



# MEMORANDUM

September 5, 2023

To: Andrew Stolfi, Director, DCBS  
Sean O’Day, Deputy Director, DCBS  
Sally Coen, Administrator, Workers’ Compensation Division, DCBS

From: Kelli Borushko, Senior Economist, DCBS  
Zoe Alley, Senior Forecasting Analyst, DCBS

Subject: Workers' Benefit Fund Assessment Recommendation for CY 2024

## Purpose

In accordance with the requirements of ORS 656.506, the director must establish the Workers’ Benefit Fund (WBF) assessment rate effective for calendar year 2024 for employers and workers.

## WBF Assessment CY 2024 Rate Recommendation

We recommend that the WBF assessment rate be lowered to 2.0 cents per hour for calendar year 2024.

## Multiple-Year Rate Schedule for Planning Purposes

DCBS models rates for future years to estimate the future adequacy of the fund. This forecast models the continuation of the 2.0 cents-per-hour rate through the forecast period. Under this rate schedule, the fund balance is projected to decrease from \$137.6 million at the end of FY 2023 to \$112.4 million at the end of FY 2029.

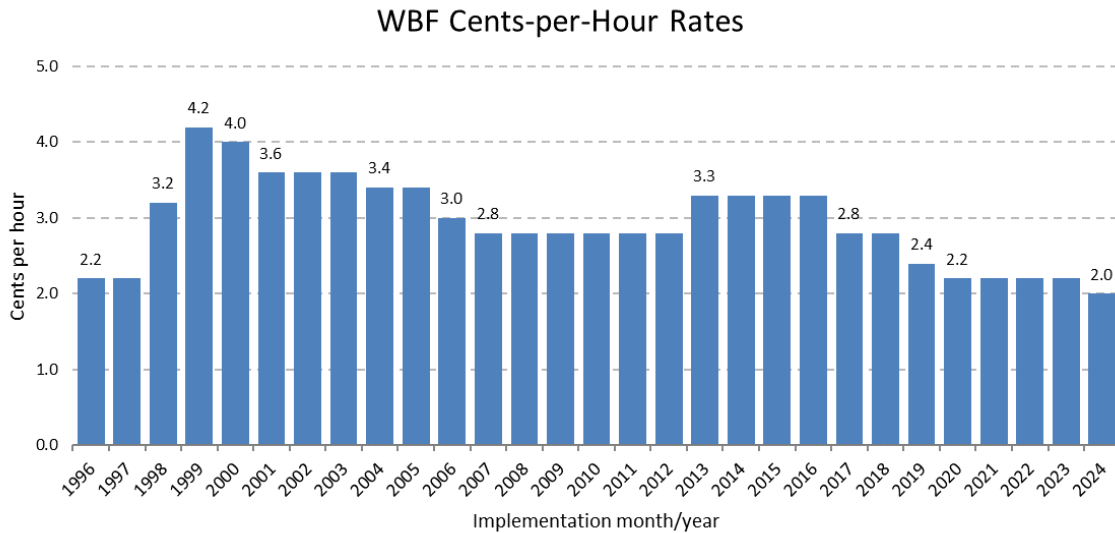
The following table displays the forecast outcomes of lowering the assessment rate to 2.0 cents per hour through FY 2029. Note that values in grey are actuals and the remainder are forecasts.

	2019-2021 biennium		2021-2023 biennium		2023-2025 biennium		2025-2027 biennium		2027-2029 biennium	
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Ending Fund Balance	\$161,751,233	\$149,617,796	\$147,573,554	\$137,562,344	\$135,944,470	\$129,535,165	\$124,087,275	\$119,468,600	\$115,642,630	\$112,405,303
Coverage Ratio	10.59	7.40	7.70	7.22	7.34	6.99	6.79	6.53	6.39	6.21

## WBF Assessment Summary

After the Great Recession, SB 1558 (2014) required the Management-Labor Advisory Committee (MLAC) study the proper WBF minimum fund balance<sup>1</sup>. HB 2788 (2019) was the result of this study and states that the WBF should have a minimum fund balance of 12 months of projected expenditures. In FY 2024, this is anticipated to be about \$74 million. Because the current fund balance is \$137.6 million, a slow decline in the ending balance is acceptable.

The following table shows the history of the WBF assessment rate since 1996 and with the recommended 2024 amount.



