



MEMORANDUM

September 13, 2024

To: Andrew Stolfi, Director, DCBS
 Sean O’Day, Deputy Director, DCBS
 Matt West, Interim Administrator, Workers’ Compensation Division, DCBS
 Lane Foulger, Chief Financial Officer, Central Services Division, DCBS

From: Kelli Borushko, Senior Economist, Central Services Division, DCBS

Subject: Workers' Benefit Fund Assessment Recommendation for CY 2025

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 (CY) 2025 for employers and workers.

WBF Assessment CY 2025 Rate Recommendation

We recommend that the WBF assessment rate be maintained at 2.0 cents per hour for calendar year 2025.

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 \$136.0 million at the end of FY 2024 to \$90.4 million at the end of FY 2029.

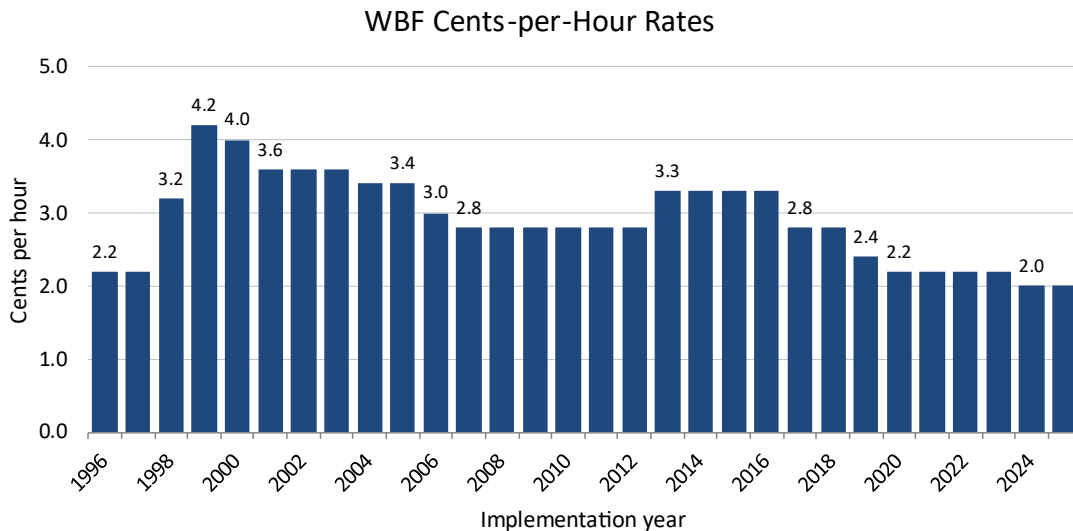
The following table displays the forecast outcomes of maintaining the assessment rate at 2.0 cents per hour through FY 2029. Note that values in grey are actuals and the remainder are forecasts.

	2021-2023 biennium		2023-2025 biennium		2025-2027 biennium		2027-2029 biennium	
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Ending Fund Balance	\$147,573,554	\$137,562,344	\$136,023,763	\$126,087,967	\$115,942,560	\$106,481,709	\$97,996,395	\$90,370,323
Coverage Ratio	7.70	7.22	7.51	6.88	6.20	5.67	5.39	4.95

WBF Assessment Summary

After the Great Recession, SB 1558 (2014) required the Management-Labor Advisory Committee (MLAC) study the proper WBF minimum fund balance¹. 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 2025, this is anticipated to be about \$75.3 million. Because the current fund balance is \$136.0 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 2025 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 30, 2024.
2. The employment forecasts from the preliminary September 2024 OEA economic forecast.
3. An estimate of the average annual number of hours worked.
4. Updated estimates of the recoveries for the Non-Complying Employer (NCE) 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:

