



# Oregon

Tina Kotek, Governor

## Employment Department

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June 10, 2025

The Honorable Representative Nancy Nathanson, Chair  
The Honorable Representative E. Werner Reschke, Vice-Chair  
House Committee on Revenue  
900 Court Street NE, HR-A  
Salem, OR 97301

RE: Written Testimony for Senate Bill (SB) 143A

Dear Chair Nathanson and Vice-Chair Reschke,

I'm writing this letter to ask for your support of a do pass recommendation by the House Revenue Committee for Senate Bill (SB) 143A.

During an informational meeting in the House Revenue Committee on March 20, I provided information about a proposal to increase the funding used by the Oregon Employment Department (OED) to administer Unemployment Insurance (UI) and other federal programs. At the time we had this conversation, a bill had not yet been identified as a potential legislative vehicle to support the proposal. The proposal is now contained in SB 143A which was recently passed in the Senate with only one nay vote.

I've attached an updated version of the presentation I gave you on March 20 which includes more information about this bill, elaborates on what the impact will be if it is passed, and provides clarification on the proposed change to the reversion methodology for the Supplemental Employment Department Administrative Fund (SEDAF).

Most importantly, as I mentioned before, passage of the proposal will help OED avoid cuts to our budget which would negatively impact customer service. It does this without increasing employer UI taxes, and without a change to projected UI tax schedules in the foreseeable future. SB 143A also maintains the statutory safeguards which require legislative approval to use SEDAF and revert unused SEDAF funds greater than those 3 months of expenditures into the UI Trust Fund after the end of each biennium. Finally, SB 143A won't impact the solvency of the UI Trust Fund either and will help ensure OED is better prepared to support businesses and workers during the next economic crisis.

Thank you for your support of the Oregon Employment Department, and its commitment to helping Oregon workers and businesses with the best possible customer service.

Sincerely,

David Gerstenfeld  
Director

Cc: Chris Allanach, Legislative Revenue Officer, Legislative Revenue Office  
Michael Doughty, Economist, Legislative Revenue Office

# SENATE BILL 143A

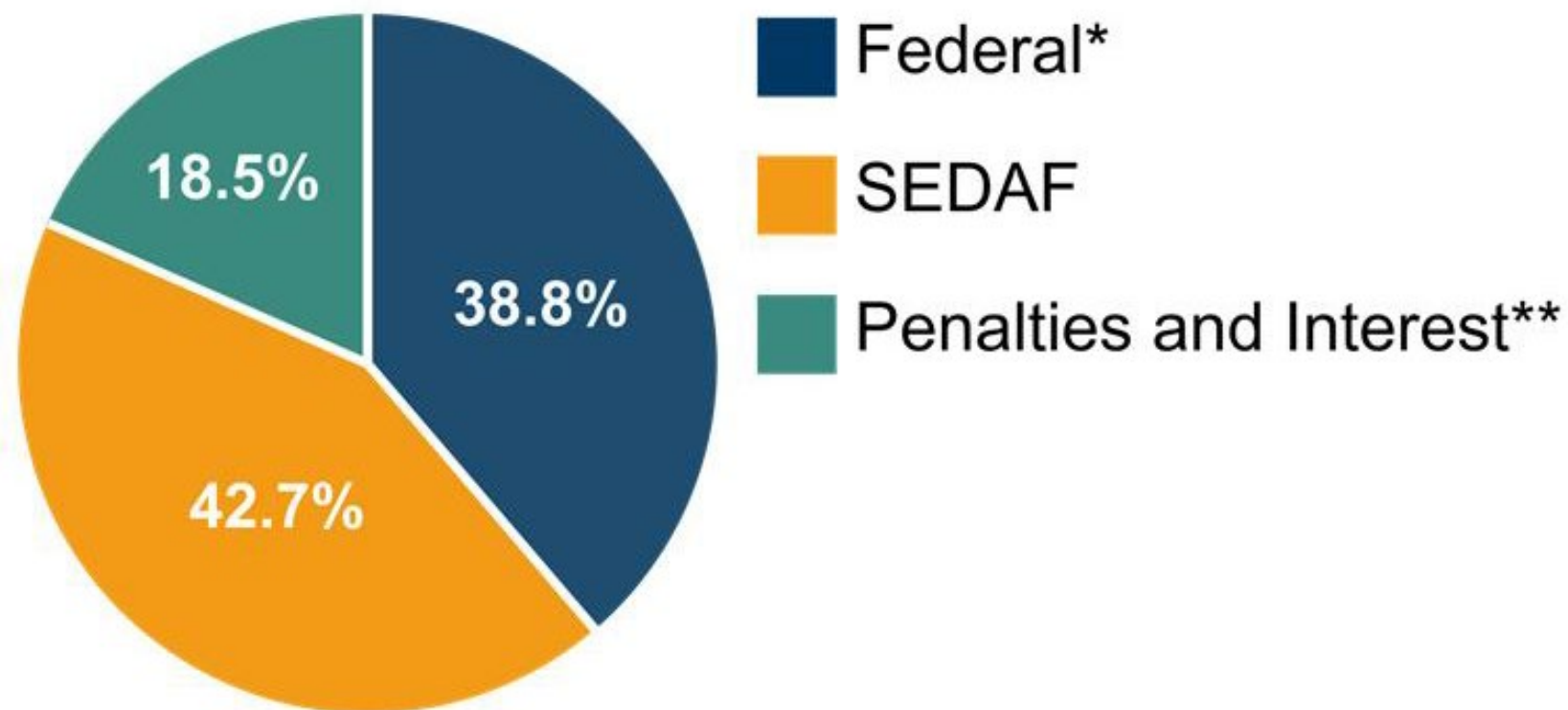
House Revenue Committee  
Tuesday, June 10, 2025

