

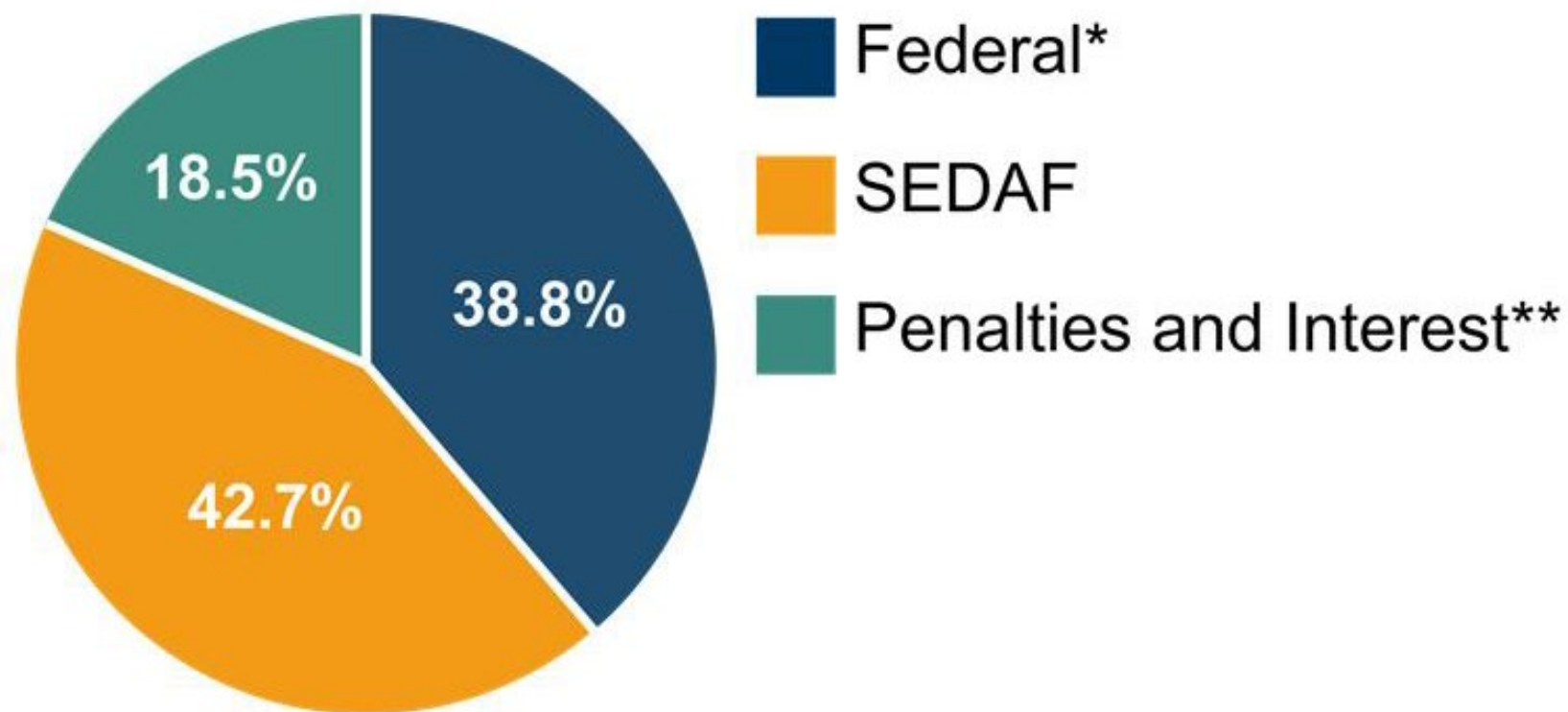
EMPLOYMENT DEPARTMENT ADMINISTRATIVE FUNDING

**Informational Meeting
House Revenue Committee
Thursday, March 20, 2025
David Gerstenfeld, Director**