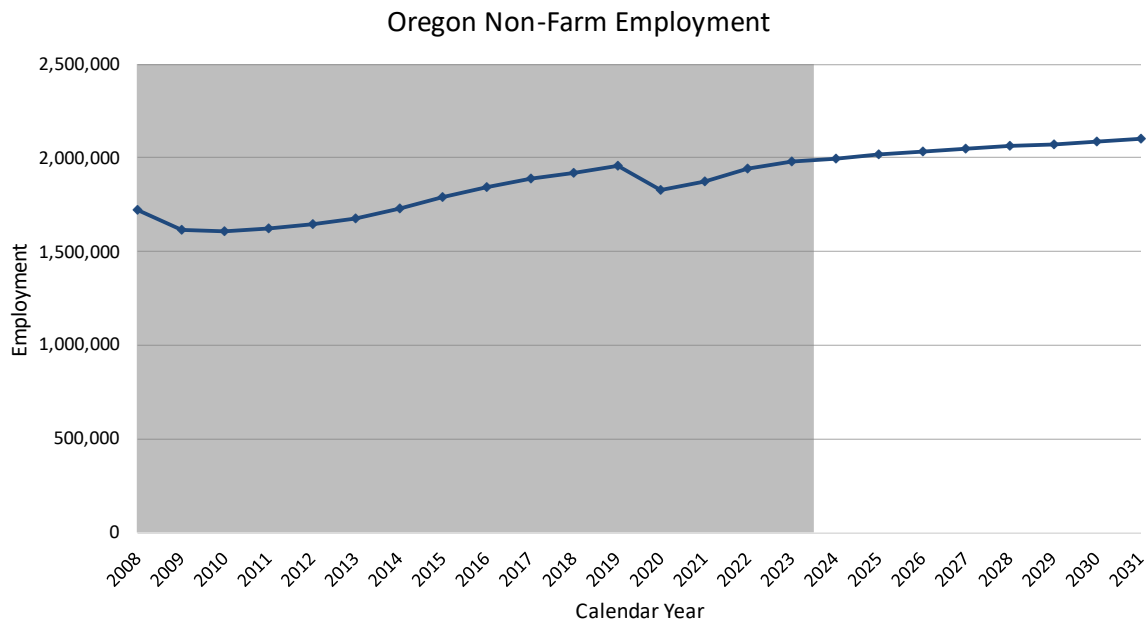
1. Actual expenditure and transfer data from the quarterly financial statements through June 30, 2024.
2. Updated forecasts of all WBF program expenditures.

¹ The report can be accessed at <https://www.oregon.gov/dcbs/mlac/Documents/wbf-study-bal-rpt-121418.pdf>.

3. Cost-of-living-adjustment estimates of 6.55 percent in January 2025 for WCD and OOW staff administering WBF programs.
4. Costs that WCD and OOW incur administering WBF programs are inflated 3 percent per year beginning July 2025.
5. Projected payments to the Oregon Institute of Occupational Health Sciences (OIOHS) of \$2.0 million in FY 2025.
6. Payments to the Bureau of Labor and Industries (BOLI) of about \$535,000 in FY 2025 for enforcement of anti-discrimination laws.
7. Updated estimates of the transfers from the Premium Assessment Operating Account (PAOA) for the NCE Program expenditures.
8. Estimates of the payments from the WBF for claims costs of the self-insurer groups that have dissolved under the provisions of SB 1558, passed during the 2014 legislative session.

WBF revenue forecast

The graph shows the OEA preliminary September 2024 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 estimate from the Oregon Employment Department. The average of these two estimates is 1,679 hours worked each year for the typical Oregonian.

The WBF also receives investment income. This totaled \$1.6 million in FY 2024. We expect investment income to be \$2.0 million in FY 2029.

The WBF also receives funds from fines and penalties. In FY 2024, fines totaled about \$940,000. We forecast about \$690,000 for each future year.

WBF program expenditures forecast

Expenditures from the Retroactive Program, the costliest WBF program, increased between FY 2021 and FY 2023, and decreased slightly in FY 2024. 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.