David Gerstenfeld, Director

# OED Revenue for Federal programs

## 2025-27 OED Projected Revenue

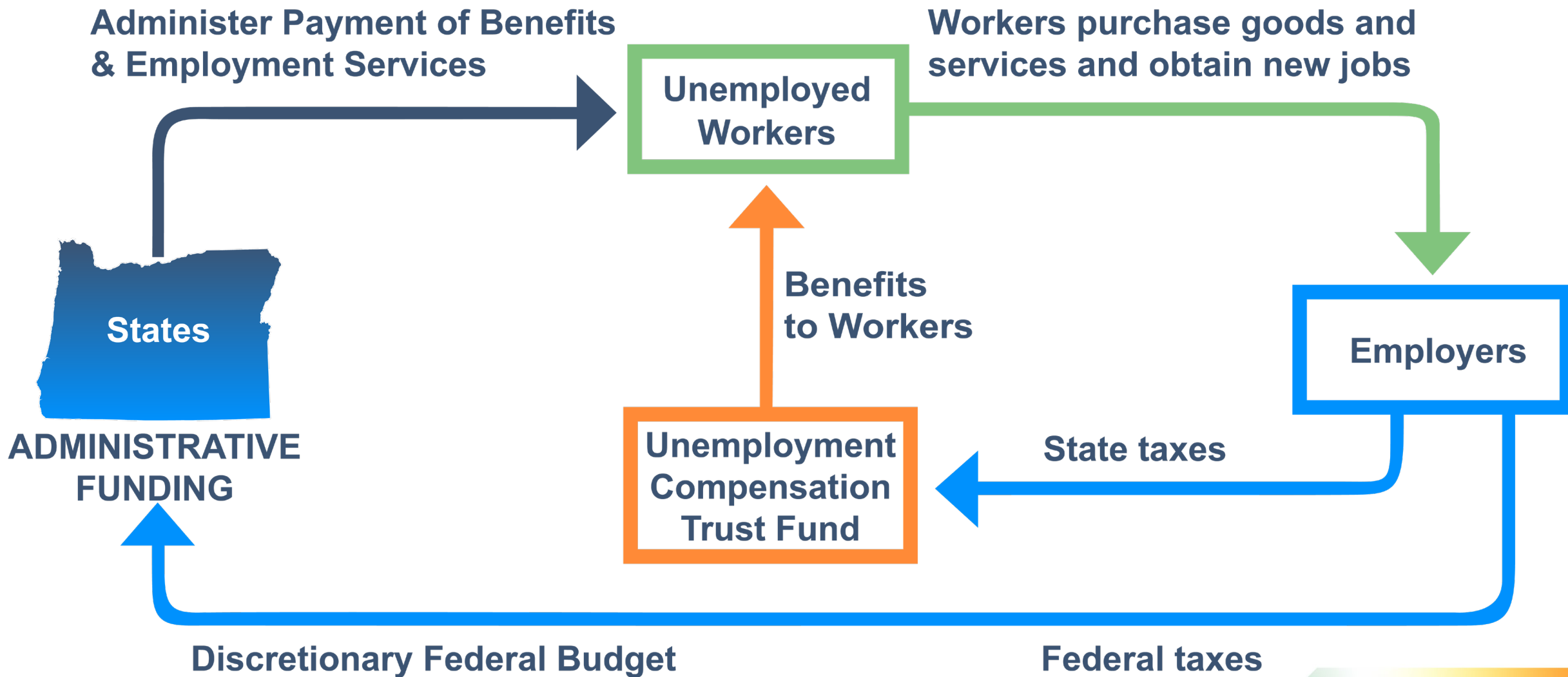
(Excludes Modernization, Paid Leave Oregon, and Office of Administrative Hearings)



