



**Advisory Council Meeting Minutes
December 18, 2003**

Members:

Gary Barnes
Northwest Food Employers, Inc.
Business

Vacant
Labor

Sam Brooks
S. Brooks & Associates
Business

Vacant
Public

Gwyn Harvey
Public

Vacant
Business

Pat Maberry, Chair
Public

Tim Nesbitt
Oregon AFL-CIO
Labor

Linda Rasmussen
Communications Workers of America
Labor

Bob Shiprack
Oregon State Building and Construction Trades Council
Labor

Lisa Trussell
Associated Oregon Industries
Business

Sandra Morgen
University of Oregon
Public

Present

Gary Barnes, Sam Brooks, Gwyn Harvey,
Pat Maberry, Sandra Morgan, Tim Nesbitt,
Bob Shiprack, Lisa Trussell

Absent

Linda Rasmussen

Employment Department Staff

Tamara Brickman, Tom Byerley, Larry Hanson,
David Heavirland, Greg Hickman, Tracy Loudon,
Tom Olsen, Anne Swenson, Carla Corbin

The meeting began at 9:10 am.

Minutes

The minutes are being presented at the March 24,
2004 meeting for approval.

UNEMPLOYMENT INSURANCE (UI) TRUST FUND

Margaret Hallock, Senior Policy Advisor to Governor Kulongoski – Came to the EAC to discuss general issues regarding the trust fund. Governor has no policy direction or orientation at this point. Governor heard some questions and comments when the employer tax rates increasing for calendar year 2004. Governor's office understands the statutes determining the formula for tax rates hadn't been changed since the 1970's. Governor's office is asking that we review the current statutes and formula to determine if everything is up to date or where it should be. Governor's top priority is solvency of the trust fund, not interested in promoting any changes which will threaten the solvency of the trust fund because they have noticed what has happened in other states, with loans etc.

Is the EAC interested in reviewing statutes that govern the required levels of the trust fund, given the Governor's top priority of solvency? Governor also concerned about economic development, rates and costs to employers, flexibility and other issues. Governor wants EAC's input and advice.

Greg Hickman – The ED has information to present to the EAC.

Gwyn Harvey – 1 to 2 years ago ED looked at the schedule and rate table to adjust three schedules. Schedules III, IV, and V were adjusted downward. Looked at step factor and how rates went up to moderate the movement from rate to rate.

Tracy Loudon and Tom Byerley – Discussed UI insurance background

- A. There are eligibility requirements:
 - a. Have to work in order to get benefits, have a base year wage requirement;
 - b. When the person becomes unemployed it must be through no fault of his or her own;
 - c. Once meet eligibility requirements the determine benefit amount
 - i. Minimum benefit amount is 15% of average weekly wage;
 - ii. Maximum benefit amount is 64% of average weekly wage, up to a capped amount of \$410.00
- B. Financing of UI Trust Fund –
 - a. Employers pay into a fund, based on experience rating – that particular employer's experience with employees getting UI.
 - b. Oregon's schedule is designed to retain sufficient reserves to cover 18 months of benefits at the higher of a 1975 recession level (7% Insured Unemployment Rate – IUR) or the highest cost period w/in the last 10 years.

Total amount of benefits paid in Calendar Year 2002 = \$1.2 billion. The entire trust fund balance was paid out in 2002, but the trust fund was being replenished on a quarterly basis through the collection of UI taxes.

Tamara Brickman – Discussed other state trust funds and what is happening in those states. The discussion focused on wage base and tax rates, the states discussed were California, Colorado, North Carolina, Texas, and Washington State. All those states are raising taxes for 2004. California, Texas, and North Carolina had to borrow from the Federal Trust Fund. North Carolina and Texas issued tax anticipation bonds to pay back a portion of their loans.

California, Colorado, and Texas are very low wage base states that don't index the wage base.

North Carolina wage base is higher (around \$16,000) and they index their wage base.

Washington state wage base is \$30,200 for 2004 and they index the wage base to the nearest \$100. They have 7 tax schedules. They are raising taxes in 2004. Washington State completely overhauled their benefit rates and experience rating system during the 2003 Legislative Session.

As of the date of this meeting 7 states had borrowed from the Federal Trust Fund because of solvency problems.

Pat Maberry - recommended that the Department potentially send out a second notice to employers, if there is a lot of concern about the tax rate increase, next year to outline for employers that Oregon is not alone with respect to tax increases and potentially share what has happened to unemployment insurance tax rates across the nation.

Margaret Hallock - asked the Advisory Council what their thoughts were on looking out Oregon's Trust Fund with respect to the regular and new employer tax rate. She asked the Council to potentially make a policy statement for the Governor's office on this issue.

Bob Shiprack – This appears to be a routine question that comes up annually at this quarter's meeting. Labor has a keen interest in not seeing excessive rates, but also wants to ensure solvency of the trust fund. This Council is very aware of these questions and looks at this issue regularly.

Gwyn Harvey – From an employer's perspective, people should not be extremely surprised based on the severity and length of the downturn in Oregon. Oregon lags in recovery as well. We have had a lot of discussion on trust fund solvency over the years. We pay close attention to the issue and will continue to.