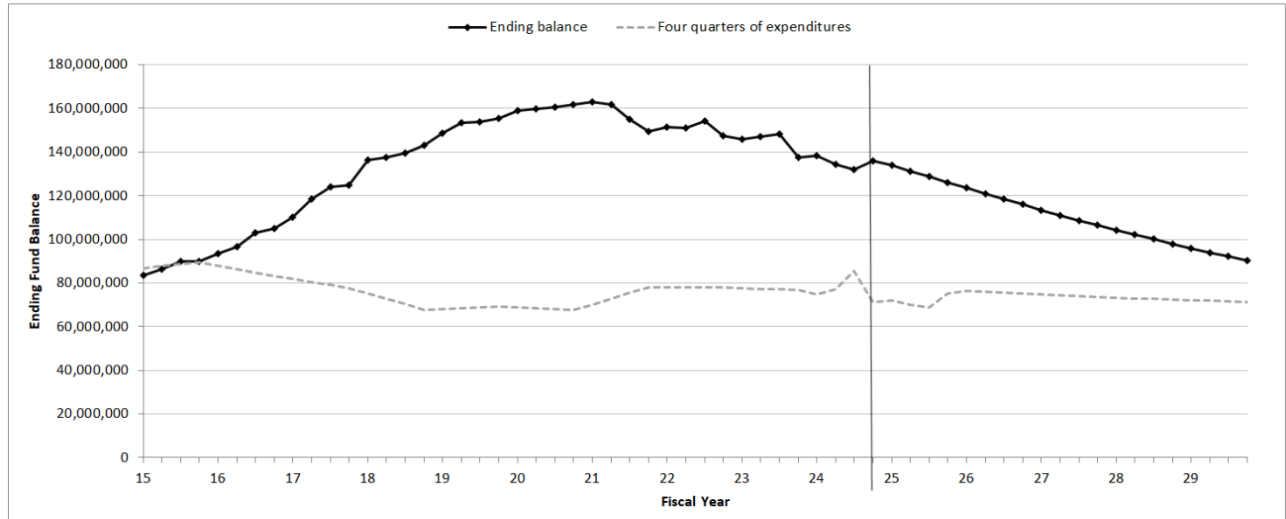
Expenditures from the Reemployment Assistance Program (primarily the Employer-at-Injury Program and the Preferred Worker Program) decreased in FY 2024. We forecast expenditures to increase by about 8 percent and then gradually increase through the forecast period.

WBF forecast outcomes

Under the baseline OEA forecast and the current assessment rate of 2.0 cents per hour, total revenue is forecast to average \$75.0 million a year over the next five years. The fund balance is forecast to decrease each year through FY 2029. In FY 2029, with these assumptions, we expect an ending fund balance of about \$90.4 million and a coverage ratio of 4.95.