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

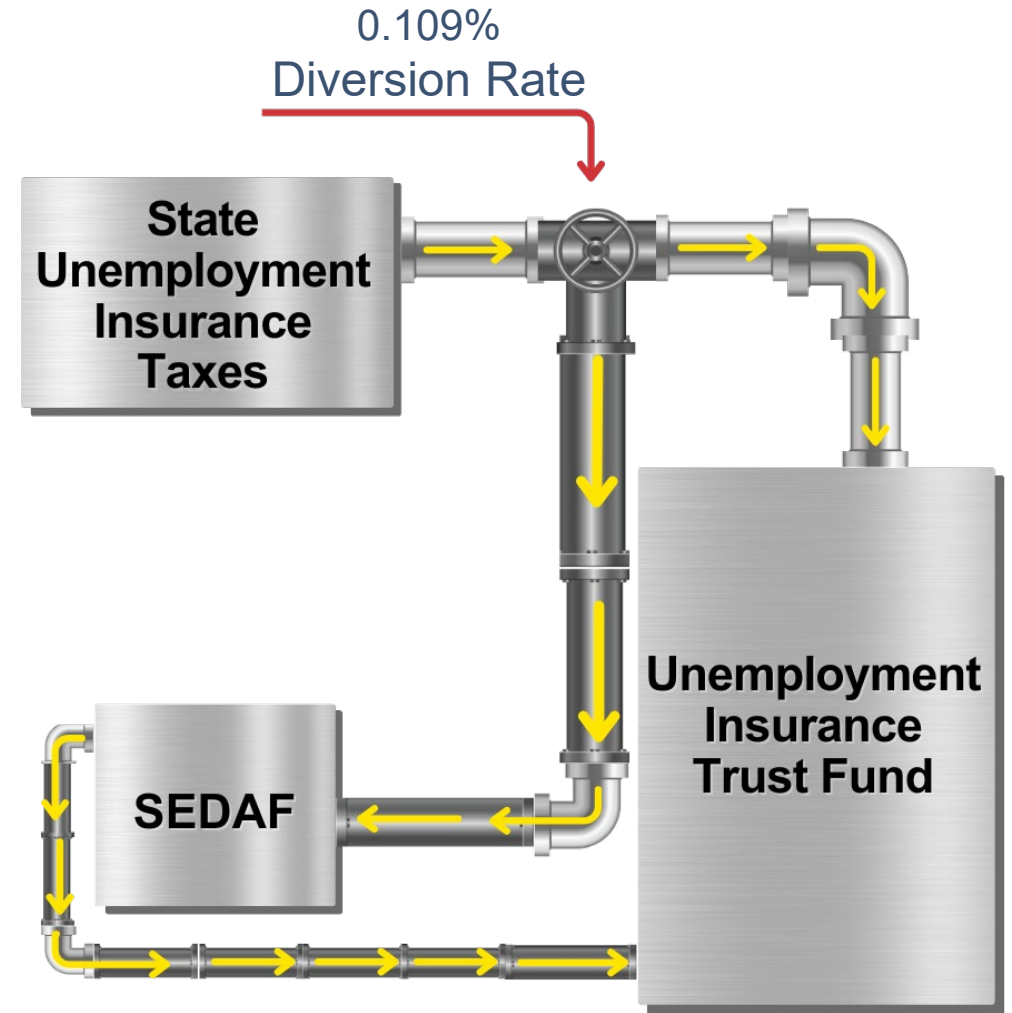
*\*\*Includes the penalties and interest from overpaid benefits and delinquent taxes\*\**

# Unemployment Insurance Funding System



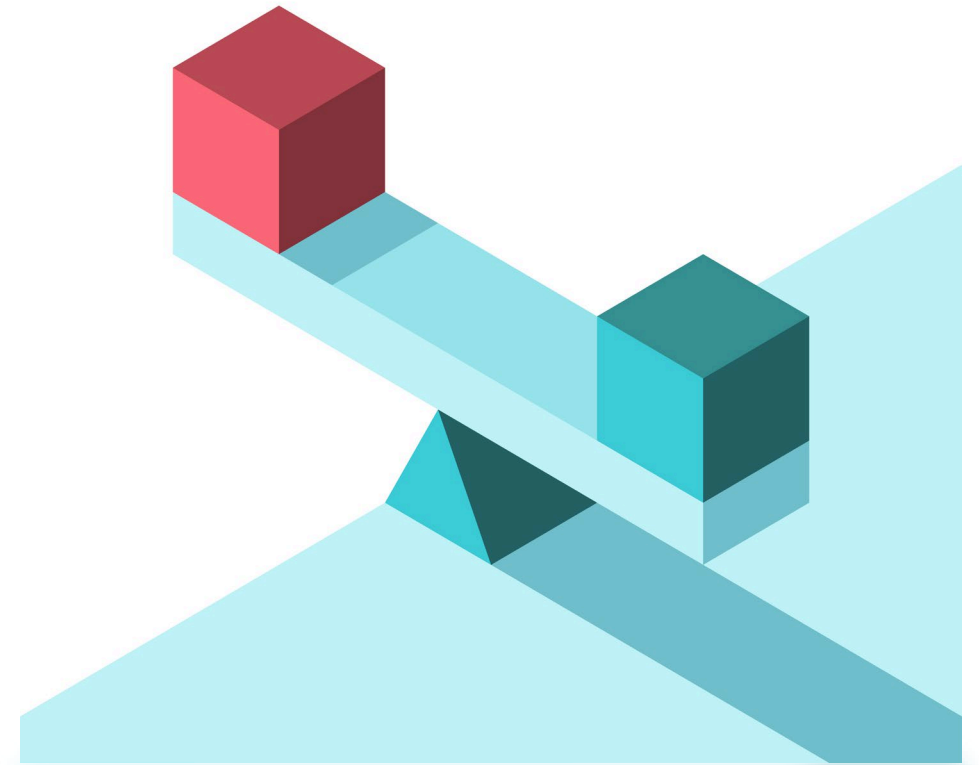
# What is SEDAF?

