

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

Measures Heard HB 2252 HB 2080

HOUSE COMMITTEE ON LABOR

February 1, 1991Hearing Room D 8:30 a.m.Tapes 16 - 17

MEMBERS PRESENT:Rep. Gene Derfler, Chair Rep. Kevin Mannix, Vice-Chair Rep. Sam Dominy Rep. Jim Edmunson Rep. Rod Johnson Rep. Bob Repine Rep. John Watt

STAFF PRESENT: Victoria Dozler, Committee Administrator Johanna Klarin, Committee Assistant

WITNESSES: HB 2252 Pamela Mattson, Employment Division Steve Minnich, Adult and Family Services Carl Frederick, Associated Oregon Industries Cheryl Deer, Northwest Temporary Judy Ogden, Temp Technology Joe Gilliam, National Federation of Independent Business Fred Van Natta, Oregon State Home Builders Association HB 2080 Donna Hunter, Employment Division Greg Tiebel, Building Construction Trades of the State of Oregon

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TAPE 16, SIDE A

003 CHAIR DERFLER: Calls the meeting to order at 9:30 a.m.

PUBLIC HEARING, HB 2252

CHAIR DERFLER: Opens public hearing on HB 2252.

010 PAMELA MATTSON, Administrator, Employment Division: Discusses the essence of the diversion concept (Exhibit A).

- The bill, with proposed amendments, diverts .76 percent of taxable wages to generate \$29.3 million dollars to be used in the 1991-1993 biennium.

-She describes the base restoration package (Exhibit A, page 2).

034 CHAIR DERFLER: Could you explain what you mean by penalty and interest of \$3.5 million?

MS. MATTSON: Those are the dollars that the Employment Division collects from those employers in the state who do not pay their contributions in time.

-She explains the assumptions of cost changes.

043 REP. MANNIX: Does the second merit increase refer to the reclassification or just a standard review?

MS. MATTSON: This is the reclassification system that was done a couple of years ago. This is the second phase of that implementation.

-She describes the increase in the cost of processing unemployment insurance checks.

-She continues her presentation regarding the Base Restoration Package.

-She explains the components of the grand total diversion of \$29.3--base restoration \$18.4 million, \$3.3 million enhancement package and \$7.5 million JOBS Welfare Program (Exhibit A, page 3). These figures don't include the Job Training Partnership Act fund.

083 REP. JOHNSON: Could you address the Job Training Partnership Act situation a little more fully?

MS. MATTSON: The Governor's budget indicates that the administration of the federal funds of that program would be within the Employment Division.

REP. JOHNSON: Presently, are these administrative dollars paid out of lottery dollars?

MS. MATTSON: No. The funding for the JTPA administration comes through federal funding.

100 REP. DOMINY: How is this JOBS program affected by the shift in the administration? How do you coordinate it with the AFS?

105 MS. MATTSON: The overall planning is directly connected to the local planning committees. The Employment Division has been represented in those local planning committees. The local committees are encouraged to use the Employment Division services as exclusively as possible.

REP. DOMINY: Are there going to be displaced AFS employees?

132 STEVE MINNICH, Administrator, Adult and Family Services: No displacements are planned. We take our administrative cuts at the regional and state administrative levels. That totals 151 positions in our budget.

REP. DOMINY: So the case workers would lose just some of their responsibilities?

MR. MINNICH: In many of these areas we already contract out these services to Employment Division or community colleges. We do the case management function.

REP. DOMINY: How is that going to change?

MR. MINNICH: Employment Division will take a more important role in the placement activities. We need these funds because of the preparatory exercises involved in new welfare cases.

172 REP. MANNIX: What is the overall expenditure in the Employment Division for the placement functions, separate from the JOBS Program?

MS. MATTSON: Refers to Exhibit A, page 5. An average cost of a regular Employment Division job placement is \$230.

REP. MANNIX: Could you give me a dollar figure regarding your resources addressed to placement?

MS. MATTSON: Our base budget for the employment service is approximately \$32 million.

REP. MANNIX: Are we talking about 25% increase through this special funding mechanism?

MS. MATTSON: Yes.

203 REP. WATT: Where is the \$7.5 million coming from? Is the funding for the JOBS program coming from the Economic Development?

MS. MATTSON: The administration of the JOBS program is currently housed in Economic Development, but the funding mechanism is not in their budget. General fund is currently supporting the placement component.

REP. WATT: If the funding is shifted over to the Employment Division, the funding will then come from taxes paid by employers?