OED Revenue for Federal programs

2025-27 OED Projected Revenue

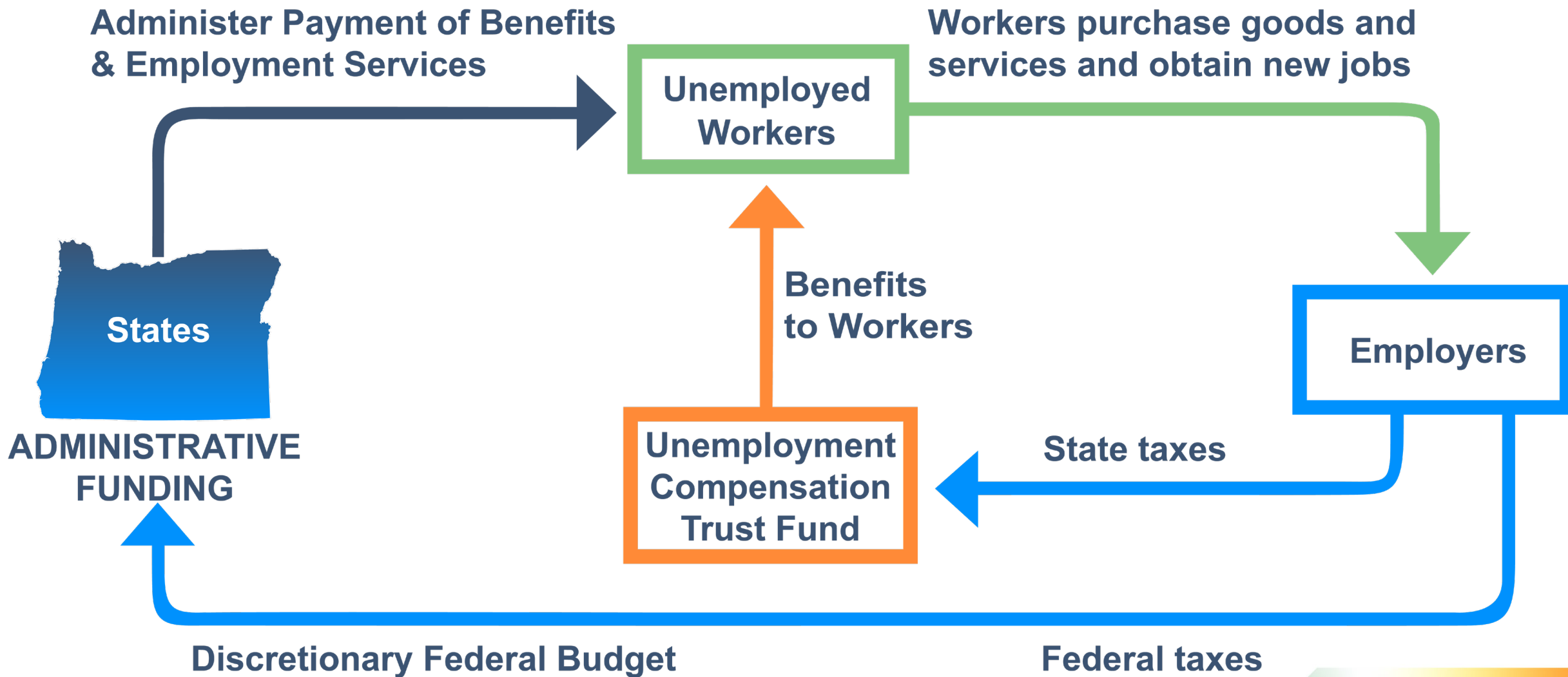
(Excludes Modernization, Paid Leave, and OAH charges for services)