### Forecast assumptions

The primary revenue, expenditure, and transfer assumptions used in this analysis are described below.

#### Revenue assumptions include:

1. Actual revenue data from the quarterly financial statements through June 2023.
2. Employment forecasts from the May 2023 OEA economic forecast.
3. An updated estimate of the average annual number of hours worked.
4. Updated estimates of the recoveries for the Non-Complying Employer Program.
5. Estimates of investment income based on the latest information from the State Treasurer's Office.
6. Fines and penalties and other miscellaneous revenue based on recent activity.

#### Expenditure and transfer assumptions include:

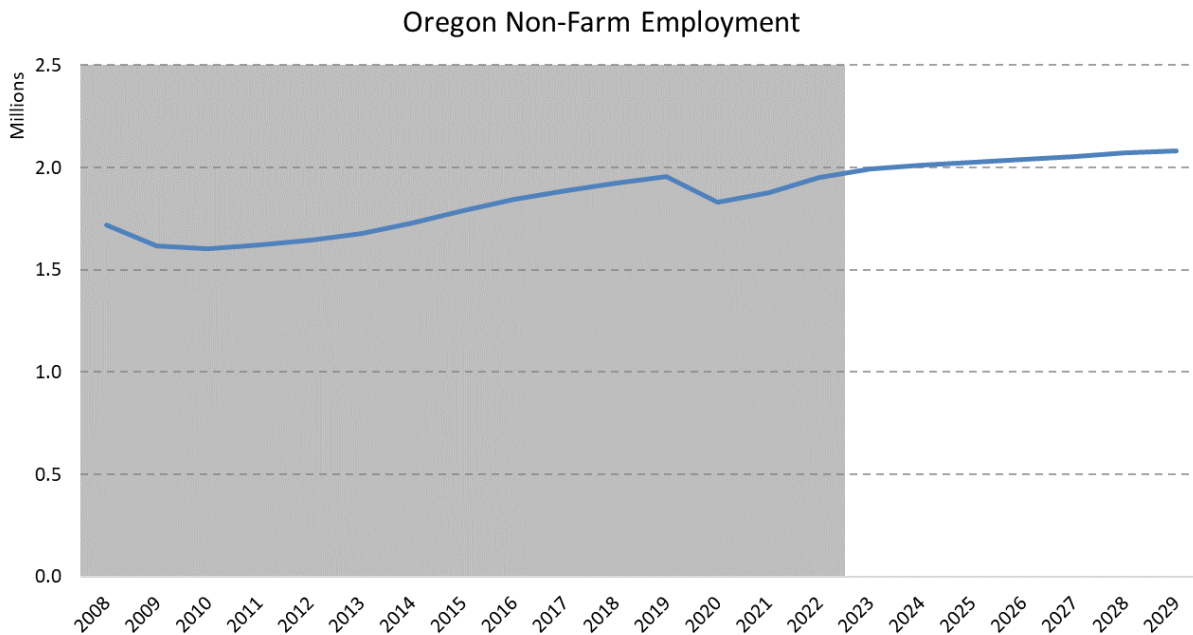
1. Actual expenditure and transfer data from the quarterly financial statements through June 2023.

<sup>1</sup> The report can be accessed at <https://www.oregon.gov/dcbs/mlac/Documents/wbf-study-bal-rpt-121418.pdf>. The 2019 legislation can be accessed at <https://olis.leg.state.or.us/liz/2019R1/Measures/Overview/HB2788>.

2. Updated forecasts of all WBF program expenditures.
3. Cost-of-living-adjustment estimates of 6.5 percent in December 2023 and of 6.55 percent in January 2025 and \$1,500 one-time payments in September 2023 for WCD and OOW staff administering WBF programs.
4. Costs that WCD and OOW incur administering WBF programs are inflated 3 percent per year after January 2025.
5. Projected payments to the Oregon Institute of Occupational Health Sciences of \$2.0 million in FY 2024.
6. Payments to the Bureau of Labor and Industries (BOLI) of about \$221,000 in FY 2024 for enforcement of anti-discrimination laws.
7. Updated estimates of the transfers to and from the Premium Assessment Operating Account for the Non-Complying Employer Program expenditures.
8. Estimates of the payments from the WBF for claims costs of the three self-insurer groups that have dissolved under the provisions of SB 1558, passed during the 2014 legislative session<sup>2</sup>.

