

# Joint Ways and Means Subcommittee on Transportation and Economic Development

**EMPLOYMENT DEPARTMENT**

**David Gerstenfeld, Director**

**April 2, 2025**

## Why we are here

### Less revenue projected

- Since the Governor's Request Budget was calculated:
  - ❖ New economic forecasts predict less revenue for OED for next biennium
  - ❖ Trade Act has not been reauthorized by Congress
- OED has to balance expenditures to available revenue
- With less projected revenue, OED will have to reduce 2025-27 spending



# Governor's Budget

## 2025-27 OED Governor's Budget Excludes Office of Administrative Hearings

Budget Category	Other Fund	Federal Fund	Total Fund	Positions	FTE
Operations	\$463,562,884	\$212,206,689	\$675,769,573	1,906	1,894.56
Benefits	\$3,853,268,759	\$43,444,000	\$3,896,712,759	-	-
<b>Total Budget</b>	<b>\$4,316,831,643</b>	<b>\$255,650,689</b>	<b>\$4,572,482,332</b>	<b>1,906</b>	<b>1,894.56</b>

# Revenue Forecast

## 2025-27 OED Revenue

Excludes Office of Administrative Hearings and Benefit Payments

Forecast Date	Other Fund	Federal Fund	Total Fund
June 2024 Forecast	\$515,173,668	\$197,243,965	\$711,417,633
March 2025 Forecast	\$490,191,972	\$169,615,307	\$659,807,279
<b>Change</b>	<b>(\$24,981,696)</b>	<b>(\$27,628,658)</b>	<b>(\$52,610,354)</b>

## Methodology for Proposed Reductions

- Target cuts to minimize impact on the public
- Avoid staff reductions that would reduce revenue
  - Such as work we do under contract for ODHS helping Able Bodied Adults without Dependents (ABAWD) find jobs and Rogue Workforce Partnership (providing reemployment services)
- Do not change services dedicated to specific funding streams that can't be used for other purposes
  - Such as Paid Leave Oregon and Bureau of Labor Statistics (BLS) grants
- Prioritize statutory requirements

## Adjusted Policy Package Proposals

**Reduced Policy Package 102** – Supports continuous improvement efforts to adjust and optimize Frances Online

- **Remove** – 5 of 10 requested positions for Unemployment Insurance (four Operations & Policy Analyst 2 and one Operations & Policy Analyst 3)
  - \$1.4 million reduction
- **Keep** – 5 positions for Paid Leave Oregon

### Policy Package Number: 102 – Frances Maintenance and Support

	Other Fund	Federal Fund	Total Fund	Pos	FTE
Governor's Budget	\$16,833,956	\$5,011,289	\$21,845,245	10	10.00
Balanced Request Budget	\$16,405,369	\$4,011,263	\$20,416,632	5	5.00

## Adjusted Policy Package Proposals

### Policy Package 104 – Remove

- Was intended to add a Trade Act manager
  - \$0.27 million reduction

#### Policy Package Number: 104 – Trade Adjustment Assistance Manager

	Other Fund	Federal Fund	Total Fund	Pos	FTE
Governor's Budget	-	\$267,841	\$267,841	1	0.92
Balanced Request Budget	-	-	-	-	-

## Adjusted Policy Package Proposals

### Policy Package 105

- **Remove** – Permanent Fiscal Analyst 1 (1 position) to support overall service quality in budget development, execution, and monitoring (\$0.24 million reduction)
- **Remove** – 17 positions for Contributions & Recovery to improve and maintain overall customer service levels and support revenue (\$3.4 million reduction)
- **Keep** – Administratively move existing permanent Public Affairs Specialist 2 position from Modernization to Communications (budget neutral)

#### Policy Package Number: 105 – Agency Workload Needs

	Other Fund	Federal Fund	Total Fund	Pos	FTE
Governor's Budget	\$3,539,525	\$120,326	\$3,659,851	18	16.64
Balanced Request Budget	-	-	-	-	-



## Adjusted Policy Package Proposals

### Policy Package 106 – Remove

Would have helped the agency:

- Plan for significant, rapid fluctuations in workload due to seasonal and economic conditions
- Improve efficiency, increase coverage, and maintain adaptability
- Compensate employees for specialized work, e.g. language translations
- \$1.5 million reduction

#### Policy Package Number: 106 – Overtime, Differentials, & Temps

	Other Fund	Federal Fund	Total Fund	Pos	FTE
Governor's Budget	\$1,026,985	\$443,015	\$1,470,000	-	-
Balanced Request Budget	-	-	-	-	-

## Proposed Adjustments to Governor's Budget

### Reduce Trade Act and Business Services by 90 positions

- Phases out Trade Act program due to lack of federal reauthorization
- Ends program dedicated to helping Oregon workers laid off due to foreign competition
- \$27.4 million reduction

Trade Act Program Reductions					
	Other Fund	Federal Fund	Total Fund	Pos	FTE
Governor's Budget	\$9,293,285	\$21,167,639	\$30,460,294	105	105.00
Balanced Request Budget	\$1,065,441	\$2,534,972	\$3,600,413	15	11.85

## Proposed Adjustments to Governor's Budget

### Reductions in Services and Supplies

- \$12.5 million reduction
- Reductions in travel, training, office equipment, contracted services, and more

#### Services & Supplies Reductions Excludes Office of Administrative Hearings

	Other Fund	Federal Fund	Total Fund	Pos	FTE
Current Service Level	\$95,993,554	\$45,054,477	\$141,048,031	-	-
Balanced Request Budget	\$84,343,554	\$44,204,477	\$128,548,031	-	-