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

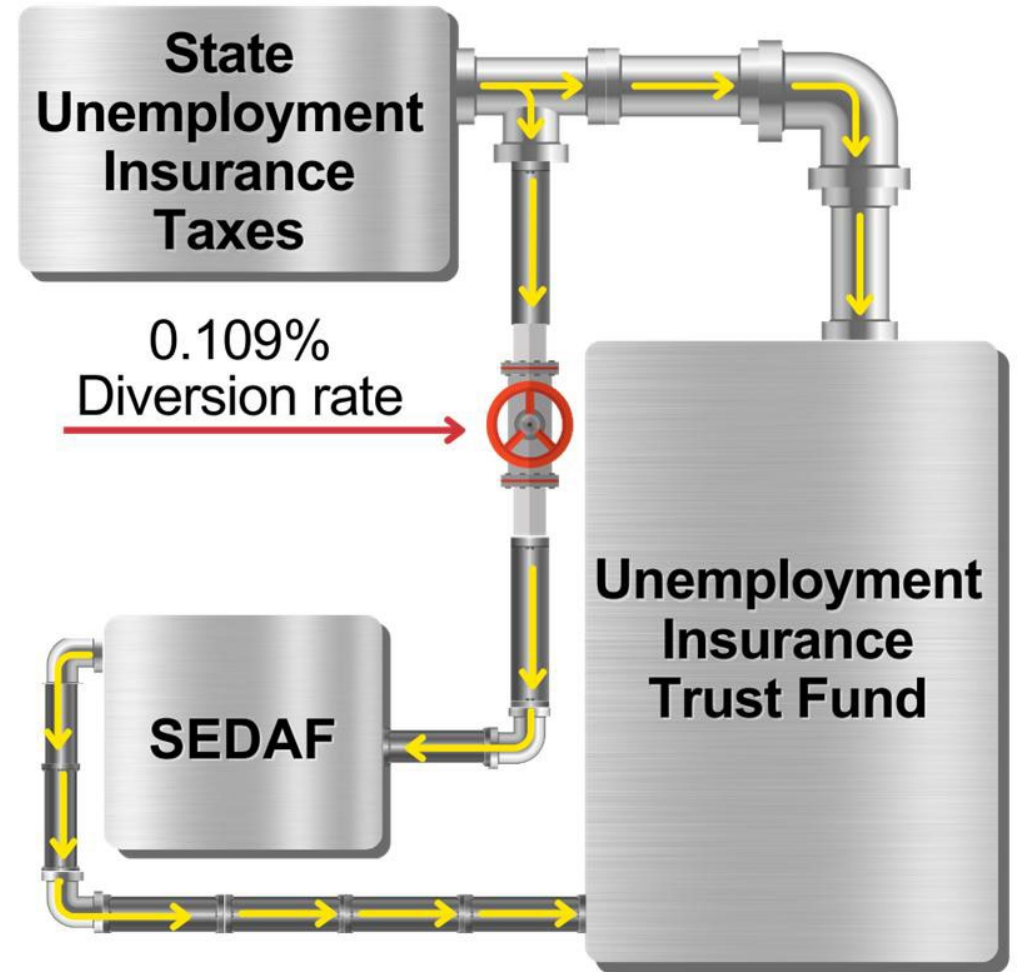
Includes the penalties and interest from overpaid benefits and delinquent taxes

Unemployment Insurance Funding System



What is SEDAF?