### WBF revenue forecast

The graph shows the OEA May 2023 total non-farm employment forecast. This forecast is used to produce the financial outcomes discussed in this recommendation. Note that the values in grey are actuals and the remainder are forecast.



We used the average number of hours worked from an estimate from the Occupational Injury and Illness survey that Research Unit staff conduct for the Bureau of Labor Statistics and an

<sup>2</sup> Special Districts Association of Oregon has disbanded its workers' compensation operations as of July 1, 2023.

estimate from the Oregon Employment Department. The average of these two estimates is 1,679 hours worked each year for the typical Oregonian.

This totaled \$394,000 in FY 2023. We expect investment income to be \$2.8 million in FY 2029.

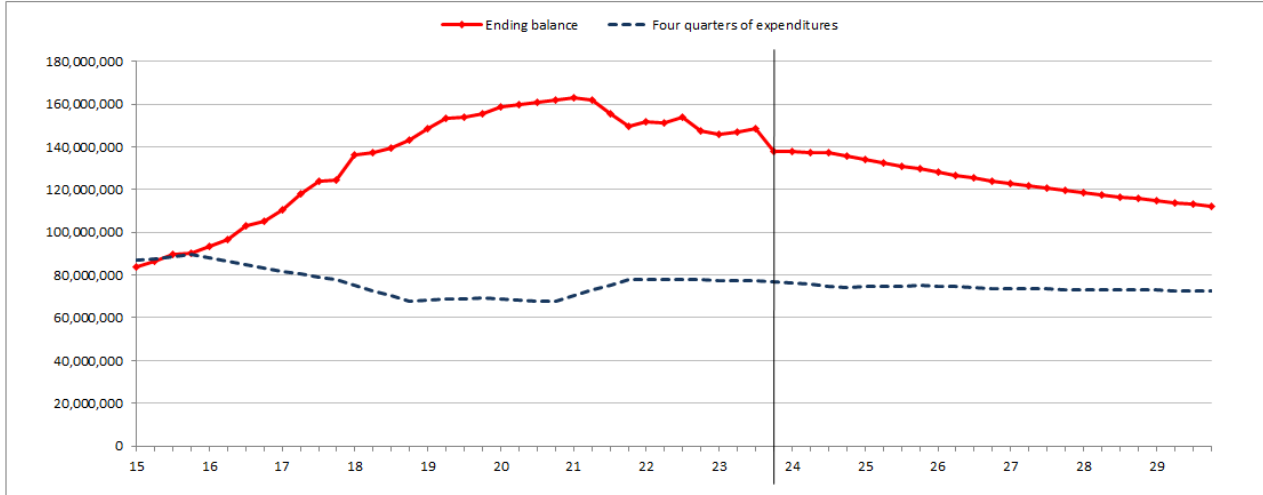
### **WBF program expenditures forecast**

Expenditures from the Retroactive Program, the costliest WBF program, have increased the last three fiscal years. These costs had been declining for a number of years before that. The majority of claims are now more than 30 years old, and the number of beneficiaries is declining each year. However, rapid increases in the average weekly wage, on which Retroactive Program expenditures are partially based, have more than offset the reduction in the number of claims in recent years. We project these costs to decrease through the forecast period as wages increase less quickly and older claims continue to drop out of the program.

### **WBF forecast outcomes**

In this analysis, the assessment rate needed for revenue to equal expenditures is defined as the equilibrium rate. With our current expenditure forecast and the baseline employment forecast, the equilibrium rate is between 2.0 and 2.2 cents per hour over the next six years. Therefore, if the assessment rate is lowered to 2.0 cents per hour effective January 2024, we would expect the fund balance to decline slowly. (See Appendix 1 for more details of the financial outcomes.)