Gary Barnes – Employers are very interested because it is a cost of doing business and he represents several businesses. He said that business would much rather have us be very prudent in taking small steps progressively rather than get to a crisis and then have to react to that crisis.

Bob Shiprack – We are adamantly opposed to raids on the Trust Fund for any purpose.

Margaret Hallock – Do we want to keep the same goals and mechanisms for solvency?

Gwyn Harvey – They have served the state well for a long time and we should hold steadfast. Maintaining the integrity of the fund is critical as we move forward because the economy is cyclical.

Margaret Hallock - committed to the Advisory Council that any time policy issues are being raised in the Governor's office she will come back and inform and discuss it with the Advisory Council because she and the Governor's office wants the Council to be a key policy board on the issue of unemployment insurance and workforce.

Sandra Morgan - asked if the number (percentage) of individuals being covered is declining over the last 20 years. Her understanding is that UI used to cover on average 50% of people unemployed through not fault of their own and now it appears to cover about 33%.

Tracy Loudon – Oregon has been an in-migration state we have been gaining covered employment. We have had some difficult times going to the Legislature to discuss work load requirements. The main question that is asked is why we need more people to do unemployment insurance, even when the economy is good? A reason is because Oregon was gaining covered workers. He committed to check into the issue about the percentage of individuals covered declining.

SUTA DUMPING

Tamara Brickman and Tom Byerley – Discussed the issue of SUTA Dumping. Annual tax conference in November 2003 and this was an issue of discussion at the conference. SUTA dumping is a manipulation of tax rates by employers, usually by acquiring a low experience rate business and transferring the employees from the high rate business to the low rate business. Another method used is the employer creates subsidiary companies and report one or two people for payroll purposes for a period long enough to earn low tax rates and then they transfer the employees from the high experience rate company to the payroll of the low experience rated company and thus effectively reduce their tax rates. This is not explicitly illegal; it is a loop hole that is outside the intention of the law around experience rating.

A Congressional committee held a hearing on SUTA Dumping in 2003. A bill was introduced in November 2003 that would change the law to require states to address the issue of SUTA Dumping to make it an illegal practice and put into place “meaningful” civil and criminal penalties. North Carolina is on the forefront of this issue. They passed legislation to criminalize this activity.

SUTA Dumping prohibits a level playing ground for employers. Kelly Services (a national temporary employer) is one of the biggest proponents of prohibiting this practice. Jim McIntyre, VP of Kelly Services, came to Oregon to discuss this issue and discussed it with legislators. Small employers are affected the most. When employers manipulate their tax rates, the cost gets socialized against the entire trust fund. We have discovered cases of SUTA dumping in Oregon. The identified cases have resulted in

approximately \$1.9 million in tax losses. Oregon is stepping the efforts to recognize when this occurs. We have implemented new Administrative Rules to clarify when experience transfers are permissible w/in statutory structure. We are training our staff to ensure that they know what to look out for. We are most likely going to introduce a legislative concept. We are going to engage in better employer education, more audits, looking harder at situations when businesses change names, etc.

Bob Shiprack – Mentioned that he believes there was a similar problem with Workers' Compensation and that there was legislation on similar issue.

STRATEGIC PLAN UPDATE

Greg Hickman – Provided additional information on the strategic plan. He introduced Anne Swenson (Eugene FO Manager), Dave Heavirland (local Eugene union steward) who came to answer any questions about the pilot in Eugene.

Why are we doing this right now? We began looking at service delivery questions when Debbie came to the department and one of the recommendations out of the transition process was to create a UI planning team to look at the vision for UI administration for next 5 years. Another recommendation was to have our labor exchange services really focus and do a better job of meeting employer needs.

Larry Hanson and Greg Hickman – There will be FO Managers and Regional Managers. We will have to do a classification review of that because right now they are classified on managing both UI and ES and once UI goes to centers, the FO Managers will be managing ES services only, so they won't have as big a staff. We will have smaller offices in some cases. We have consolidated some FO managers. We have not increased our management services personnel. Any manager who is classified downward will be red-circled so that he/she will not experience a cut in pay. We do not anticipate classifications in general will need to change, so people's pay will not change. We do see in UI that there will be much more opportunity for career growth because there will be a much bigger mix of classifications together in one location where as now the higher levels of management in central office. We will see a \$12 million savings because we need 100 less positions, but we will reinvest some of the \$12 million back into our ES services so that we can intensify our ES program and services to employers.

Tim Nesbitt – Are issues related to transition for represented employees being addressed in bargaining?

Greg Hickman and Larry Hanson – Yes the issues are being bargained. People will not be losing their positions because they will have a choice of a job (it might not be in the community in which they want to live), but people will have a choice of where they would like to go based on seniority. We will begin in January determining the staffing needs (where offices will be understaffed and where they will be overstaffed) of the offices and then in February people will begin volunteering to go where they want to go and we will be doing it on a seniority basis. The people with the least seniority in an

office will be the ones who have to volunteer to go to an understaffed office. We will do everything possible to help employees who don't or can't transfer find a job.