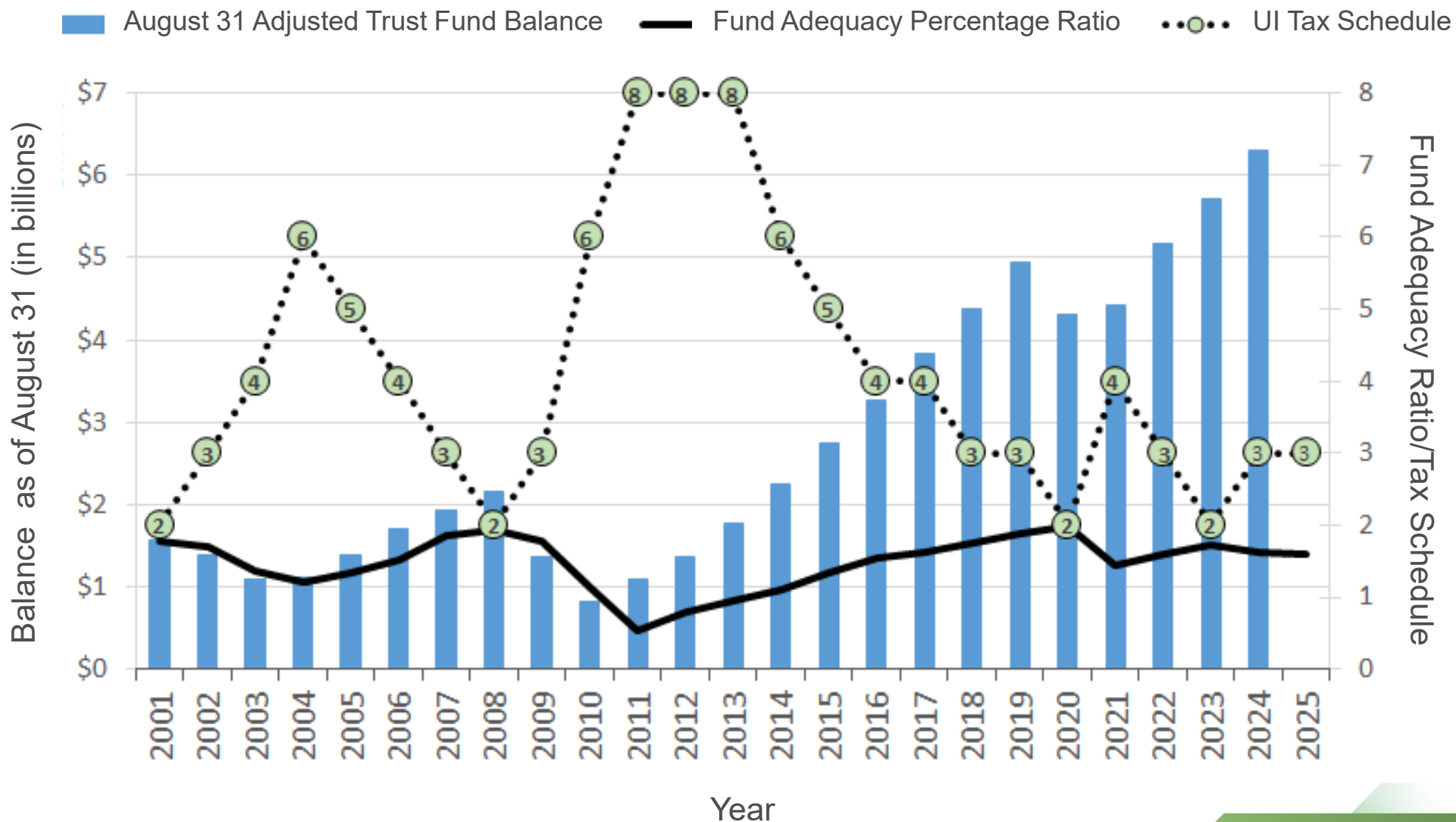
- Supplemental Employment Department Administrative Fund (SEDAF)
- Created in 1987 to help cover unfunded administrative costs
- Current diversion rate is 0.109%
- Statutory safeguards
 - Legislatively approved in budget
 - Unused funds revert to UI Trust Fund



