

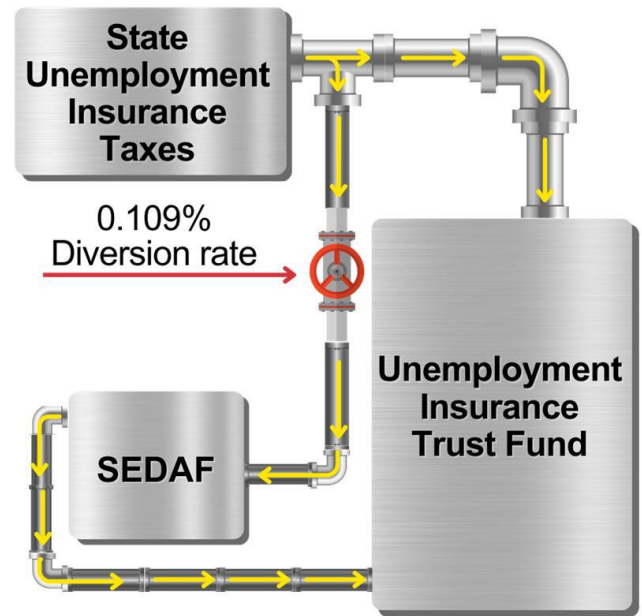
# Supplemental Employment Department Administrative Fund (SEDAF)

## What is the Supplemental Employment Department Administrative Fund (SEDAF)?

By law, most Oregon employers pay payroll taxes into the Unemployment Insurance (UI) Trust Fund. This fund is what Oregon uses to pay UI benefits. Designed to be self-balancing, Oregon's UI Trust Fund is one of the healthiest in the country. The UI Trust Fund balance also earns interest, which helps keep employer's UI tax rates lower.

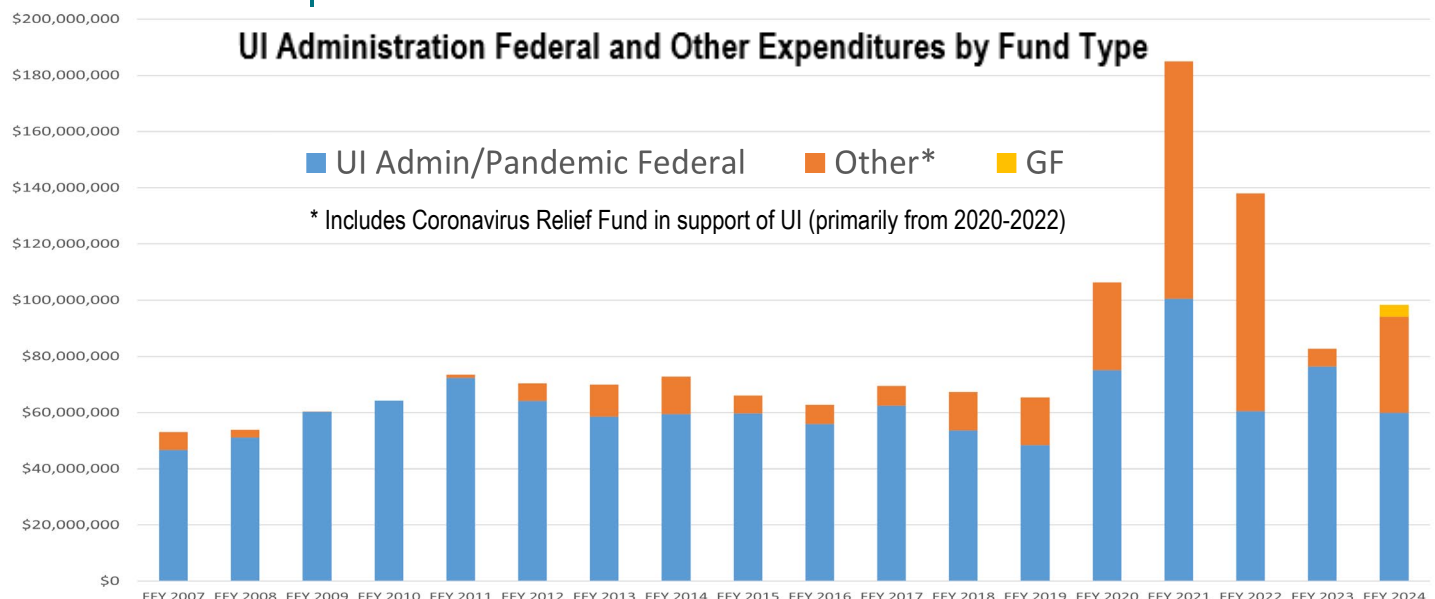
The Legislature created SEDA in 1987, diverting a portion of employers' unemployment taxes from the UI Trust Fund to SEDA.