**Appendix 1**  
**WORKERS' BENEFIT FUND**  
**REVENUES, EXPENSES, AND FUND BALANCES**  
**FISCAL YEARS 2015-2029; ACTUAL DATA THROUGH 6/30/2023**  
**REFLECTS 2.0 CENTS-PER-HOUR EFFECTIVE 1/1/2024**



Period	Assessment revenue	Other revenue	Investment income	Total revenue	Total expenses	Expenses	Chargeback	Excess (deficit)	Transfers / adjustments	Ending fund balance	Coverage ratio
FY 2015	\$90,498,133	\$4,347,518	\$1,980,827	\$101,931,605	\$92,956,565	\$91,666,797	\$1,289,768	\$8,975,040	(\$1,286,680)	\$89,998,419	3.83
FY 2016	\$94,692,136	\$510,536	\$1,686,236	\$102,089,450	\$87,149,528	\$84,993,026	\$2,156,502	\$14,939,922	(\$569,862)	\$104,938,341	4.54
FY 2017	\$94,230,176	\$853,898	\$2,258,539	\$101,910,010	\$82,157,085	\$79,954,007	\$2,203,078	\$19,752,925	(\$136,270)	\$124,691,266	5.98
FY 2018	\$84,880,070	\$419,016	\$3,313,829	\$91,864,715	\$73,313,037	\$72,160,919	\$1,152,118	\$18,551,678	\$1,031,801	\$143,242,944	8.03
FY 2019	\$82,646,560	\$270,039	\$4,177,280	\$89,741,382	\$77,723,794	\$76,746,943	\$976,851	\$12,017,588	\$2,499,122	\$155,260,532	9.31
FY 2020	\$74,267,480	\$260,005	\$4,152,752	\$82,491,927	\$76,001,227	\$74,546,308	\$1,454,919	\$6,490,701	\$2,146,062	\$161,751,233	10.59
FY 2021	\$64,378,131	\$171,093	\$2,464,302	\$72,049,254	\$84,182,691	\$82,509,609	\$1,673,082	(\$12,133,437)	\$14,536	\$149,617,796	7.40
09/30/21	17,171,310	129,616	635,128	20,078,488	18,115,807	17,575,907	539,900	1,962,681	(410,949)	151,580,477	7.90
12/31/21	17,002,686	141,882	51,101	18,596,104	19,215,691	18,733,697	481,994	(619,587)	(1,027,887)	150,960,890	7.88
03/31/22	17,799,252	202,918	3,084,568	22,384,528	19,248,728	19,248,728	0	3,135,797	(120,734)	154,096,687	8.03
06/30/22	16,679,782	305,959	78,694	18,895,448	25,418,581	24,087,690	1,330,891	(6,523,133)	(1,043,627)	147,573,554	7.70
FY 2022	\$68,653,030	\$780,375	\$3,849,491	\$79,954,565	\$81,998,807	\$79,646,022	\$2,352,785	(\$2,044,242)	(\$2,603,197)	147,573,554	7.70
09/30/22	17,650,795	16,987	143,583	19,440,082	21,269,116	21,269,116	0	(1,829,034)	(456,064)	145,744,520	7.63
12/31/22	20,123,448	243,888	295,050	21,774,017	20,463,512	18,963,894	1,499,618	1,310,505	(151,393)	147,055,025	7.72
03/31/23	15,543,738	192,639	(493,061)	15,971,074	14,619,483	14,619,483	0	1,351,591	577,142	148,406,616	7.82
06/30/23	17,194,585	(570,942)	448,215	19,442,889	30,287,161	29,945,234	341,927	(10,844,272)	1,006,204	137,562,344	7.22
FY 2023	\$70,512,566	(\$117,428)	\$393,787	\$76,628,062	\$86,639,272	\$84,797,727	\$1,841,545	(\$10,011,210)	\$975,889	137,562,344	7.22
09/30/23	17,611,803	95,026	965,473	20,162,984	19,947,998	19,680,377	267,621	214,986	623,145	137,777,330	7.44
12/31/23	17,656,097	95,026	1,063,881	20,305,685	20,615,421	20,346,168	269,253	(309,736)	(168,796)	137,467,594	7.42
03/31/24	17,716,740	95,026	1,140,672	20,443,120	20,385,502	20,105,790	279,712	57,618	(167,361)	137,525,212	7.43
06/30/24	16,079,933	95,026	1,149,993	18,815,634	20,396,377	20,119,756	276,621	(1,580,743)	(167,361)	135,944,470	7.34