Healthy UI Trust Fund

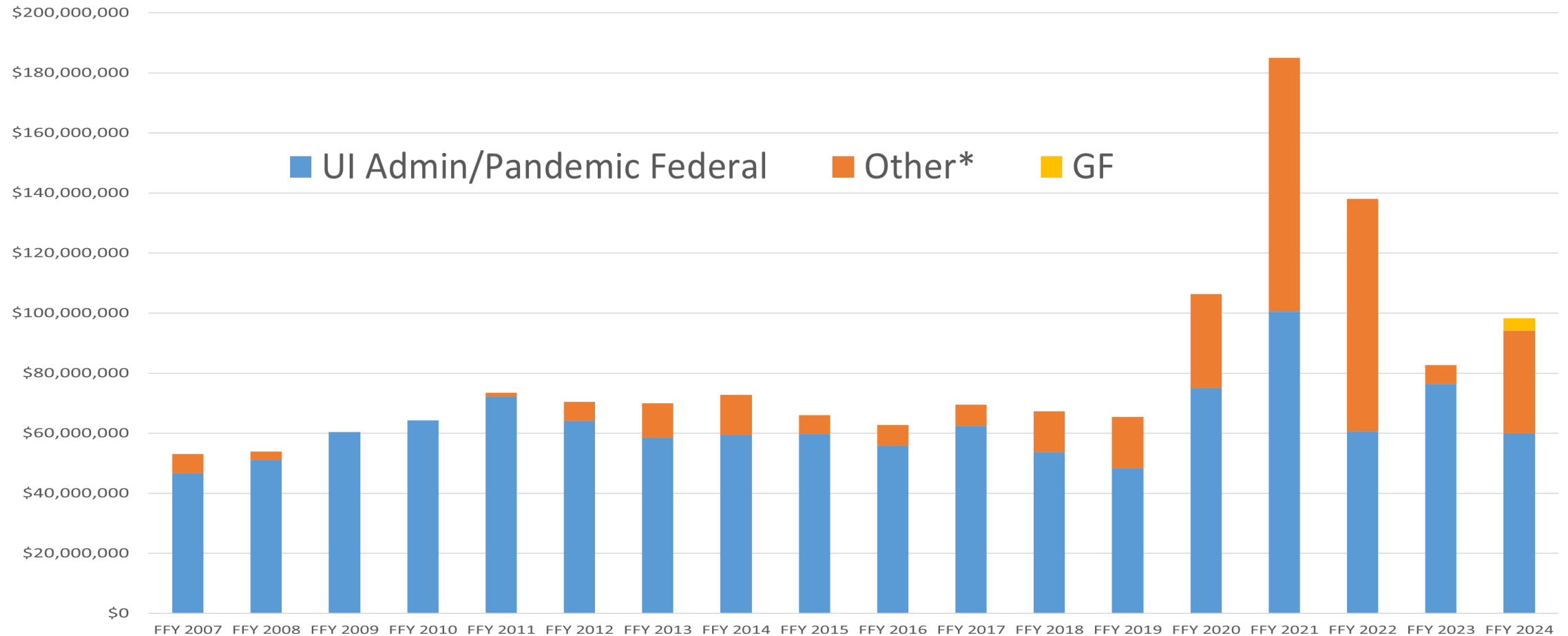
- Employers pay payroll taxes/contributions into the Unemployment Insurance (UI) Trust Fund
- UI Trust Fund may only pay benefits per Federal law
- Legislatively designed, self-balancing formula
- Oregon's UI Trust Fund is solvent, one of the healthiest in the country
- Balance earns interest, keeping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

Oregon's UI Trust Fund is Solvent



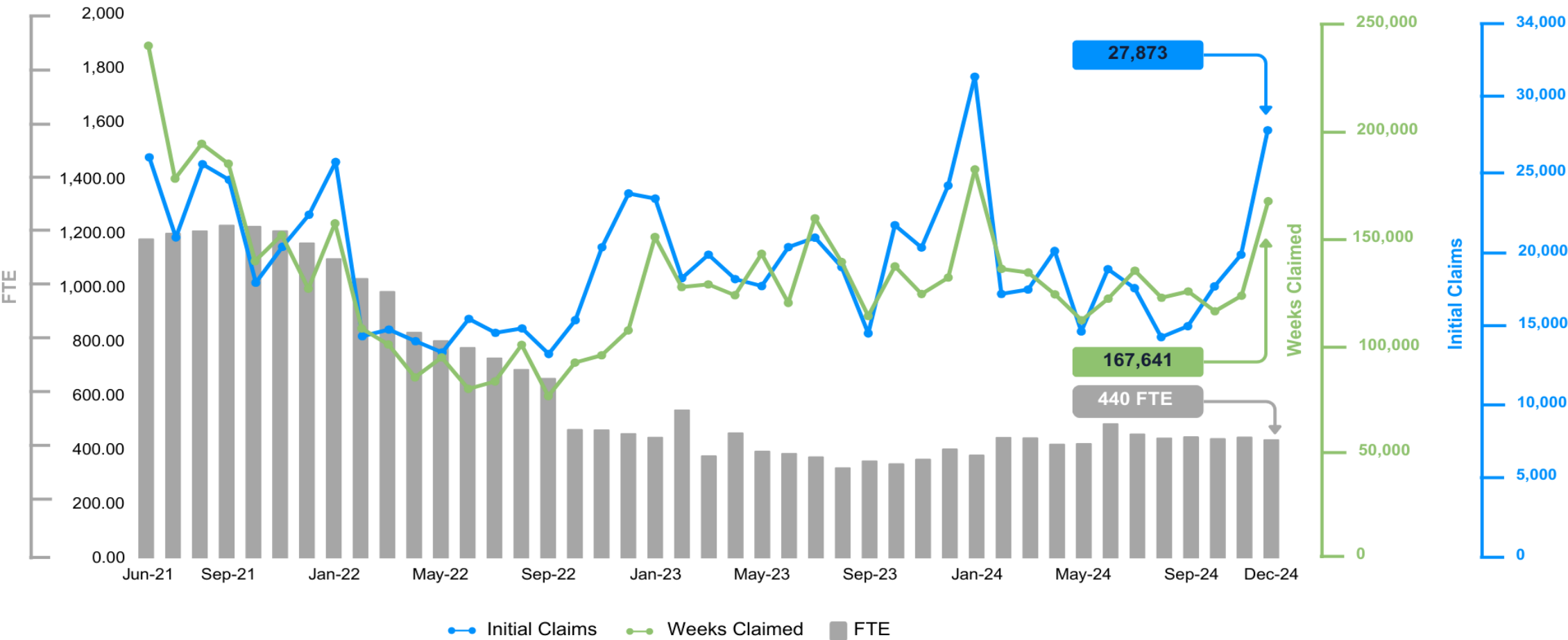
Budget Drivers: Federal/UI Administrative Funds