- 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
  - Funds over the statutory threshold revert to UI Trust Fund

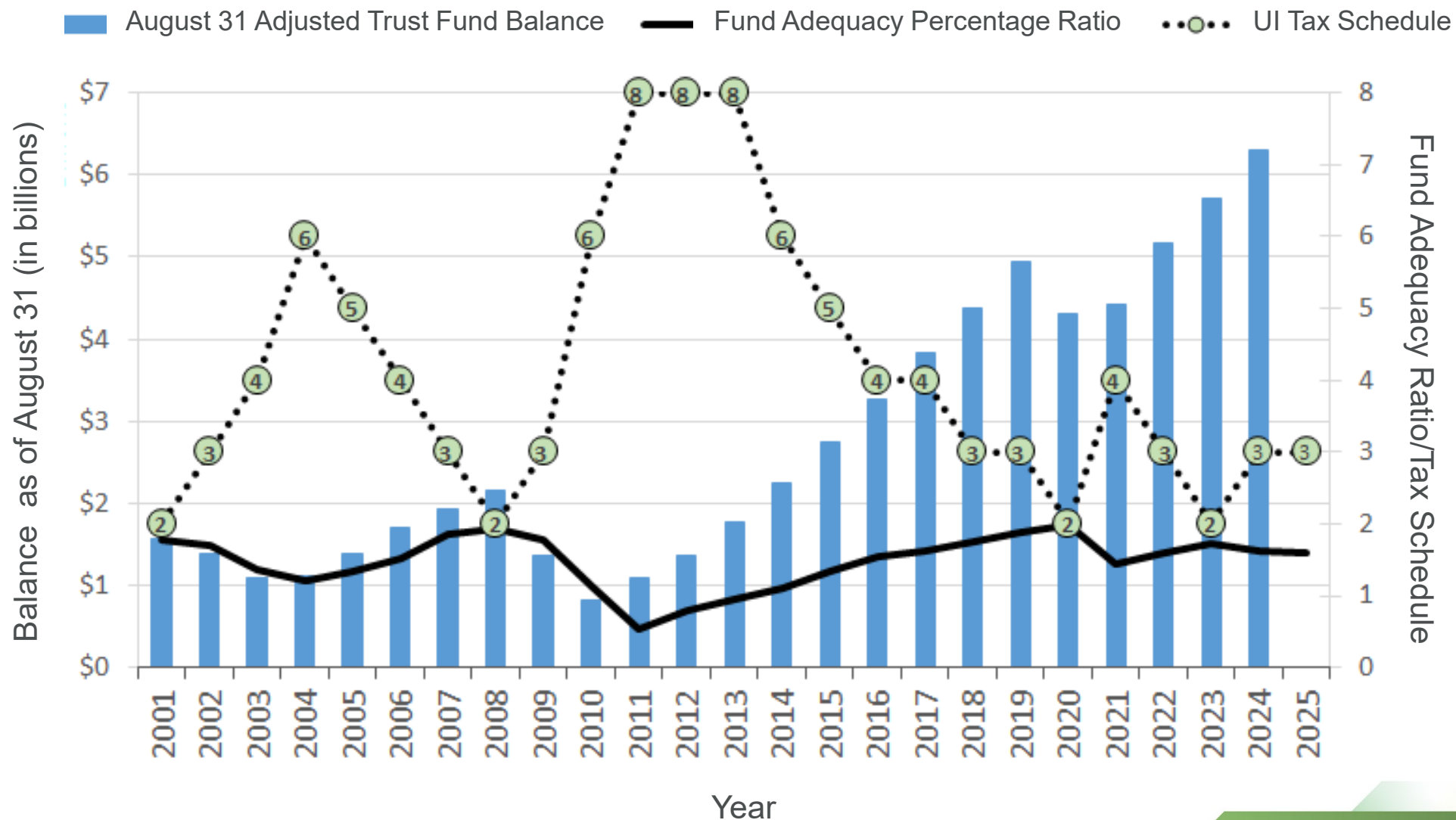


# Healthy UI Trust Fund

- Employers pay payroll taxes and reimbursements 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, helping keep employers' tax rates lower