FY 2024	\$69,064,574	\$380,106	\$4,320,019	\$79,727,424	\$81,345,298	\$80,252,091	\$1,093,207	(\$1,617,874)	\$119,626	135,944,470	7.34
09/30/24	16,117,448	95,026	1,092,760	18,795,915	20,553,572	20,255,065	298,507	(1,757,657)	(164,490)	134,186,813	7.24
12/31/24	16,141,367	95,026	1,019,092	18,746,166	20,403,407	20,116,178	287,229	(1,657,241)	(167,361)	132,529,572	7.15
03/31/25	16,167,232	95,026	965,542	18,718,482	20,194,661	19,907,748	286,913	(1,476,179)	(165,925)	131,053,393	7.07
06/30/25	16,196,245	95,026	915,456	18,697,409	20,215,637	19,919,928	295,709	(1,518,229)	(165,925)	129,535,164	6.99
FY 2025	\$64,622,292	\$380,106	\$3,992,850	\$74,957,972	\$81,367,278	\$80,198,920	\$1,168,358	(\$6,409,305)	(\$663,700)	129,535,164	6.99
09/30/25	16,229,823	95,026	870,517	18,686,048	20,125,793	19,824,941	300,852	(1,439,745)	(163,050)	128,095,419	7.01
12/31/25	16,263,528	95,026	830,512	18,679,747	20,125,757	19,824,905	300,852	(1,446,010)	(165,925)	126,649,409	6.93
03/31/26	16,285,793	95,026	805,963	18,677,464	19,963,857	19,663,005	300,852	(1,286,393)	(164,486)	125,363,016	6.86
06/30/26	16,321,268	95,026	785,690	18,692,665	19,968,406	19,667,554	300,852	(1,275,741)	(164,486)	124,087,275	6.79
FY 2026	\$65,100,413	\$380,106	\$3,292,681	\$74,735,925	\$80,183,814	\$78,980,405	\$1,203,409	(\$5,447,889)	(\$657,947)	124,087,275	6.79
09/30/26	16,354,830	95,026	768,969	18,709,507	20,000,339	19,690,461	309,878	(1,290,832)	(161,608)	122,796,443	6.72
12/31/26	16,391,077	95,026	755,570	18,732,354	20,000,698	19,690,821	309,878	(1,268,344)	(164,486)	121,528,099	6.65
03/31/27	16,414,878	95,026	744,702	18,745,288	19,783,746	19,473,868	309,878	(1,038,458)	(163,046)	120,489,641	6.59
06/30/27	16,443,975	95,026	736,909	18,766,591	19,787,632	19,477,754	309,878	(1,021,041)	(163,046)	119,468,600	6.53
FY 2027	\$65,604,760	\$380,106	\$3,006,150	\$74,953,740	\$79,572,415	\$78,332,904	\$1,239,511	(\$4,618,675)	(\$652,187)	119,468,600	6.53
09/30/27	16,479,752	95,026	730,954	18,796,414	19,821,658	19,502,484	319,174	(1,025,244)	(160,164)	118,443,356	6.55
12/31/27	16,517,686	95,026	726,711	18,830,105	19,822,390	19,503,216	319,174	(992,286)	(163,046)	117,451,070	6.49
03/31/28	16,552,952	95,026	722,526	18,861,185	19,778,070	19,458,896	319,174	(916,885)	(161,604)	116,534,186	6.44
06/30/28	16,585,028	95,026	719,033	18,889,768	19,781,324	19,462,150	319,174	(891,566)	(161,604)	115,642,629	6.39
FY 2028	\$66,135,418	\$380,106	\$2,899,223	\$75,377,472	\$79,203,442	\$77,926,746	\$1,276,696	(\$3,825,971)	(\$646,420)	115,642,629	6.39
09/30/28	16,613,948	95,026	715,634	18,915,290	19,817,435	19,488,686	328,749	(902,146)	(158,719)	114,740,484	6.34
12/31/28	16,643,549	95,026	712,227	18,941,483	19,818,522	19,489,773	328,749	(877,039)	(161,604)	113,863,445	6.29
03/31/29	16,669,742	95,026	708,998	18,964,447	19,705,400	19,376,651	328,749	(740,953)	(160,161)	113,122,492	6.25
06/30/29	16,698,578	95,026	706,579	18,990,864	19,708,053	19,379,304	328,749	(717,189)	(160,161)	112,405,303	6.21
FY 2029	\$66,625,817	\$380,106	\$2,843,437	\$75,812,084	\$79,049,411	\$77,734,414	\$1,314,997	(\$3,237,327)	(\$640,646)	112,405,303	6.21