MS. MATTSON: Yes.

219 REP. DOMINY: What if this bill doesn't pass, do we need to find the funds within the general funds budget?

224 MR. MINNICH: The options are either to reduce the program or to find another funding source.

229 REP. MANNIX: Is the JOBS program similar in essence to Measure 7?

MR. MINNICH: That is correct, Measure 7 is an extreme version of welfare reform.

REP. MANNIX: So we are trying to hold on to these monies and spend them here in Oregon?

MS. MATTSON: Yes.

245 REP. EDMUNSON: Will the inclusion of the \$7.5 million increase the taxes employers will be paying?

MS. MATTSON: No, there is no increase.

REP. EDMUNSON: Would the inclusion of the \$7.5 million raise anybody's taxes?

MS. MATTSON: Refers to Exhibit A, page 4.

-Explains the projected figures of the diversion concept for the 1991-93 biennium.

288 REP. DOMINY: Is the projected trust fund balance of June 30, 1993 completely accurate? Don't we still have the \$200 million?

MS. MATTSON: We didn't take into account other pending legislation. That trust fund balance will be the same because when we do trust fund balances we are able to add the Oregon trust fund and the Washington D.C. trust fund together. In HB 2084 the only purpose for that trust fund in Oregon is for the payment of unemployment insurance benefits.

REP. DOMINY: This balance of June 30, 1993 includes then the \$200 million?

MS. MATTSON: It does include that \$200 million. If HB 2084 passes, that balance would be in two separate accounts.

REP. DOMINY: What happens if we don't spend all of the interest money?

MS. MATTSON: You are speaking of the interest on HB 2084. The legislature for the 1991- 199 3 biennium would need to appropriate the expenditure of that interest. If the appropriation is less than the interest accumulation, that amount would stay in the fund in Oregon.

317 REP. REPINE: Why is this bill coming to us with a \$7.5 million expenditure of diversion moneys when 2084 is a diversion trust? I am having a difficult time with your difference of philosophy with these two bills.

MS. MATTSON: The only difference is time. We need time to generate the interest on the diverted amount in HB 2084.

REP. REPINE: I would like to see the \$7.5 million replenished.

364 CHAIR DERFLER: The trust fund is growing because we have to use the year 1982 for the tax rate on unemployment?

MS. MATTSON: That is correct.

CHAIR DERFLER: Isn't it true that we will have \$7.5 million less in the trust fund to pay unemployment benefits if we were to need them?

MS. MATTSON: Yes.

375 REP. JOHNSON: He echoes the sentiments of Rep. Repine. I am concerned about using this fund for the JOBS program.

-He refers to Exhibit A, page 2. Does the inflation factor of 9.5% include some salary increases?

MS. MATTSON: Yes, and an additional cost for the implementation of the classification system.

REP. JOHNSON: Please tell me about this special program for \$3 million.

MS. MATTSON: The new classification system looks at all positions state-wide according to the HAYES system, re-evaluating job positions. The implementation is now at its second phase.

442 REP. MANNIX: [QUOTE] I get the impression that your No. 2 engine is in fire and your No. 4 engine is smoking. We are a little bit in trouble here[QUOTE].

-He suggests that the \$7.5 million will be available only if HB 2084 becomes law.

-He suggests that interest from HB 2084 diversion be used to pay back the \$7.5 million.

MS. MATTSON: We need to look at the effect of timing. It is a good idea. I would like to pursue it with the investment people.

REP. MANNIX: This could be one way to keep this project moving.

TAPE 17, SIDE A

028 REP. REPINE: I assume in two years we will be back here in the same arena requesting \$7.5 million or some amount.

033 MR. MINNICH: The difference is that by that time we would have some very good results in terms of the performance of this year's model.

REP. REPINE: Suggests setting another trust fund.

052 REP. DOMINY: Do you have a problem with setting another trust account or diverting \$300 million?

058 MS. MATTSON: I am not opposed to that idea. We need to look at what point would the principal go in, what is the projected interest, and at what point would we have those dollars?

063 REP. MANNIX: We have a window of opportunity to set this up now.

MS. MATTSON: I am speaking of hours to figure this out not months. I am not comfortable committing ourselves to this change concept during this hearing.

072 REP. DOMINY: Could you give us an answer by Monday?

MS. MATTSON: We'll work on this concept by Monday.

083 CARL FREDERICK, Associated Oregon Industries: Discusses the history of diversions relating to unemployment insurance.