It was created, and is only statutorily permitted to be used, to help the Employment Department administer its programs where federal funding is inadequate to cover the real costs of administration. SEDA has been modified multiple times over the years, most recently in 2024 when the rate was increased to 0.109%.



## How does SEDA fit into the department's administrative revenue stream?

The U.S. Department of Labor reimburses Oregon for administering the Employment Department's federal programs, such as UI and workforce operations. However, federal funding does not cover the entire cost of running the programs and has become increasingly inadequate. The difference in program costs is covered by other funds, which includes SEDA and interest and fees from overpaid benefits and late taxes.



**What changes to SEDAF are needed and why are they needed?**

The Employment Department is seeking a 0.026% increase to the SEDAF diversion rate from 0.109% to 0.135% and a technical adjustment to the way unused SEDAF funds go back into the UI Trust Fund. These changes are needed to allow OED to adequately serve the public given inadequate federal revenue, and to minimize the risks posed by interruptions in federal funding, or the onset of a severe recession.

**Why is OED recommending an increase to the SEDAF diversion?**

When the Governor's Recommended Budget was prepared, it was balanced according to revenue projections at that time. Since then, however, federal and state revenue projections have fallen significantly. This, and inflation, mean that without additional revenue, OED will not be able to maintain its current customer service levels, let alone continue the agency's current trajectory of improvement. Without additional revenue, OED will have to make significant reductions to keep its spending within the revenue it is currently projected to receive.

**What happens without an increase to the SEDAF diversion?**

Without an increase in the SEDAF diversion, the department will be underfunded and required to implement a 'cut package', reducing staff and further impacting its ability to provide adequate customer service. Some Oregonians already have difficulty receiving the level of service they need and the department faces ongoing coordinated attempts to defraud the UI Trust Fund. Less funding means OED will be less equipped to provide adequate customer service, and there will be a greater risk to the UI Trust Fund.

**What will the increase in SEDAF pay for?**

An increase to the SEDAF diversion would help the Employment Department avoid making cuts, which would result in:

- 1) A reduction to OED's 2025-27 biennial budget by \$33 million.
- 2) Elimination of 74 positions across almost every part of the agency.
- 3) Declines in customer service – for unemployed workers, other job seekers, and employers.
- 4) Increased risk of fraud depleting the UI Trust Fund.
- 5) Closure of a WorkSource Oregon office, impacting services for job seekers and employers.

**Will employers pay more in UI taxes?**

No. Employers will pay the same amount of taxes. The proposed change would just permit, with legislative approval each budget cycle, OED to use more of those payments to administer its programs. The department projects this change would not result in higher UI tax rates in the foreseeable future, and it would not put the UI Trust Fund's solvency at risk. In other words, employers pay the same amount, but a small percentage more of the revenue would go to SEDAF instead of going into the UI Trust Fund.

**What ensures the department will use the increase for its intended purpose?**

Just like any other funding source, the Legislature must authorize OED's use of SEDAF revenue, and if the department doesn't spend all SEDAF revenue, the money goes back into the UI Trust Fund. The department is also seeking to change the statutory formula that determines how much SEDAF is 'excess' and therefore is returned to the UI Trust Fund. Instead of using the historical amount of taxes collected, the new formula would take current needs into account but the mechanism to return excess money would remain in place.

**For more information, please contact:** [OED\\_Legislative\\_Affairs@employ.oregon.gov](mailto:OED_Legislative_Affairs@employ.oregon.gov).