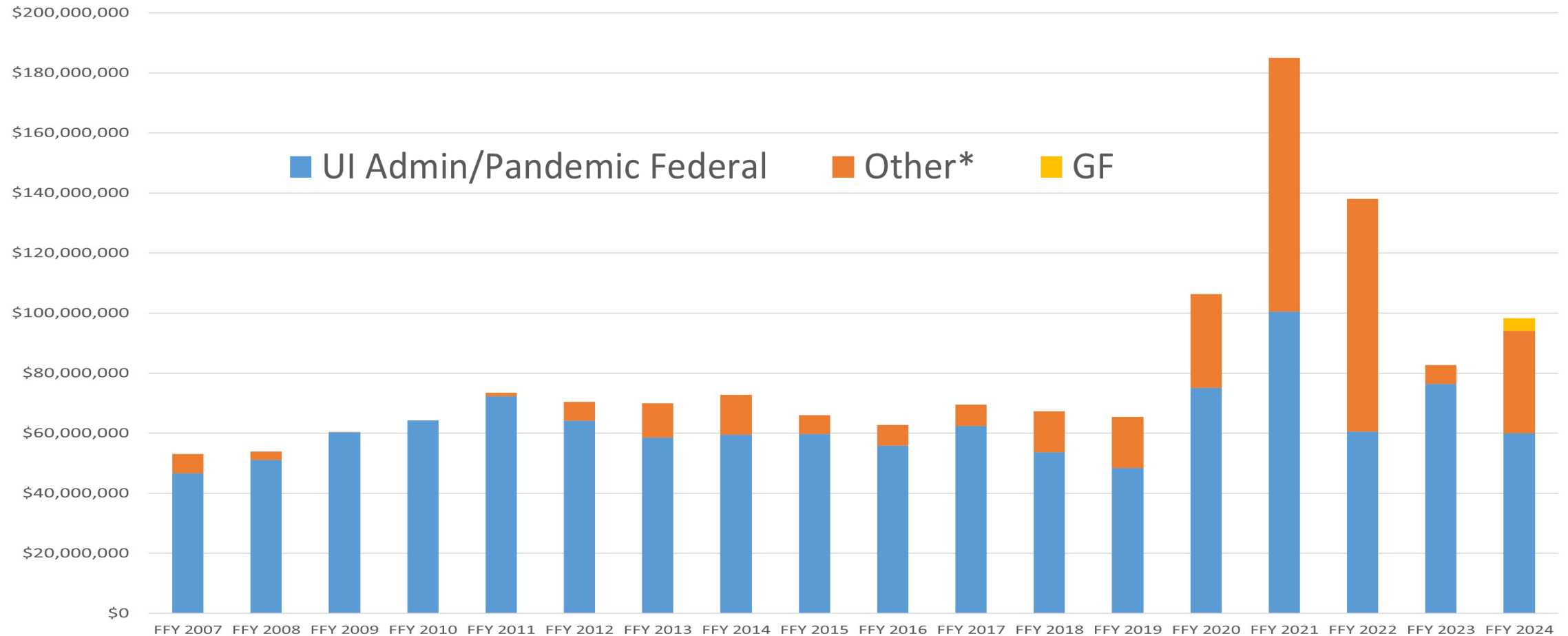
# Oregon's UI Trust Fund is Solvent





# Budget Drivers: Federal/UI Administrative Funds

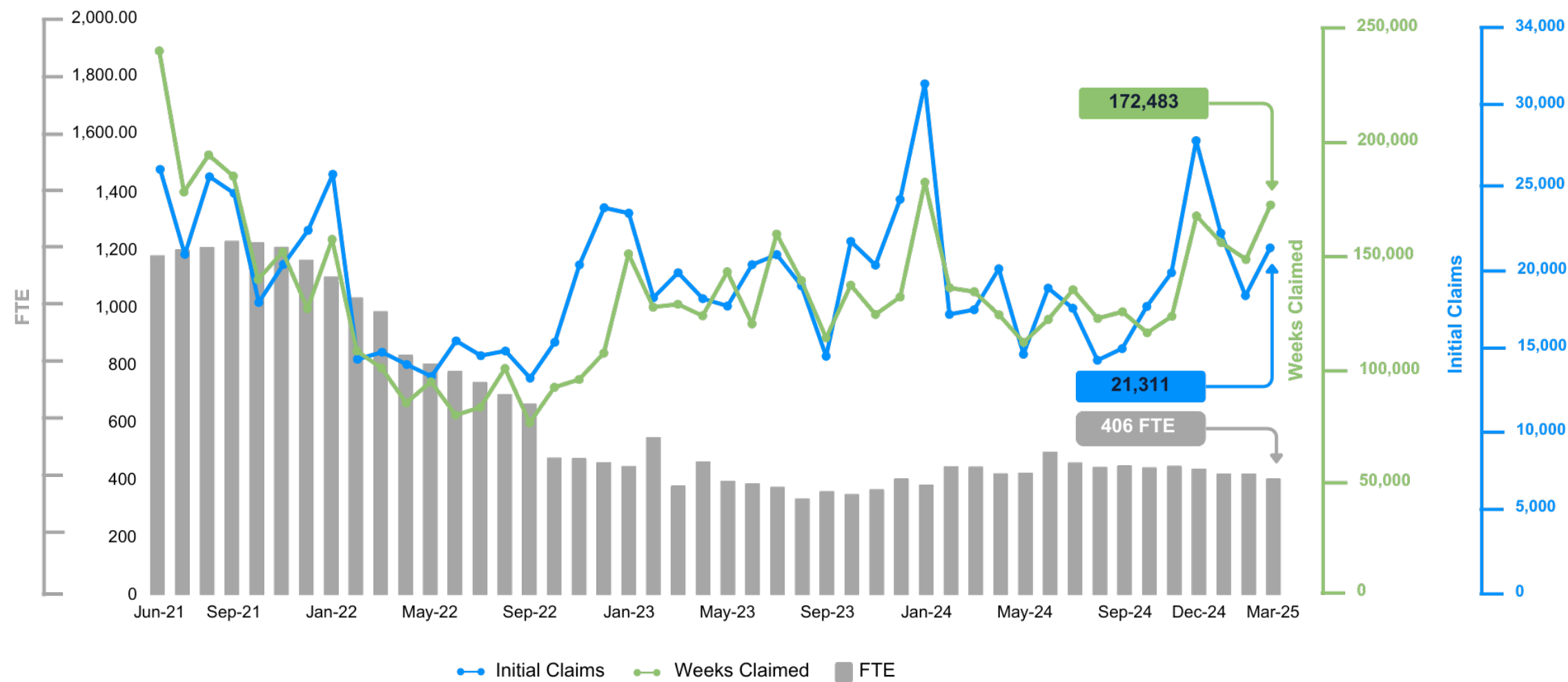
## UI Administration Federal and Other Expenditures by Fund Type