UI Administration Federal and Other Expenditures by Fund Type



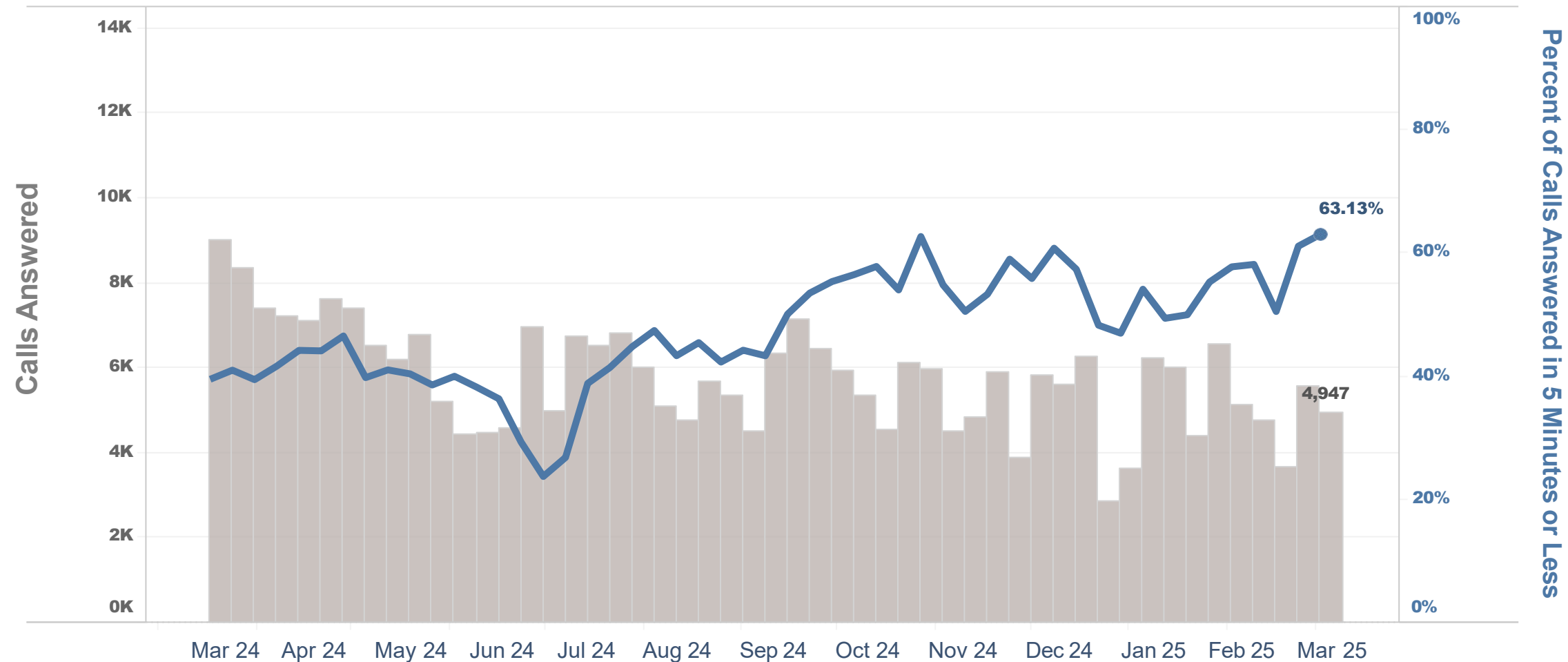
* Includes Coronavirus Relief Fund in support of UI (primarily from 2020-2022)