Appendix 1 – WBFF Financial Outcomes

WORKERS' BENEFIT FUND REVENUES, EXPENSES, AND FUND BALANCES FISCAL YEARS 2015-2029; ACTUAL DATA THROUGH 06/30/2024



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	
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	
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	
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	
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	
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	
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	
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	8.83
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	8.46
03/31/22	17,799,252	202,918	3,084,568	22,384,525	19,248,728	19,248,728	0	3,135,797	(120,734)	154,096,687	8.50
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	6.23
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	
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	\$78,628,062	\$86,639,272	\$84,797,727	\$1,841,545	(\$10,011,210)	\$975,889	137,562,344	
09/30/23	17,693,073	48,258	465,988	19,796,053	19,190,002	18,731,402	458,600	606,051	734,054	138,168,395	7.60
12/31/23	17,430,338	24,810	256,155	19,558,939	23,208,073	22,986,666	221,408	(3,649,134)	(716,704)	134,519,260	7.40
03/31/24	17,401,640	375,384	180,432	19,490,776	22,043,681	21,779,852	263,828	(2,552,905)	223,736	131,966,356	7.26
06/30/24	15,336,549	199,931	673,442	18,775,384	14,717,977	14,540,029	177,948	4,057,407	(656,284)	136,023,763	7.49
FY 2024	\$67,861,600	\$648,383	\$1,576,017	\$77,621,152	\$79,159,733	\$78,037,949	\$1,121,784	(\$1,538,581)	(\$415,198)	136,023,763	
09/30/24	15,842,683	92,651	1,381,986	18,972,963	20,947,768	20,668,953	278,816	(1,974,806)	990,657	134,048,957	7.33
12/31/24	15,865,605	92,651	1,345,240	18,959,138	21,782,440	21,514,158	268,282	(2,823,302)	55,249	131,225,656	7.17
03/31/25	15,937,201	92,651	1,264,655	18,950,151	21,525,979	21,257,993	267,987	(2,575,829)	97,766	128,649,827	7.03
06/30/25	15,976,638	92,651	1,184,136	18,909,068	21,470,928	21,194,725	276,203	(2,561,860)	97,766	126,087,967	6.88
FY 2025	\$63,622,128	\$370,606	\$5,176,017	\$75,791,320	\$85,727,116	\$84,635,829	\$1,091,287	(\$9,935,796)	\$1,241,439	126,087,967	
09/30/25	16,017,316	92,651	1,090,293	18,855,903	21,385,691	21,089,593	296,098	(2,529,788)	183,882	123,558,179	6.62
12/31/25	16,050,483	92,651	992,767	18,791,544	21,470,482	21,174,384	296,098	(2,678,938)	97,766	120,879,241	6.47
03/31/26	16,077,406	92,651	894,858	18,720,559	21,159,080	20,862,981	296,098	(2,438,521)	141,365	118,440,720	6.34
06/30/26	16,109,357	92,651	805,142	18,662,792	21,160,953	20,864,854	296,098	(2,498,160)	141,365	115,942,560	6.20
FY 2026	\$64,254,563	\$370,606	\$3,783,060	\$75,030,798	\$85,176,205	\$83,991,812	\$1,184,393	(\$10,145,407)	\$564,378	115,942,560	
09/30/26	16,143,724	92,651	741,704	18,633,722	21,102,421	20,806,323	296,098	(2,468,700)	229,670	113,473,860	6.06
12/31/26	16,183,496	92,651	703,904	18,635,694	21,189,581	20,893,483	296,098	(2,553,887)	141,365	110,919,973	5.92
03/31/27	16,210,377	92,651	667,946	18,626,617	20,844,477	20,548,379	296,098	(2,217,859)	186,072	108,702,114	5.80
06/30/27	16,239,508	92,651	637,872	18,625,674	20,846,079	20,549,981	296,098	(2,220,405)	186,072	106,481,709	5.67
FY 2027	\$64,777,105	\$370,606	\$2,751,427	\$74,521,707	\$83,982,558	\$82,798,166	\$1,184,393	(\$9,460,851)	\$743,178	106,481,709	
09/30/27	16,272,087	92,651	610,208	18,630,589	20,796,014	20,491,033	304,981	(2,165,426)	276,622	104,316,283	5.76
12/31/27	16,306,497	92,651	585,558	18,640,349	20,885,588	20,580,607	304,981	(2,245,239)	186,072	102,071,044	5.63
03/31/28	16,333,084	92,651	562,802	18,644,180	20,685,078	20,380,097	304,981	(2,040,898)	231,915	100,030,146	5.51
06/30/28	16,360,242	92,651	544,135	18,652,671	20,686,422	20,381,441	304,981	(2,033,751)	231,915	97,996,395	5.39
FY 2028	\$65,271,910	\$370,606	\$2,302,703	\$74,567,788	\$83,053,102	\$81,833,178	\$1,219,925	(\$8,485,314)	\$926,525	97,996,395	
09/30/28	16,386,393	92,651	526,790	18,661,477	20,636,142	20,322,011	314,131	(1,974,665)	324,768	96,021,730	5.28
12/31/28	16,411,957	92,651	510,072	18,670,322	20,728,177	20,414,046	314,131	(2,057,854)	231,915	93,963,876	5.16
03/31/29	16,439,258	92,651	492,619	18,680,171	20,482,609	20,168,479	314,131	(1,802,439)	128,925	92,161,437	5.06
06/30/29	16,466,743	92,651	477,556	18,692,593	20,483,707	20,169,576	314,131	(1,791,114)	278,925	90,370,323	4.95
FY 2029	\$65,704,350	\$370,606	\$2,007,037	\$74,704,563	\$82,330,635	\$81,074,112	\$1,256,522	(\$7,626,072)	\$1,114,533	90,370,323	

