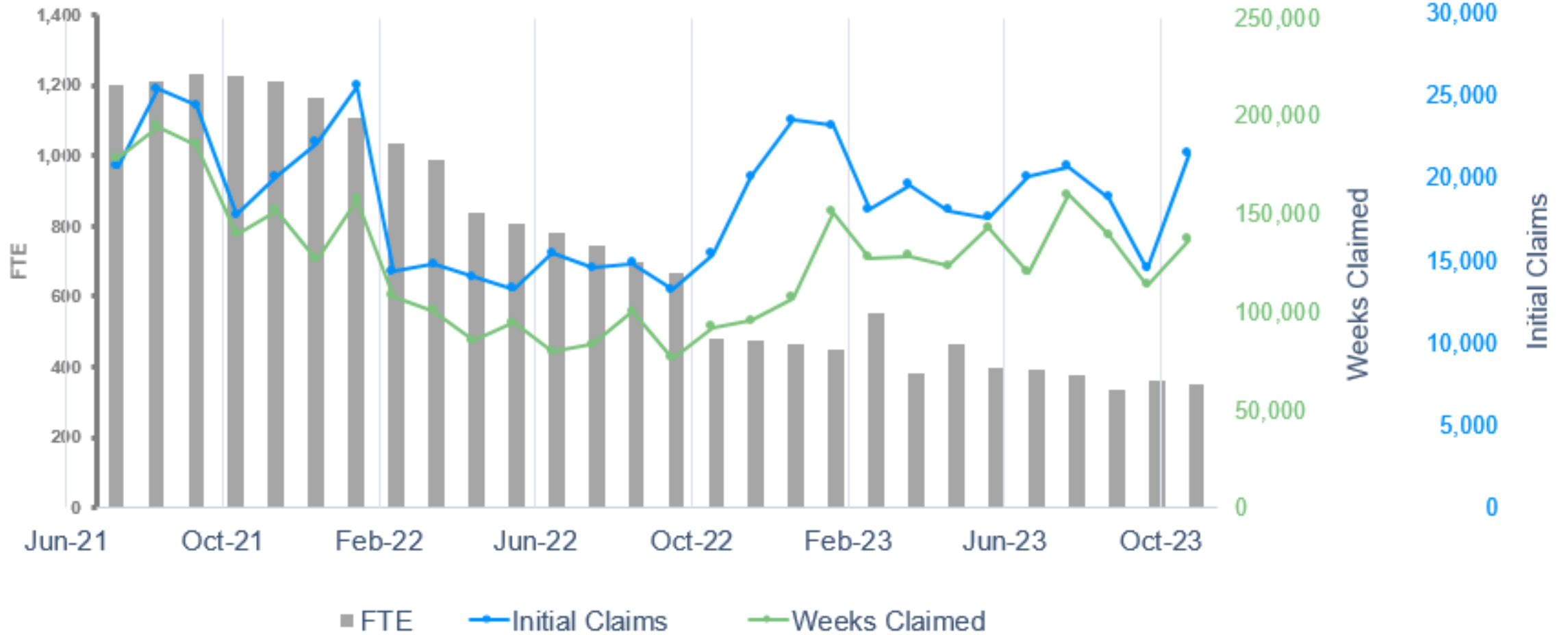
UI Administration Federal and Other* Expenditure by Fund Type

Indexed to Inflation - Employment Cost Index (ECI)

*Note - 'Other' includes Coronavirus Relief Fund



IMPACT OF UI UNDERFUNDING



INVESTMENT IN CUSTOMER SERVICE

- Processing UI claims and resolving claim issues
- Improving customer communication through plain language and accessibility
- Answering phone calls and other customer inquiries, such as our online Contact Us form
- Protecting people's benefits and the UI Trust Fund by combatting fraud
- Increased support for the employer community

IMPACT IF INCREASE IS APPROVED

- Brings funding closer to actual cost of running the UI program
 - Lower call-wait times
 - Faster eligibility review (adjudication)
 - Increased ability to fight fraud
 - People get their benefits faster
 - Fewer mistakes and less staff burnout
- Fewer complaints to legislators and media
- Increased trust in government agencies

IMPACT ON EMPLOYERS AND TRUST FUND

- **Does not** increase employer taxes
- UI Trust Fund remains solvent
- Increase the diversion rate from .09% to .109%
- Concept proposed in 2023 with bipartisan, bicameral support
- Anticipate \$17M diverted in the 2023-25 biennium, and \$28M diverted in the 2025-27 biennium
- No change to tax schedules
- Statutory safeguards ensure appropriate use of the funds

QUESTIONS?