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

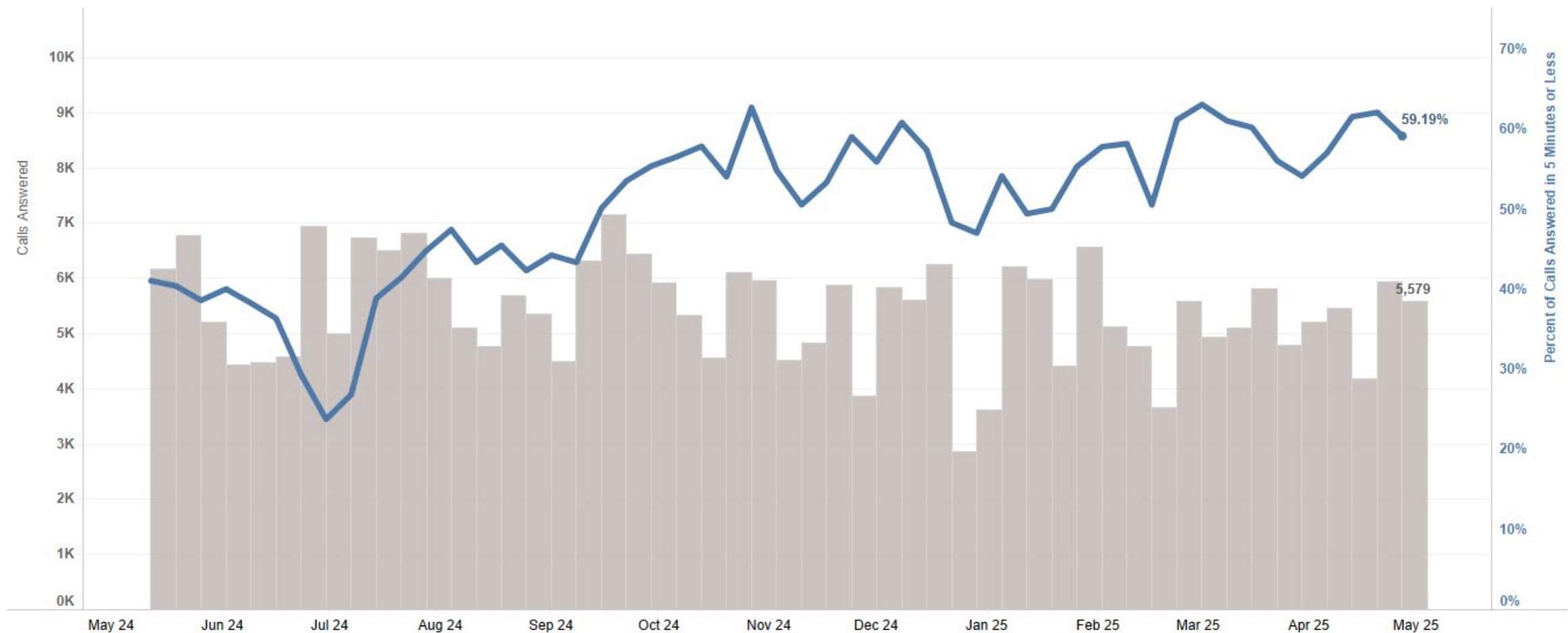


# Impact of UI underfunding June 2021-March 2025

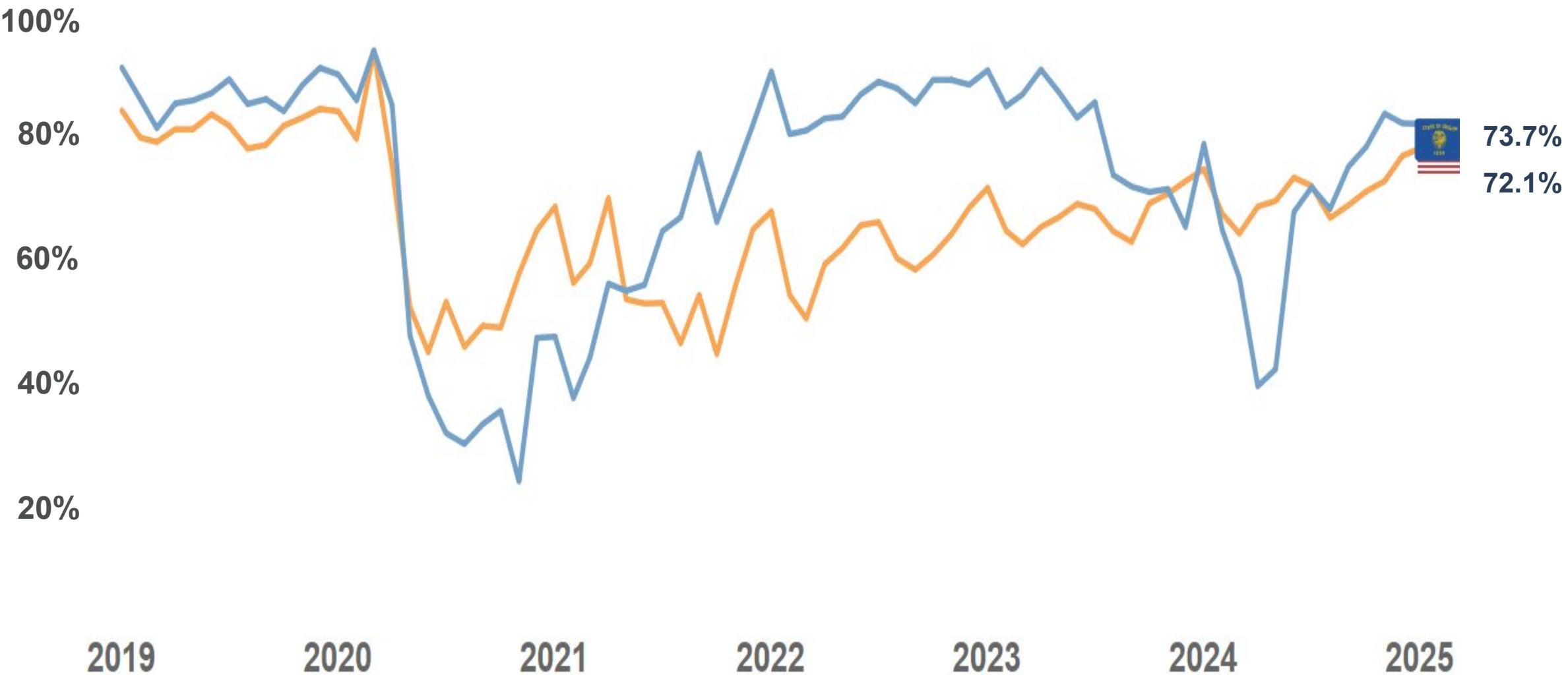


# Updated Customer Service Data

Call Wait Times (all UI and C&R lines)



# National Comparison - First Payment Timeliness



January 2019 to March 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
  - ❖ Workforce costs have increased – COLAs, pay equity
  - ❖ Reductions in the UI administrative grant from USDOL
- OED must balance expenditures to available revenue
- With less projected revenue, OED will have to reduce 2025-27 spending