**Appendix 2**  
**WBF revenue, expenditures and transfers**  
**FY 2022 - 2029; actual data through 06/30/2023**  
**2.0 cents-per-hour rate effective 1/1/2024**

Biennium FY	2021-2023		2023-2025		2025-2027		2027-2029	
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Revenue:</b>								
Assessments	68,653,030	70,512,566	69,064,574	64,622,292	65,100,413	65,604,760	66,135,418	66,625,817
Investment Income	3,849,491	393,787	4,320,019	3,992,850	3,292,681	3,006,150	2,899,223	2,843,437
Fines and Penalties	62,335	1,246,220	663,133	663,133	663,133	663,133	663,133	663,133
Other Income	780,375	(117,428)	380,106	380,106	380,106	380,106	380,106	380,106
Non-Complying Employer Program	6,609,334	4,592,917	5,299,592	5,299,592	5,299,592	5,299,592	5,299,592	5,299,592
<b>Total</b>	<b>\$79,954,565</b>	<b>\$76,628,062</b>	<b>\$79,727,424</b>	<b>\$74,957,972</b>	<b>\$74,735,925</b>	<b>\$74,953,740</b>	<b>\$75,377,472</b>	<b>\$75,812,084</b>
<b>Expenditures:</b>								
Workers with Disability Program	152,866	155,516	165,083	145,339	126,647	108,926	92,101	76,107
Non-Complying Employer Program	3,807,151	6,746,577	4,848,277	4,854,020	4,859,770	4,865,527	4,871,290	4,877,061
Reemployment Assistance Program	25,678,075	31,028,434	28,419,938	28,986,707	29,541,664	30,108,845	30,693,788	31,291,147
Reopened Claims Program	3,329,010	3,549,888	3,825,873	3,876,669	4,007,908	4,087,427	4,270,847	4,556,229
Retroactive Program	39,026,762	39,746,617	37,519,071	35,790,427	34,245,501	32,842,779	31,554,893	30,361,588
SB 485 Multiple Wage Jobs	1,271,116	1,133,773	1,300,867	1,300,867	1,300,867	1,300,867	1,300,867	1,300,867
SB 1558 Claim Payments	18,177	8,747	9,190	8,070	7,157	6,413	5,807	5,314
Shared Services Chargeback	2,352,785	1,841,545	1,093,207	1,168,358	1,203,409	1,239,511	1,276,696	1,314,997
WCD-WBF Administrative Cost	3,393,967	3,641,220	4,210,587	4,494,277	4,152,606	4,277,185	4,405,500	4,537,665
IWO-WBF Administrative Cost	65,492	63,054	72,831	78,843	80,339	82,749	85,232	87,789
WCB-WBF Administrative Cost	300,210	(300,210)	0	0	0	0	0	0
<b>Total</b>	<b>\$79,395,610</b>	<b>\$87,615,161</b>	<b>\$81,464,924</b>	<b>\$80,703,578</b>	<b>\$79,525,867</b>	<b>\$78,920,229</b>	<b>\$78,557,023</b>	<b>\$78,408,765</b>
<b>Transfers:</b>								
NCE/PAOA Transfer	(2,064,999)	1,122,613	340,626	(442,700)	(436,947)	(431,187)	(425,420)	(419,646)
Bureau of Labor and Industries	(474,000)	(88,000)	(221,000)	(221,000)	(221,000)	(221,000)	(221,000)	(221,000)
<b>Total</b>	<b>(\$2,603,197)</b>	<b>\$975,889</b>	<b>\$119,626</b>	<b>(\$663,700)</b>	<b>(\$657,947)</b>	<b>(\$652,187)</b>	<b>(\$646,420)</b>	<b>(\$640,646)</b>
<b>Net Cash Flow</b>	<b>(2,044,242)</b>	<b>(10,011,210)</b>	<b>(1,617,874)</b>	<b>(6,409,305)</b>	<b>(5,447,889)</b>	<b>(4,618,675)</b>	<b>(3,825,971)</b>	<b>(3,237,327)</b>
Ending Fund Balance	147,573,554	137,562,344	135,944,470	129,535,165	124,087,275	119,468,600	115,642,630	112,405,303
Balance Coverage Ratio	7.70	7.22	7.34	6.99	6.79	6.53	6.39	6.21

Note that the grey column contains actuals and that the remainder of the columns are forecasts.