Impact of UI underfunding June 2021-December 2024



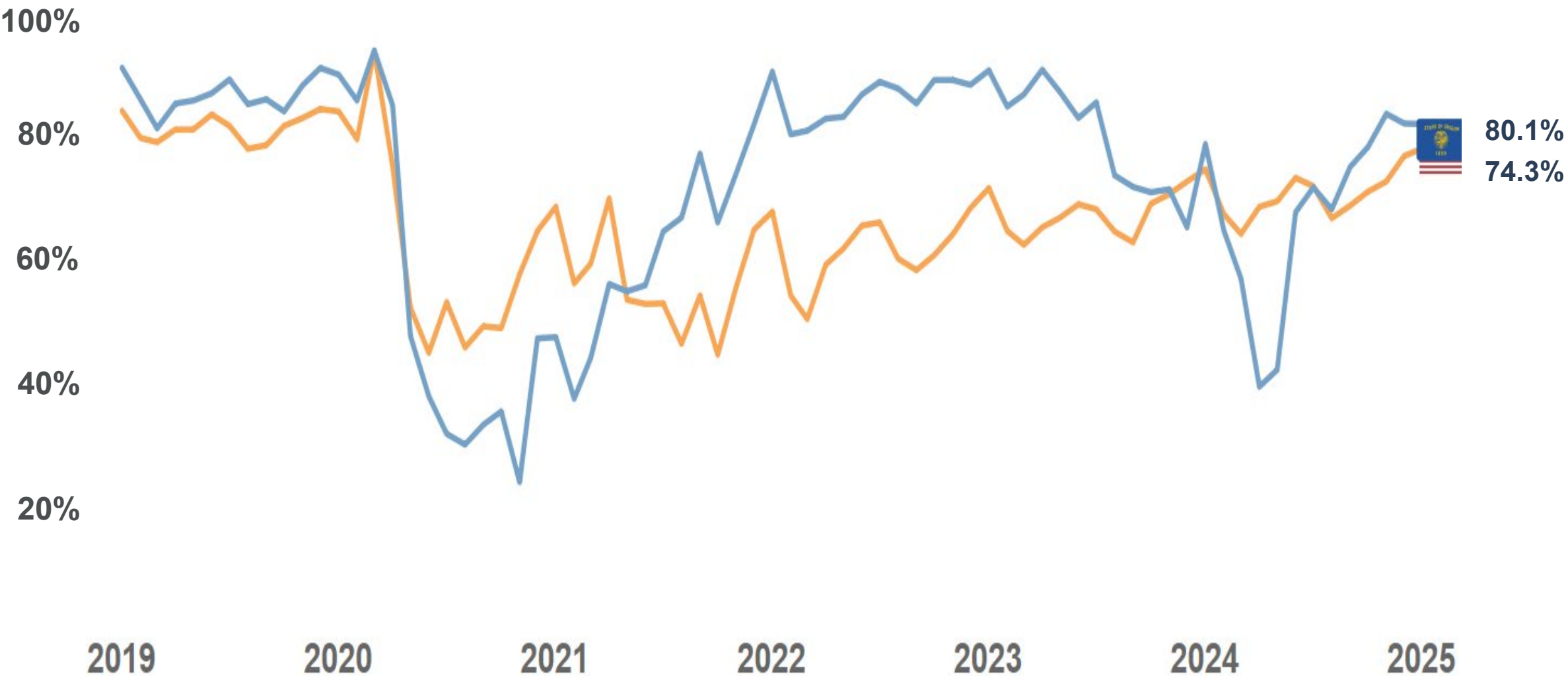
Updated Customer Service Data

UI Call Wait Times



National Comparison - First Payment Timeliness

January 2019 to February 2025



Why SEDAF is needed

Less revenue than projected

- Since the Governor's Request Budget was calculated:
 - ❖ New economic forecasts predict less revenue for OED for next biennium
- OED has to balance expenditures to available revenue
- With less projected revenue, OED will have to reduce 2025-27 spending
- Workforce costs have increased – COLAs, pay equity

