

## FISCAL IMPACT OF PROPOSED LEGISLATION

81st Oregon Legislative Assembly – 2021 Regular Session  
Legislative Fiscal Office

Measure: SB 496 - 2

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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### Measure Description:

Removes prohibition on payment of unemployment insurance benefits to specified nonprofessional employees of educational institutions.

### Government Unit(s) Affected:

Employment Department (OED), public universities, community colleges, school districts

### Summary of Fiscal Impact:

Costs related to the measure are indeterminate - See analysis.

### Analysis:

SB 496 with the -2 amendment allows employees of educational institutions who provide: (1) food preparation and service; (2) early intervention services and support for such services; and (3) prekindergarten services and support for prekindergarten services to be eligible for Unemployment Insurance (UI) benefits during any break period. The measure specifies that any provisions would no longer be of any force or effect if found to be out of conformity by the U.S. Department of Labor. The measure takes effect on September 1, 2021.

### Employment Department (OED)

OED anticipates the administrative costs for both OED and the Office of Administrative Hearings to be minimal. OED anticipates absorbing the increase in workload with existing staff and resources.

The Unemployment Insurance (UI) program is a federal program administered by OED. The money used to pay Oregon UI benefits comes from employers who pay a tax rate or opt to reimburse the UI Trust Fund for actual benefits paid to employees. Most educational institutions elect to reimburse for actual benefits paid. The state has flexibility in many aspects of the program, but the overall program must remain in conformity with federal requirements.

Ultimately, the fiscal impact on community colleges, universities and the UI Fund is indeterminate depending on the number of individuals made eligible by this measure who will file claims for benefits. As a frame of reference, based on the assumption that 95.9% of unemployed employees made eligible by this measure will file an initial claim for benefits, OED projects the following Unemployment Insurance (UI) Trust Fund impact:

- For the 2021-23 biennium, OED estimates \$31,000 in federal payments of benefits of, \$1.6 million in reimbursed payments, \$65,000 in state benefit payments, and \$1,600 in lost interest.
- For the 2023-25 biennium, the OED estimates \$27,000 in federal payments, \$1.5 million in reimbursed payments, \$58,000 in state benefit payments, and \$1,400 in lost interest.

UI benefit payments are classified as Other Funds Nonlimited, so increased UI benefit payments do not require adjustments to the OED biennial budget.

### School Districts, Community Colleges, Public Universities

Based on OED projections, passage of this measure could potentially have a combined \$1.6 million impact on school districts, community colleges, and public universities throughout the state in the 21-23 biennium.

According to OED about 96% of educational institutions are direct reimbursing employers for purposes of UI, meaning that they must reimburse the UI Trust Fund dollar for dollar for the cost of any UI benefits paid out. OED estimates that Oregon has 5,310 employed persons identified as nonprofessional employees of educational institutions, 3,094 of whom provide school food services and 2,216 of whom provide early intervention services and support for such services or prekindergarten services and support for such services. In addition, the Higher Education Coordinator Commission (HECC) provides the following information gathered from community colleges and public universities.

As an example of impact to community colleges and universities, the Mount Hood Community College's (MHCC) Head Start and Early Childhood Program is the largest and will have the greatest fiscal impact of the community colleges throughout the state with Early Childhood Centers employing non-instructional employees. The estimate of the fiscal impact of this measure on MHCC to be \$583,440, based on 170 part-time non-instructional employees who work a 9-month academic year. This estimate is based on a \$15 per hour part-time employee who is eligible to receive benefits for 11 weeks in the summer (\$3,432 UI benefit) multiplied by 170 non-instructional part-time employees. MHCC is the primary grantee for the federal Head Start program that serves families throughout most of the Mount Hood Community College district. The program also serves as an educational lab for some of the college's early childhood program students, and it also provides free childcare for some MHCC students with the most financial need. MHCC's program is completely grant-funded on a per child basis. It currently employs over 300 full and part-time employees including teachers and non-instructional employees who are employed on a 9-month academic year basis – fall, winter, and spring terms. Because the program is funded on a per child basis, any increase in costs will lead to a reduction in services to the families served by this program.

This bill also changes UI eligibility for food services workers. While most community colleges contract out food services, there are some community colleges that will have additional UI benefit costs because of this change in eligibility. Based on normal staffing, one college estimated this would impact as many as 14 food services employees at a cost to the college of \$85,867 for 14 weeks of UI benefits.

Affected institutions that currently pay for benefits by a percent tax rate, rather than actual costs, are not anticipated to see an increase in expenses as a result of this legislation.