Gwyn Harvey – Asked if a person has the option to completely opt out of any of the choices, so that they are then considered a voluntary quit.

Tom Byerley – Most likely if the person has an option to move somewhere for a job and they can't for a lot of good reasons then wherever possible we would rule it with good cause.

Greg Hickman and Larry Hanson – We will be doing this gradually and with as much possible lead time to help employees make arrangements. Our goal is to have the very minimum number of employees exercise the last option.

Tom Byerley, Anne Swenson, and David Heavirland – Showed a video of our pilot center in Eugene and then discussed the operations of the center. We conducted a telephone customer service survey of people who went through the center. The results of the survey were that people are overwhelming pleased with establishing initial UI claims through the center. At the beginning of the year we will also be implementing internet initial claims. We are not going operational with the call centers all at once. We are going to bring them on one at a time, with Eugene first, Portland second, and Bend third.

Pat Maberry – How is the department going to incorporate this with job seeking services for claimants?

Anne Swenson – Informed the Council that the department makes contact with people immediately to invite them to an initial tour to provide them an orientation to our services for job seekers. Our return rate on that is about 75%. We also follow up again in 8 weeks.

Greg Hickman and Larry Hanson – This is also something that we are continuing to work on and develop to best determine how to make that connection. People will be required to register for work. We will also have IMATCH up and running which will be another tool to use in helping people find work. Our Strategic plan also involves enhancing our ES services to better serve business, so this will work into that half of the strategic plan. We are developing and working on processes and procedures.

CHILDREN FIRST REPORT

Tom Olsen - Discussed a report from Children First. The recommendations of the report are to (1) fully remove barriers to allow full usage of existing tax credits for businesses and families; (2) strengthen the employment related day care (ERDC) program, which is the subsidy program operated by the Department of Human Services under contract with the Employment Department; and (3) implement an education and marketing campaign to encourage private sector contribution, which is where the contribution tax credit comes in. Oregon is somewhat unique in that there has not been an involved policy

conversation at high levels regarding child care policy. Many other states have engaged in the policy discussion about child care being an integral program for workforce issues. Oregon puts very little General Fund into child care. A lot of other states reinvest TANF savings back into child care. Oregon cannot do that because of our waivers under TANF that allow people not to work according to the work standards of TANF so that the individuals can address other issues, such as substance abuse issues, etc. However, the waiver will go away when TANF is re-authorized (maybe sometime in 2004). We will then have more individuals in work activities so that translates into more child care needs. There is a significant affordability problem for child care in Oregon, and there may be a direct connection with child care affordability and the amount of hunger in Oregon because people can't afford child care so they don't work. The Oregon Child Care Contribution tax credit is seriously under utilized. We are engaged in an education campaign to businesses using Wagner-Peyser funds.

Pat Maberry – Asked that if we send out another notice to employers regarding their UI tax rates if we could include something about the Child Care Contribution Tax Credit.

Tom Olsen - We will be working with the Association of Public Broadcasters to make announcements about the tax credit. We have more leverage with respect to how DHS spends child care money and how they plan to budget for it. DHS has to check in with the Employment Department as they contract with us. Currently DHS pays informal care givers (Grandmothers, Aunts Etc.) the same rate paid to child care providers. We want to do a control study with new people coming into the system that if they choose to have “informal care” that care will be reimbursed at a much lower rate and then take the money we save and increase the amount of voucher the individual could have for quality child care and then provide them with child care resource & referral counseling to if they make the choice for quality child care. We are working also with OSU and the City Club to study the economic impact of child care on the economy to try to begin the policy discussion that child care is a fundamental social need. Tom will update the Council on that study.

ADVISORY COUNCIL 2-YEAR STRATEGIC PLAN

Pat Maberry - Goals for Council. Need to be prepared to testify at Legislature and write letters. Assist Governor's office on policy issues.

Tim Nesbitt – Need to recognize and give credit to government when and where it does things well. Encourages the ED to have the communications people put out a year-end wrap up story from the Advisory Council that provides success stories of the ED. A PR piece – how we dealt with our mission at a very difficult time, etc.

Pat Maberry – As a body the Council needs to have some objectives and goals as we go forward. Important to the ED that employees know that the Advisory Council is mindful of the ED Strategic Plan and how it works. They want to be kept abreast of developments at each meeting, so that should appear in each agenda. Advisory Council should help the ED in developing its relationship with partners. Gwyn mentioned that the

Oregon Workforce Board is also working on this issue. At next meeting Pat would like to know where our business service centers will be located in addition to the UI centers.

Greg Hickman – Recommended that the Advisory Council could put together a statement to be put into a Monday Message so if they could get something to him he'd get it into the Monday Message.

Gwyn Harvey – Would like to better understand from the ED where we see ourselves with respect to the one-stop system and where we will utilize one-stops.

Tamara Brickman – mentioned that today is the last day for Sandra Morgan as a council member and Carla Corbin as staff. Carla has accepted a job at the Secretary of State's office.

The meeting adjourned at 12:15 PM.