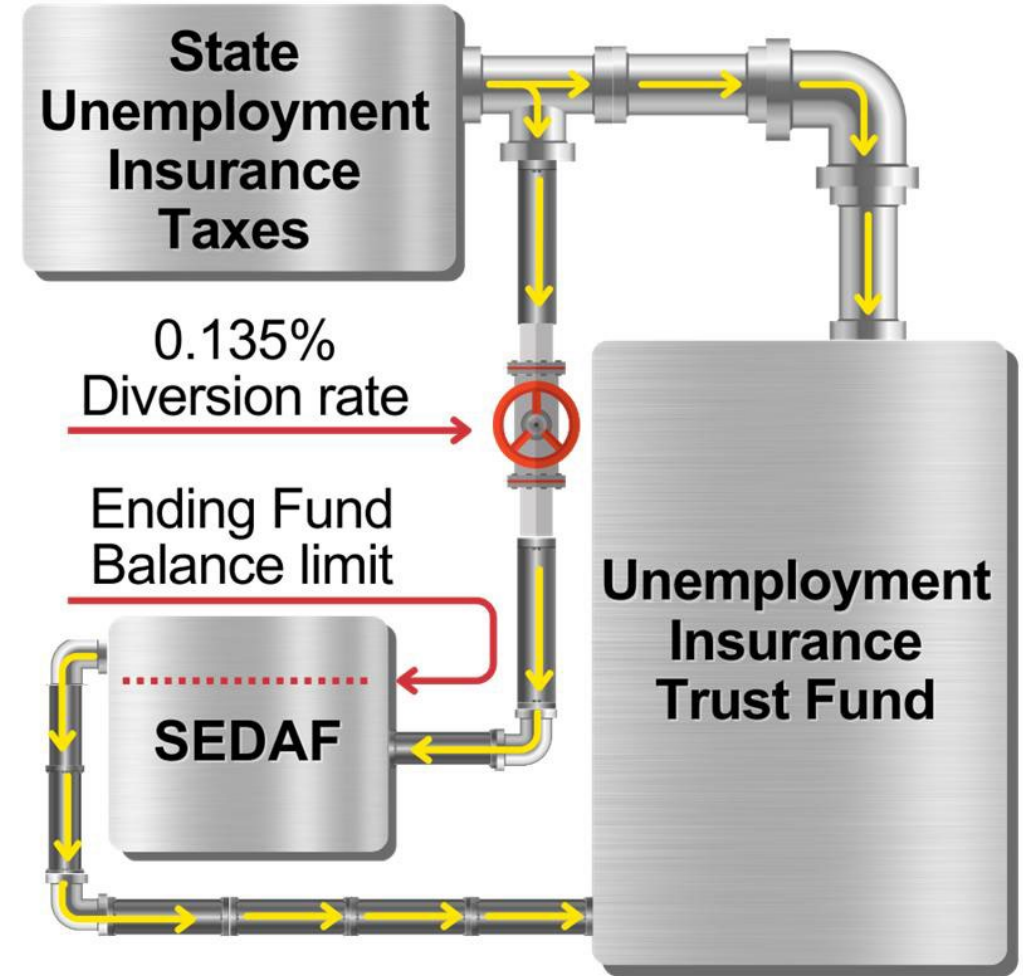


Impact if increase is approved

- Avoids OED from having to implement a cut package
 - Roughly \$33 million and 74 positions
- Retains resources for almost every part of the agency
- Ensures improvements in customer service are maintained
 - Continue to reduce delays in processing UI claims, resolving claim issues, and getting people their benefits
 - Ensure more people can contact OED about their UI claim
 - Improve UI customer service for employers
- Reduces risk of fraud depleting the UI Trust Fund
- Fewer complaints to legislators and media

Proposed SEDAF increase

- Increase the diversion rate from .109% to .135%
- Adjust Ending Fund Balance Limit
 - From: 150 percent of amount collected for Q1 of previous even year
 - To: _ Months of projected operating expenses
 - Greatly increases budget flexibility
 - Maximizes federal reimbursement rates



Impact on Employers and Trust Fund

- Does **not** increase employer taxes
- No change to tax schedules
- UI Trust Fund remains solvent
- Statutory safeguards remain in place

QUESTIONS?