## Operational Budget: Base Positions

### Workforce Reductions - \$14.4 million

	Other Fund	Federal Fund	Total Fund	Pos	FTE
Current Service Level	\$431,148,665	\$198,703,316	\$629,851,981	1,866	1,857.34
Balanced Request Budget	\$418,934,019	\$196,505,736	\$615,439,755	1,815	1,806.34

Program	2025-27 Governor's Budget	Proposed Base Reduction	New Division Totals	% reduction
Unemployment Insurance	472	(6)	466	(1.3%)
Contributions and Recovery	167	(5)	162	(3.0%)
Workforce Operations	571	(21)	550	(3.7%)
Workforce and Economic Research	52	(1)	51	(1.9%)
Modernization	61	(4)	57	(6.6%)
Paid Leave	371	-	371	-
Shared Services	212	(14)	198	(6.6%)
<b>Total excluding OAH</b>	<b>1,906</b>	<b>(51)</b>	<b>1,855</b>	<b>(2.7%)</b>

## Impact of workforce reductions

- Magnifies the effects of chronic federal underfunding and hinders our ability to serve Oregonians
- Decreased customer service
  - Increase delays in processing UI claims, resolving claim issues, and getting people their benefits
  - Fewer people can get through to OED or receive timely responses about their UI claims
- Reduced customer service for employers
- Increased risk of fraud against the UI Trust Fund
- Close a WorkSource Oregon center

## Proposed changes to the Governor's Budget

Total Reductions					
	Other Fund	Federal Fund	Total Fund	Pos	FTE
Policy Packages	(\$4,995,097)	(\$1,831,208)	(\$6,826,305)	(24)	(22.56)
Trade Act Program	(\$8,227,844)	(\$19,162,312)	(\$27,390,157)	(90)	(93.15)
Services & Supplies	(\$11,650,000)	(\$850,000)	(\$12,500,000)	-	-
Base Positions	(\$12,214,646)	(\$2,197,580)	(\$14,412,226)	(51)	(51.00)
<b>Total</b>	<b>(\$37,087,587)</b>	<b>(\$24,041,100)</b>	<b>(\$61,128,688)</b>	<b>(165)</b>	<b>(166.71)</b>

## Summary of changes

OED 2025-27 Summary of Budget Changes			
Fund Type	Governor's Budget	Balanced Budget	Change
Other Fund	\$463,562,884	\$426,378,705	(\$37,184,179)
Federal Fund	\$212,206,689	\$188,262,181	(\$23,944,508)
<b>Total Fund</b>	<b>\$675,769,573</b>	<b>\$614,640,885</b>	<b>(\$61,128,688)</b>
Positions	1,906	1,741	(165)
FTE	1,894.56	1,727.85	(166.71)

Change in 2025-27 OED Revenue Forecast (June 2024 to March 2025)		
Other Fund	Federal Fund	Total Fund
(\$24,981,696)	(\$27,628,658)	(\$52,610,354)

## Continuous customer service improvements

### Process Improvements

- Engaged multiple consultants to identify ways to streamline processes
- Implemented USPS in-person identity verification
- Implemented better performance monitoring tools
- Updated call resolution codes
- Started "pushing" work to employees rather than having them claim work

### New Technologies

- Launched Frances Online, which now includes live chat and secure messaging
- Updated phone system to increase capacity, restructure call queues, and decrease some processing times

### Training/Staffing Improvements

- Trained UI employees in "single-call resolution approach"
- Implemented cross-training to reduce between-unit transfers
- Filled in training gaps for those trained during the pandemic
- Adjusted job classifications to increase flexibility to adjust staff during workload shifts



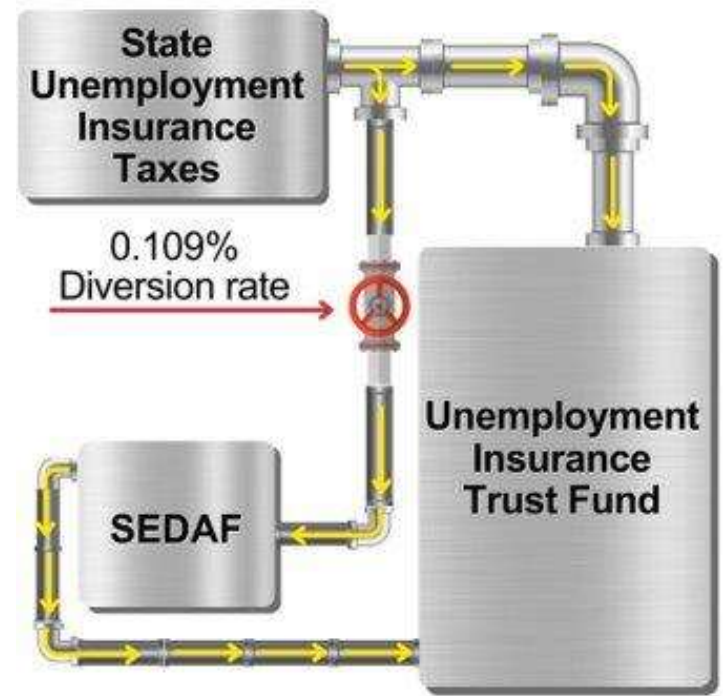
## What if the budget outlook worsens?

- Reduce labor force further
- Restrict communication channels and hours
- Cease modernization and improvement projects
- Reduce vendor contracts
- Close more locations, WorkSource Oregon centers
- Increase penalties on customers
- Close programs

## Next steps

### Options

- Enact the recommended budget reductions from the Governor's Budget
- Possible House Revenue Committee bill would increase diversion rate of the Supplemental Employment Department Administrative Fund (SEDAF) to 0.135% to maintain the Governor's Budget (without the Trade Act Program)



# Questions

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