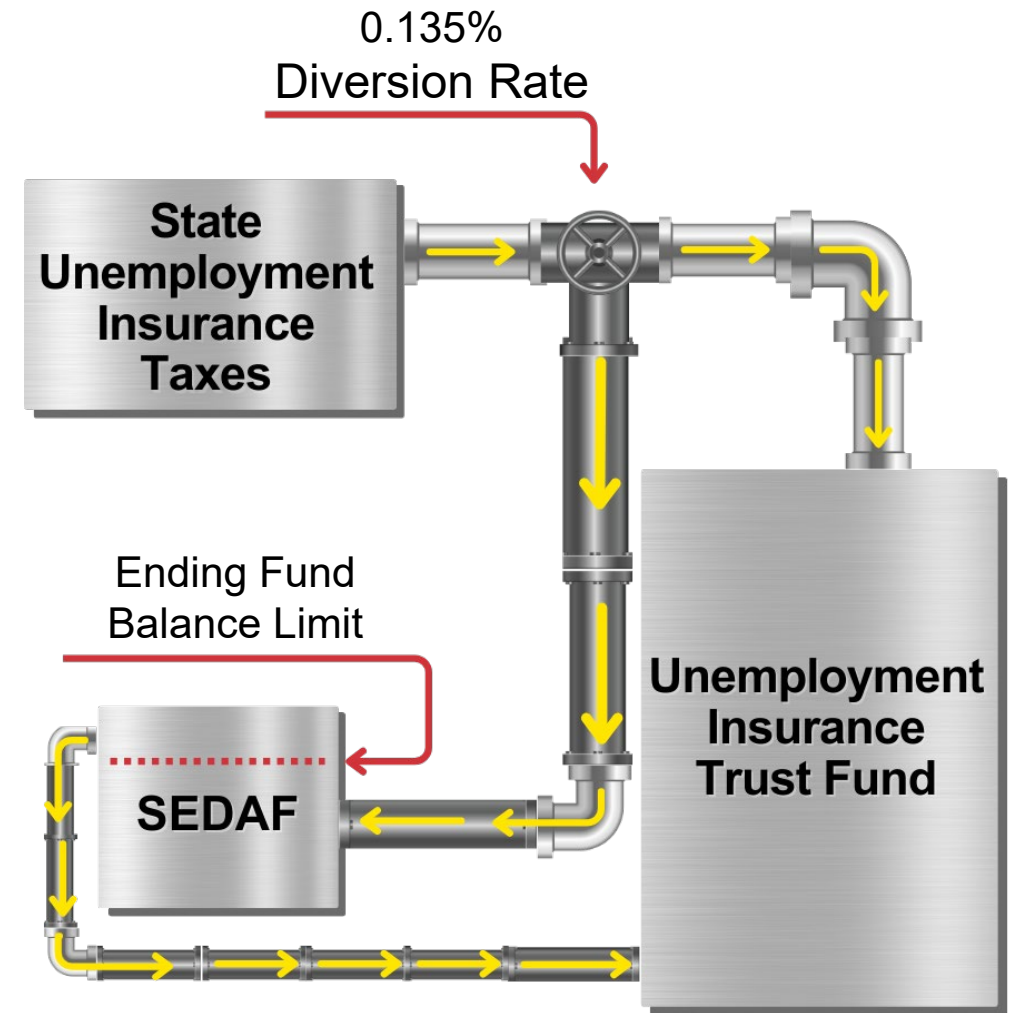
## Impact if increase is not approved

- Implementation of roughly \$33 million cut package, including 74 positions
- Magnifies the effects of chronic federal underfunding and hinders our ability to serve Oregonians
- Reduce customer service
  - ❖ Increase delays in processing UI claims, resolving claim issues, and getting people their benefits
  - ❖ Fewer people will get through to OED or receive timely responses about their UI claims
- Reduce customer service for employers
- Close a WorkSource Oregon center
- Increase risk of fraud against the UI Trust Fund