Appendix 2 – WBF Detailed Financial Outcomes
WBF revenue, expenditures, and transfers
FY 2022 - 2029; actual data through 06/30/2024
2.0 cents-per-hour rate effective 1/1/2025

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
Revenue:								
Assessments	68,653,030	70,512,566	67,861,600	63,622,128	64,254,563	64,777,105	65,271,910	65,704,350
Investment Income	3,849,491	393,787	1,576,017	5,176,017	3,783,060	2,751,427	2,302,703	2,007,037
Fines and Penalties	62,335	1,246,220	939,503	689,937	689,937	689,937	689,937	689,937
Other Income	780,375	(117,428)	648,383	370,606	370,606	370,606	370,606	370,606
Non-Complying Employer Program	6,609,334	4,592,917	6,595,648	5,932,633	5,932,633	5,932,633	5,932,633	5,932,633
Total	\$79,954,565	\$76,628,062	\$77,621,152	\$75,791,320	\$75,030,798	\$74,521,707	\$74,567,788	\$74,704,563
Expenditures:								
Workers with Disability Program	152,866	155,516	169,067	145,882	127,192	109,473	92,650	76,657
Non-Complying Employer Program	3,807,151	6,746,577	5,857,430	6,773,664	6,945,896	7,122,506	7,303,607	7,489,313
Reemployment Assistance Program	25,678,075	31,028,434	28,468,724	30,717,371	31,076,578	31,436,987	31,801,068	32,165,854
Reopened Claims Program	3,329,010	3,549,888	2,227,367	3,076,851	3,181,014	3,244,127	3,389,704	3,616,208
Retroactive Program	39,026,762	39,746,617	34,306,895	39,140,139	37,238,291	35,501,399	33,901,840	32,421,349
SB 485 Multiple Wage Jobs	1,271,116	1,133,773	1,424,181	1,300,867	1,300,867	1,300,867	1,300,867	1,300,867
SB 1558 Claim Payments	18,177	8,747	76,142	8,070	7,157	6,413	5,807	5,314
Shared Services Chargeback	2,352,785	1,841,545	1,121,784	1,091,287	1,184,393	1,184,393	1,219,925	1,256,522
WCD-WBF Administrative Cost	3,393,967	3,641,220	5,036,435	4,636,106	4,611,434	4,749,777	4,892,270	5,039,038
OOW-WBF Administrative Cost	65,492	63,054	56,510	78,316	67,762	69,795	71,889	74,045
WCB-WBF Administrative Cost	300,210	(300,210)	0	0	0	0	0	0
Total	\$79,395,610	\$87,615,161	\$78,744,534	\$86,968,555	\$85,740,583	\$84,725,737	\$83,979,627	\$83,445,168
Transfers:								
NCE/Rehab	(2,064,999)	1,122,613	81,008	1,776,439	1,099,378	1,278,178	1,461,525	1,649,533
Bureau of Labor and Industries	(474,000)	(88,000)	(460,000)	(535,000)	(535,000)	(535,000)	(535,000)	(535,000)
Transfer Out - Other	(66,005)	(58,724)	(36,206)	0	0	0	0	0
Total	(\$2,603,197)	\$975,889	(\$415,198)	\$1,241,439	\$564,378	\$743,178	\$926,525	\$1,114,533
Net Cash Flow	(2,044,242)	(10,011,210)	(1,538,581)	(9,935,796)	(10,145,407)	(9,460,851)	(8,485,314)	(7,626,072)
Ending Fund Balance	147,573,554	137,562,344	136,023,763	126,087,967	115,942,560	106,481,709	97,996,395	90,370,323
Balance Coverage Ratio	6.23	7.22	7.49	6.88	6.20	5.67	5.39	4.95

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