

PUBLIC HEARING HB 2127

TAPES 41-42 A, 41 B

HOUSE REVENUE COMMITTEE

FEBRUARY 15, 2005 1:00 PM STATE CAPITOL BUILDING

Members Present: Rep. Tom Butler, Chair
 Rep. Vicki Berger, Vice-Chair
 Rep. Mark Hass, Vice-Chair
 Rep. Brian Boquist
 Rep. Sal Esquivel
 Rep. Larry Galizio
 Rep. Betty Komp
 Rep. Andy Olson
 Rep. Chuck Riley

Witnesses Present: Debbie Lincoln, OR Employment Dept.
 David Brydson, President, Oregon Employer Council
 Lisa Trussell, Associated Oregon Industries
 Rob Diesel, Oregon Employers Council
 Gwyn Harvey, Human Resources Consultant
 Mike Reed, Winco Foods
 Bridget Flanagan, Public Relations Director, Safeway

Gary Oxley, Oregon Grocery Association

J.L. Wilson, National Federation of Business

Patrick Allen, State Office of Regulatory Streamlining

Staff Present: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist

Kristi Bowman, Committee Assistant

TAPE 41, SIDE A

002 Chair Butler Calls meeting to order at 1:00 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 2127

011 Lizbeth Martin-Mahar Gives overview of HB 2127 (Exhibit 1). The bill establishes a lower “new employer” tax rate and reduces other unemployment tax rates.

143 Martin-Mahar Discusses key components of bill. Refers to the handout from the Employment Dept. (Exhibit 2). Discusses various employment tax rate reductions. A .09% payroll tax will be earmarked for the Employment Dept. to be used for their supplemental administrative fund. Currently the Employment Dept. receives their administrative funds from interest earned from the Benefit Reserve Fund. This fund will be abolished by January 2008. After that date the Employment Dept. will derive their administrative funds from employers’ unemployment insurance. More employers will be put into a lower tax rate fund. Another adjustment is to lower the number of weeks in the formula effective 1/1/07. A limit will be placed on supplemental unemployment trust fund interest amount.

- 235 Martin-Mahar Refers to the revenue impact statement (Exhibit 3). Refers to the table on page 2 and discusses the various funding and earned interest issues.
- 323 Chair Butler Asks about the federal unemployment fund.
- 345 Martin-Mahar Responds that both state and federal unemployment taxes go into one state trust fund in Washington D.C. as stated in Section 15 of HB 2127.
- 335 Rep. Berger Asks for clarification about interest earnings going back into the fund.
- 348 Martin-Mahar Responds that the current Benefit Reserve Fund (BRF) that has a balance of \$234 M earns lower interest than what is being earned in the Unemployment Insurance Fund in Washington D.C. The BRF will be eliminated by 2008, and funds will then be put into the federal fund and earn a higher interest rate. The federal Reed Act funds will be maintained and not be used for Employment Dept. administrative purposes as they are used currently.
- 377 Debbie Lincoln Testifies in support of HB 2127 because it lowers unemployment taxes, stabilizes funding of services given to employers and job seekers, and attracts new businesses to OR. Refers to handout (Exhibit 4) for the rest of her testimony.

TAPE 42, SIDE A (begin at meter 50; meter 1-50 of this tape is a duplicate of 41-A)

- 050 Lincoln Continues testimony. Discusses the stability of the OR trust fund. Discusses the reduction of new employer base rate. Discusses the rounding of the taxable wage base. Comments that federal funding has not increased over the past 20 years and provides about a third of the needed funding for the services the Employment Dept. provides.
- 135 Chair Butler Asks about Reed Act funds.
- 145 Lincoln Responds that those funds are generated by the federal unemployment insurance funds. That money is supposed to be redistributed back to states on a regular basis. That is rarely done, but when it is, Reed Act funds can only be used to pay benefits or administrative costs.
- Questions and answers continue about Reed Act monies.
- 190 Lincoln Continues testimony. Discusses BRF and Supplemental Employment Dept. Administrative Fund (SEDAF) funding.
- 240 Lincoln Summarizes major points of testimony.
- 245 Rep. Berger Are projections [as stated in table 3 of the handout] recalculated every year?