-He thinks HB 2084 is a good concept.

-He finds the \$7.5 million portion of HB 2252 problematic.

138 REP. MANNIX: Suggests either carving out the \$7.5 million now or waiting a couple of days if a creative solution for this problem could be found.

150 MS. MATTSON: I like to examine and accelerate the creation of the benefit reserve fund. The diversions for that concept don't begin until of April 1992 and perhaps there is an ability to collect that benefit reserve fund more quickly than HB 2084 suggests.

REP. MANNIX: Instead of shipping the money to Washington D.C., we are

going to draw the interest from that. Some of the interest income would be used for that program but we are not using the hard dollars that are collected from employers.

170 CHAIR DERFLER: We would lose interest money though.

175 REP. MANNIX: Emphasizes the importance of a good work force for employers. This program would help put people back into the work force.

185 MR. FREDERICK: We are not denigrating this program. It is a question of philosophy, the utilizations of these funds.

192 REP. REPINE: A mechanism should be set to repay the \$7.5 million.

213 CHERYL DEER, Northwest Temporary Services: Testifies on behalf on HB 225 2. She presents general background information concerning Northwest Temporary Services.

-We value our close relationship with the Employment Division.

-She supports HB 2252 so that the present level of services provided by the Employment Division could be maintained.

-She supports welfare reform--will be beneficial to Oregon businesses.

272 JUDY OGDEN, Temp Technology: She supports the proactive approach this bill introduces regarding the welfare reform and JOBS program.

350 REP. JOHNSON: What was the dollar amount of the special program, which you mentioned earlier, targeted for displaced timber workers?

MS. MATTSON: The dislocated worker package is part of the diversion package that we are talking about. It would include 12 FTE's who would be placed in targeted areas throughout the state. Part of the base restoration package is targeted to displaced workers.

REP. JOHNSON: Do you have the dollar amount?

MS. MATTSON: We'll get that information to you.

377 REP. MANNIX: It might be a good idea to include that Dislocated Worker Package into this package--so that we are talking about timber not just welfare.

390 JOE GILLIAM, National Federation of Independent Businesses: Expresses appreciation for the Employment Division's efforts in regard to this issue.

-He supports the content of the JOBS program but expresses concern about the \$7.5 million being pushed into the employers' tax fund.

-He feels the funds for the JOBS program should come from AFS.

444 REP. MANNIX: Why do employers always have a reactive view toward the employment trust fund. We need a trained work force in Oregon and this is a mechanism to do that.

TAPE 16, SIDE B

009 MR. GILLIAM: It is also a question of education. I don't object to

the Employment Division doing the placement component, but the additional services should be done by AFS. It is not appropriate to ask employers to pick up the cost.

027 REP. MANNIX: Considering the circumstances we are in during this session, how do you feel about a short term, temporary solution for this problem?

MR. GILLIAM: I am more comfortable with Rep. Repine's approach. These are not new dollars we are creating through the trust fund.

049 REP. DOMINY: Discusses the shortage of employees, low-paid but reliable.

MR. GILLIAM: Are we going to provide services (training etc.) to every client who comes to the Employment Division, or just the welfare recipients?

REP. DOMINY: It is called the Employment Division not the Unemployment Division. How are we going to train the people that the small employers are looking for?

MR. GILLIAM: Discusses the need for vocational education at schools.

-He refers to Exhibit A, page 2. He objects to the \$3.5 million earmarked for penalty and interest replacement.

133 FRED VAN NATTA, Oregon State Home Builders Association: Trust funds should not be traded.

-Payroll taxes should be used for the purposes that they were created for.

-Would you pass a bill placing a payroll tax on employers for this \$7.5 million? This is a policy question.

176 VICTORIA DOZLER: Asks Ms. Mattson to clarify to the Committee that the FUTA taxes are not diverted.

182 MS. MATTSON: Refers to Exhibit A, page 1. Explains how the FUTA taxes relate to this diversion concept.

MS. DOZLER: The FUTA tax is being squeezed and has resulted in a loss of dollars for the administration?

MS. MATTSON: That is correct, squeezed by the federal government.

224 REP. MANNIX: Is the \$3.5 million penalty and interest replacement being transferred to AFS?

MS. MATTSON: That is how the Governor's proposed budget for 1991-1993 reads.

232 REP. REPINE: Discusses the philosophy of HB 2084 to avoid further diversions that just get expended. He questions if a similar fund for the JOBS programs would leave more money in the federal coffers.