## Impact if increase is approved

### Increasing the diversion rate to 0.135%

- Avoids implementation of cut package
- 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 Reversion Methodology

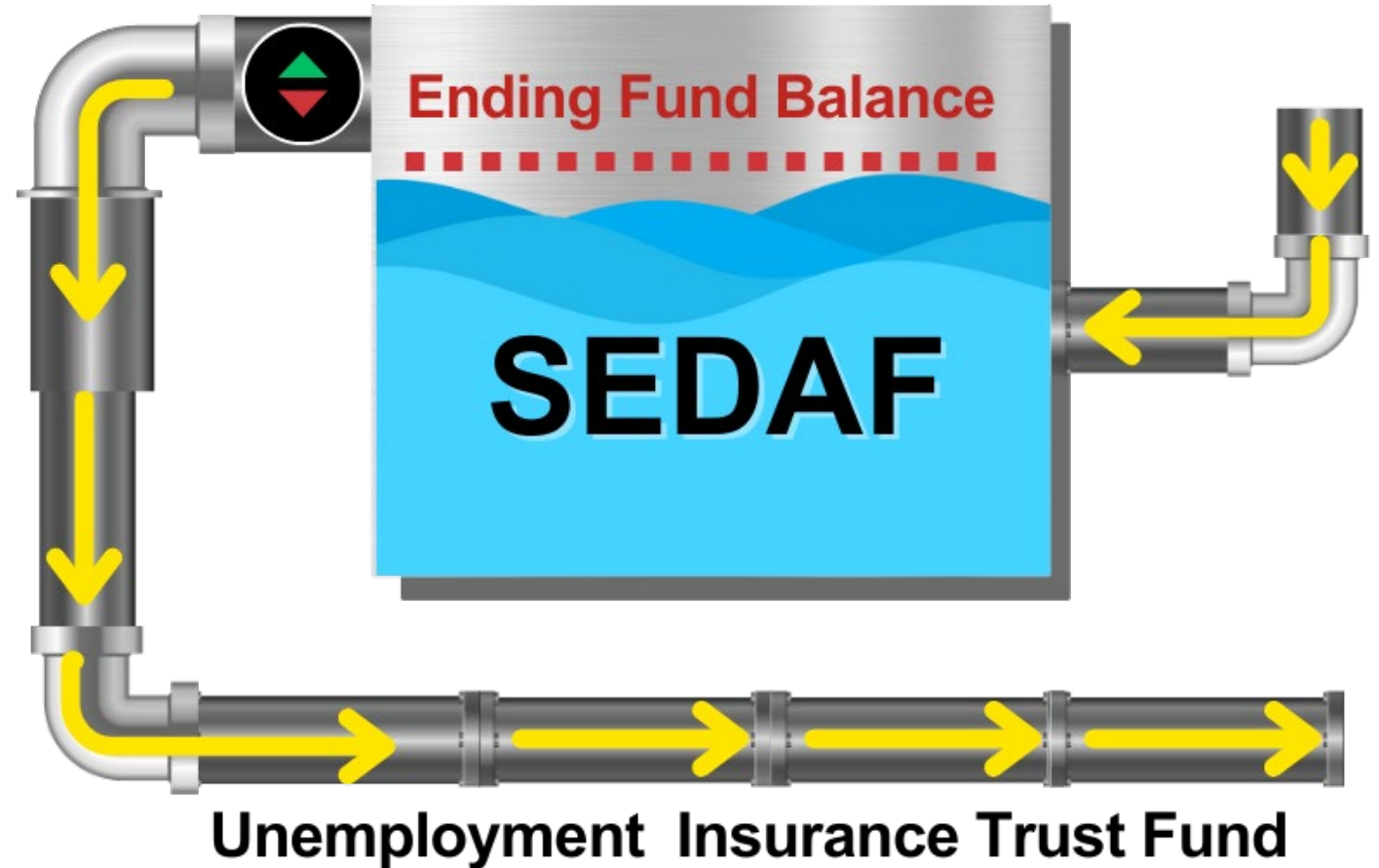
## Calculating the Ending Fund Balance June 30 of odd years

### Current Law

- 150% of the revenue from the 1st Qtr. of the previous Year
- Looks backward
- Based on taxes collected

### Proposed new methodology

- Projected administrative expenditures for 3 months
- Looks forward
- Based on Legislatively Adopted Budget





# Proposed SEDAF Reversion Methodology

## Making this change will:

- Greatly increase flexibility to respond to:
  - ❖ Emerging customer service needs
  - ❖ Fluctuations in Federal funding
- Maximize federal reimbursement rates
- Follow best practices for fiscal planning and responsibility
- Allow OED to be better prepared for economic downturns





## Senate Bill 143A:

- Helps customer service
- Does **not** increase employer taxes
- Does **not** change tax schedules
- Keeps UI Trust Fund solvent
- Maintains statutory safeguards