- 247 Lincoln Responds yes.
- 260 Rep. Esquivel Asks about: 1) how does OR compare in administrative costs to other states; 2) what are the services provided; 3) taking funds from the unemployment fund—isn't this a form of taxing businesses?
- 265 Lincoln Responds: 1) she will provide comparison information at a later date; 2) services include assistance to businesses to find employees, helping people get back to work, and maintaining labor market information. Some of the speakers today will discuss in more detail the services the Dept. provides; 3) it is not a new tax, but rather just a change in the mechanism of the trust fund and will have no impact on what businesses currently pay.
- 295 Rep. Esquivel 1)Asks about how success in the Employment Dept. is measured. 2) did the Dept. have the same number of employees and budget in the 90's when unemployment was low?
- 297 Lincoln Responds: 1)several performance measures are in place, for example, statistics about how many people get jobs and customer satisfaction surveys from businesses and job-seekers; 2) about 25% of department staff were laid off in the 90's when unemployment was low. Discusses current administrative changes made to save 100 FTE positions requested this biennium due to consolidation of regional centers and the use of phone and internet transactions.
- 357 David Brydson Testifies in support of HB 2127. He is a small business owner and the president of the OR Employer Council that represents over 1200 businesses in OR. Supports the bill because it reduces the cost of new businesses coming into the state, making OR more competitive with neighboring states. Because of the lower new-employer tax rate, there is more capital available for start-up costs. The Council supports the

more predictable tax rates proposed so that businesses can more reliably plan their business expenses.

- 405 Lisa Trussell Testifies in support of HB 2127 because it addresses two concerns of Associated Oregon Industries (AOI) members: 1) the fund is adequately funded preventing frequent unemployment tax increases; 2) the rounding of the taxable wage base is advantageous to businesses
- 465 Rep. Riley Asks about businesses that had felt that OR's unemployment taxes were too high in the past. Now with the recent economic downturn has that sentiment changed?
- 478 Trussell Responds that businesses had felt that they were paying more unemployment taxes in OR than in other states, but this bill is something they can support.

TAPE 41, SIDE B

- 037 Rob Diesel Reads from written testimony (Exhibit 6) supporting HB 2127.
- 070 Gwyn Harvey Testifies in support of HB 2127. She discusses her professional experience. Responds to previous questions regarding what services are provided and how the trust fund is used in OR. Discusses examples of small businesses that don't have a human resources department to find employees and use services from the State Employment Dept. to do that. Discusses "I Match" skills tool that is currently used to match employee skills with an employer's needs.

- 167 Harvey Adds additional testimony discussing the services and mission statement of the Employment Dept. Support of that mission will help retain businesses, help existing businesses grow, and can help attract new businesses to OR.
- 189 Gary Oxley Introduces next two speakers.
- 200 Mike Reed Testifies in support of HB 2127 because it reduces taxes by a significant amount (12%), and this money will go back into growing the grocery business within OR. Supports the new mechanism for the trust fund.
- 244 Rep. Esquivel Asks about Winco being employee-owned.
- 246 Reed Answers that Winco has an employee stock ownership plan that is their pension trust and through that trust employees own approximately 91% of the business.
- 260 Bridget Flanagan Testifies in support of HB 2127 because Safeway benefits from the Employment Dept.'s SEDAF program and the services it offers. Tax reduction money would be put back into their business and be used to hire more Oregonians.
- 307 J.L. Wilson

Testifies in support of HB 2127 because of the stability of the unemployment insurance fund. Discusses the integrity of the fund and its impact on employers.

341 Patrick Allen Testifies in support of HB 2127 because of the reduction of taxation rates for new employers.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2127

375 Chair Butler Committee business.

391 Paul Warner Reports on staff economist who was ill.

406 Chair Butler Adjourns meeting at 2:19 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 2127, Staff Measure Summary, Martin-Mahar, 2 pp., 02/15/05
2. 2. HB 2127, Handout: The Role of the Trust Fund, Rostamizadeh, 12 pp., 02/04
3. 3. HB 2127, Revenue Impact Statement, Martin-Mahar, 2 pp., 02/15/05
4. 4. HB 2127, Handout, Oregon Employment Dept., 4 pp., 02/15/05
5. 5. HB 2127, Testimony, Trussell, 1 pg., 02/15/05
6. 6. HB 2127, Testimony, Diesel, 2 pp., 02/11/05
7. 7. HB 2127, Testimony, Harvey, 1 pg., 02/15/05
8. 8. HB 2127, Testimony, Oregon Grocery Association, 1 pg., 02/15/05