MS. MATTSON: We will keep those funds out of the federal trust fund.

REP. REPINE: For the long term we will let that pot start building

again and will not take another \$29 million every two years? Those funds should become self-supporting?

MS. MATTSON: That is correct.

CHAIR DERFLER: Recesses the meeting.

PUBLIC HEARING, HB 2080 (EXHIBIT B & C)

280 CHAIR DERFLER: Opens public hearing on HB 2080.

282 DONNA HUNTER, Employment Division: Outlines Oregon taxing system briefly (Exhibit B).

-Discusses the proposed amendment (Exhibit C).

-She suggests effective day as of January 1, 1992.

344 REP. MANNIX: What is the financial effect on employers as a result of this?

MS. HUNTER: It is going to clean up the process and clear some confusion.

REP. MANNIX: Will this affect the amount of dollars that an unemployed worker receives?

MS. HUNTER: It could, positively.

REP. MANNIX: This bill would be beneficial both for the employer and the worker.

MS. HUNTER: Yes, and it will keep more of the money here in Oregon.

401 REP. EDMUNSON: Is there anything wrong with this bill?

MS. HUNTER: Yes, we couldn't explain it clearly in 1987.

412 VICTORIA DOZLER: Would you explain that there will be some increases in taxes to employers in some situations?

MS. HUNTER: Sick pay will be taxed in Oregon. Over the next two bienniums there will be \$8 million extra in tax collections. It is hard to say which employers this would impact.

TAPE 17, SIDE B

007 REP. DOMINY: Are you projecting a lower percentage that employers would have to pay?

MS. HUNTER: Tax schedules are expected to go down to schedule 4 next year.

015 REP. JOHNSON: I would like to clarify the exact wording of the amendment.

-He suggests leaving in the word "payments" after sickness or accident disability.

MS. HUNTER: That is correct.

020 REP. EDMUNSON: The content is correct the way the amendment is crafted according to the statute.

027 REP. MANNIX: Suggests the modification "which are made under the worker's compensation law."

033 The committee discusses the grammatical content of the amendment.

048 GREG TIEBEL, Building Construction Trades of the State of Oregon: I also serve as a trustee on a multi-employer health and welfare plan. Will this start taxing the weekly benefits we currently provide when someone is injured?

054 MS. HUNTER: Those sickness payments would be taxed.

REP. MANNIX: Are they taxed now?

MS. HUNTER: No.

060 REP. DOMINY: We are only talking about FUTA and unemployment taxes?

MS. HUNTER: Yes.

072 REP. EDMUNSON: The recipients of these trust benefits would be accruing credit toward their future employment benefits as well?

MS. HUNTER: Yes.

078 REP. JOHNSON: Could we use the language in the federal statute that sets out the exclusion for sickness or accident disability received under worker's compensation law.

082 REP. MANNIX: The problem was the double negative in the federal language.

WORK SESSION

088 CHAIR DERFLER: Opens work session on HB 2080.

MOTION

090 REP. MANNIX: Contemplates further the clarity of the language of the amendment.

-He moves to amend HB 2080, subsection B, as follows: [QUOTE] Sickness or accident disability under a worker's compensation law[QUOTE].

104 The Committee further deliberates the correct language for the amendment.

128 REP. MANNIX: We are using this in substitution for the bold-face language. We are referring to this entire sub-section when we say "sickness under the worker's compensation law" whereas it says "accident and disability under the worker's compensation law." The phrase under the worker's compensation law defines both sickness and accident disability.

138 REP. MANNIX: Reiterates the amendment: "Sickness or accident disability under the worker's compensation law."

146 REP. EDMUNSON: Moves to adopt the effective date as of January 1, 1992.

The Committee has no objections to the above amendments.

MOTION

151 REP. MANNIX: Moves that HB 2080, as amended, be referred to the House with a "do pass" recommendation.

VOTE

In a roll call vote the motion carries with representatives Dominy, Edmunson, Johnson, Mannix, Repine and Derfler voting AYE. Representative Watt is absent.

160 CHAIR DERFLER: Adjourns the meeting at 10:20 a.m.

Submitted by: Reviewed by:

Johanna Klarin Victoria Dozler Assistant Administrator

EXHIBIT LOG:

A - Testimony on HB 2252 - Pamela Mattson - 8 pages
B - Testimony on HB 2080 - Donna Hunter - 2 pages
C - Amendments to HB 2080 - Donna Hunter - 1 page