

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 702 - 1**Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***

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Measure Description:

Specifies that aggregate total of hours worked by part-time faculty member at more than one public institution of higher education shall be considered in determination of full-time status of faculty member for health care coverage.

Government Unit(s) Affected:

N/A

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

The bill requires institutions of higher education to pay, for part-time faculty members eligible for membership in PERS or another plan, health care premiums at 90% for part-time faculty member and 50% for part-time faculty with dependents. If the part time faculty works at more than one institution of higher education, the percent of the premium to be paid by the institutions is pro-rated for the proportion of hours worked for each institution.

Due to the passage of Senate Bill 270 (2013), public post-secondary institutions with governing boards are not a unit of local or municipal government nor a state agency, board, commission or institution. These institutions are now considered to be independent public bodies with statewide purposes and missions that utilize the Higher Education Coordinating Commission for shared client services.

Community colleges estimate the cumulative fiscal impact to be \$11.3 million per biennium. Assumptions for this calculation are based on 1,089 part-time employees eligible for health care benefits, of which 67% are assumed to be employee only coverage and 33% are assumed to include dependents. Annual premiums are estimated at \$470.91 for employee only coverage and \$894.75 for employee with dependents.

Public universities estimate the cumulative fiscal impact to be between \$11.5 million and \$20 million per year, or \$23 million and \$40 million per biennium. Eligible part-time faculty head count for universities is 1,404 people. When the Legislative Fiscal Office (LFO) applies the same methodology used for the community colleges estimate, including plan rate and distribution of single employee vs employee and dependents, the total estimated fiscal impact is \$14.5 million per biennium for public universities.

Other variables identified by the public post-secondary intuitions include the following:

- 1) There are part-time faculty shared between universities and community colleges. Additional work can be done to calculate the amount of the institutions' share of the health care that might be paid for shared faculty.
- 2) It is unclear in the bill how many months of health care coverage a part-time faculty employee is to receive and when the coverage is to begin. The eligibility is tied to their PERS eligibility which is 600 hours or 6 months in a year. When an employee meets the PERS eligibility criteria, the institution does a "look-back" calculation to catch up the retirement payments for the employee.

That works for retirement because the money is going into a pot for future use. Health care insurance isn't retroactive. Once an employee meets the PERS eligibility criteria do they then get health care for the next 12 months whether they work for the institution or not?

- 3) As the bill is currently written, there is significant administrative work for the universities to track these employees and the universities would be "reactive" to their eligibility rather than "proactive" as they currently are with regularly eligible employees.
- 4) This bill changes eligibility for health care insurance, but only for one limited group of employees. It is not beyond the realm of possibility that all other employee groups would also want similar benefits thus causing institutions to incur additional costs not quantified in this analysis.