



Oregon

Theodore R. Kulongoski, Governor

Department of Consumer and Business Services
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Feb. 6, 2009

To: Insurers, self-insured employers, third-party administrators, employers, and attorneys

Subject: Economy affects Workers' Compensation Division revenue

Industry notice

Like most businesses and organizations across the state, the Department of Consumer and Business Services (DCBS) is being impacted by the economic recession. Because DCBS programs are funded by fees and assessments paid by the industries we regulate, Oregon's declining employment and payroll are affecting the revenue we collect.

The two funds that support the workers' compensation system are directly related to Oregon's employment base - the premium assessment (paid based on payroll) and the Workers' Benefit Fund assessment (paid based on cents per hour worked). Due to the current economic conditions, the projected revenue decline through 2011 is more than \$20 million in the Premium Assessment Operating Account alone.

The department has taken responsible steps to manage the projected revenue shortfall, including using funds from our reserves, increasing collections revenue, withdrawing budget proposals, not filling vacant positions, and cutting spending.

Unfortunately, these steps will not be enough to meet the revenue shortfall. In recent weeks, we have notified 27 department employees that they will be laid off over the next few months. Of these, 14 are in the Workers' Compensation Division.

The positions selected for layoff were based on a number of criteria, including areas where revenue sources are affected more than others, areas where workload has declined, areas where programs have been reduced in scope and no longer need the current staffing level, or areas where functions can be consolidated.

Economic conditions have been worsening more quickly than expected, and, as a result, the depth and length of the recession is very difficult to forecast. Managing through this period will be challenging. We believe the steps taken to address the projected revenue shortfall will not harm our ability to achieve our core regulatory mission and that customer service will not be impacted.

We are also developing projections about the potential revenue impact on the Workers' Benefit Fund. We will keep you updated as we continue to monitor the effects of the recession on our programs.

John L. Shilts, Administrator
Workers' Compensation Division