



Legislative Policy Brief

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NOTE: The author is a wholly independent analyst not affiliated with the State of Oregon, the Oregon Legislative Assembly or any policy advocacy organization.

SB 461, 462, and 463:

Modernizing Unemployment Insurance To Help Struggling Oregonians

Unemployment insurance (UI) was invented in 1935, when the U.S. labor force included far fewer female, part-time, and intermittent workers. Outdated and overly restrictive state eligibility requirements—crafted decades ago to address the needs of “male as sole breadwinner” families—have served to exclude growing numbers of potential UI claimants in today’s rapidly changing workforce, particularly women, part-time workers and the long-term unemployed. With the economy in a recession and unemployment rates rising, federal and state lawmakers have taken up the challenge to modernize UI and shrink persistent gaps in coverage.

The Federal Response

On February 17, 2009, the federal American Recovery and Reinvestment Act (ARRA) became law. Division B, Title II of ARRA sets forth a program of unemployment compensation modernization incentives payable to qualifying states in fiscal 2009, 2010, and 2011.¹ Funding for this program comes not from new taxes, but from a five-year, \$7-billion extension of Federal Unemployment Tax Act (FUTA) surcharges, which have been in effect since 1977.

A state qualifies for one-third of this federal funding when its laws provide for an eligibility base period that includes the most recently completed calendar quarter (a requirement known as the “alternative base year,” or ABY).² This ABY provision serves to enable more low-wage workers to qualify for UI compensation.

A state qualifies for the remaining two-thirds of the incentive payments when its laws reflect at least two of the following four UI modernization reforms:³

1) Claimants who have been working primarily part-time are not denied benefits solely for seeking a part-time position to replace the job they lost.

2) Claimants are not denied benefits when they have to leave their jobs for a “compelling family reason,” which is defined as:

- a) domestic violence that threatens the safety of the claimant and/or immediate family members;⁴
- b) the illness or disability of an immediate family member; and
- c) leaving the area to accompany a spouse whose job has been relocated (a provision included specifically for the benefit of military families).

3) Claimants who have exhausted their regular UI benefits remain eligible for UI compensation, provided they are enrolled in state-approved programs that train workers for high-demand occupations.

4) Claimants who have dependents are eligible to receive additional dependents’ allowances of no less than \$15 per dependent per week.

Oregon’s Legislative Effort

Oregon stands to gain \$85 million in UI modernization incentive payments if the legislature modifies existing UI provisions in the Oregon Revised Statutes (ORS) to comply with the funding requirements mandated by ARRA. Taking the lead in the Oregon State Senate, the Committee on Commerce and Workforce Development has sponsored and introduced three UI modernization measures in the 2009 regular session—SB 461, SB 462, and SB 463.

SB 461. Under current Oregon law, a worker is not eligible for UI benefits if the worker is enrolled in a training program and refuses a job offer, or if the worker leaves a job to enroll in a training program.⁵ Proponents of this measure contend that such provisions discourage workers—and low-wage workers in particular—from participation in

training. As introduced, SB 461 provides that eligible low-wage workers may not be denied UI benefits for leaving a job to attend training or for refusing to accept work.⁶

SB 462. The base year, the period on which benefits are based, is currently defined in ORS as the first four of the last five completed calendar quarters.⁷ Proponents of this measure contend that by permitting inclusion of the most current completed calendar quarter, thousands of claimants, mostly low-wage workers, will be able to receive much-needed benefit payments. As introduced, SB 462 contains alternative base year (ABY) provisions that redefine the base year as the last four completed calendar quarters preceding the benefit year.⁸

SB 463. Oregon's current UI policy requires claimants to seek both full-time and part-time work. The only exception is made for part-time workers with a permanent, long-term disability that prevents them from working full-time.⁹ Employers pay into the UI system to cover part-time workers, but those workers are prevented from collecting on amounts already paid. Proponents of this measure contend that the exclusion of part-time workers causes undue burden on persons, especially women, who can only work part-time because of caretaking responsibilities. As

introduced, SB 463 protects workers whose claims are based on part-time employment from disqualification solely because they are seeking part-time work.¹⁰

Effects of Passage

Passage and enactment of these three Senate bills will not only enable Oregon to qualify for up to \$85 million in federal ARRA UI modernization incentives, but also correct the current statutory bias against part-time, intermittent and low-wage workers in ORS. The Legislative Fiscal Office has determined that none of the three Senate bills has any revenue impact.¹¹

According to the Oregon Employment Department, the Senate bills are expected to add the following numbers of eligible claimants to the UI system rolls:

- SB 461, approximately 4,000 new claimants¹²
- SB 462, approximately 5,700 new claimants¹³
- SB 463, approximately 7,000 new claimants¹⁴

ARRA provides that Oregon will receive \$6 million in federal funds for UI administration, which will be applied to—and is expected to cover—the significant increases in OED's administrative costs resulting from the addition of the 16,700 new claimants enumerated above.

Endnotes

¹ The American Recovery and Reinvestment Act of 2009, P.L. 111-5, § 2003, 123 Stat. 115 (2009).

² *Ibid.*

³ *Ibid.*

⁴ ORS already contains some UI benefit protections for victims of domestic violence, stalking and sexual assault; see ORS 657.176 (12).

⁵ ORS 657.155.

⁶ § 3, SB 461, as introduced on February 9, 2009, available online at <http://www.leg.state.or.us/09reg/measpdf/sb0400.dir/sb0461.intro.pdf>.

⁷ ORS 657.010 (1).

⁸ § 2, SB 462, as introduced on February 9, 2009, available online at <http://www.leg.state.or.us/09reg/measpdf/sb0400.dir/sb0462.intro.pdf>.

⁹ Oregon Employment Department, "Unemployment Insurance (UI) Modernization, Proposed Legislation: Job Training," January 8, 2009.

¹⁰ § 2, SB 463, as introduced on February 9, 2009, available online at <http://www.leg.state.or.us/09reg/measpdf/sb0400.dir/sb0463.intro.pdf>.

¹¹ Oregon Legislative Fiscal Office, Revenue Impact Statements [for SB 461-INTRO, SB 462-INTRO, SB 463-INTRO], February 9, 2009.

¹² Oregon Employment Department, "Unemployment Insurance (UI) Modernization, Proposed Legislation: Job Training," January 8, 2009.

¹³ Oregon Employment Department, "Unemployment Insurance (UI) Modernization, Proposed Legislation: Alternative Base Year (ABY)," January 8, 2009.

¹⁴ Oregon Employment Department, "Unemployment Insurance (UI) Modernization, Proposed Legislation: Part-Time Workers," January 8, 2009.