FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 1702**

80th Oregon Legislative Assembly – 2020 2nd Special Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Temporarily authorizes payment of unemployment insurance benefits to individuals performing services in other than instructional, research or principal administrative capacity for educational institution or institution of higher education in circumstances in which payment is currently denied.

Government Unit(s) Affected:
Higher Education Coordinating Commission (HECC), Employment Department (OED), School Districts

Summary of Fiscal Impact:
Costs related to the measure may require are indeterminate - See analysis.

Analysis: The measure amends ORS chapter 657 so individuals performing certain services for an educational institution or institution of higher education are not denied unemployment insurance (UI) benefits during the summer recess period, even if they have a reasonable assurance of returning after the break.

Oregon Employment Department
The measure would potentially allow more individuals to receive benefits during weeks in which they otherwise would have been denied; the majority of benefits paid come from reimbursing employers. The Department estimates are based on 2018 statewide employment figures where approximately 30% (52,600 of 175,000) of employees working for an educational institution fall under the "nonprofessional capacity" classification. To date approximately 57,000 individuals who have filed a claim have wages from an educational institution during their base period.

The department estimates approximately $9 million in benefits paid. The vast majority of those payments, $7.8 million (85%), are assumed to be for reimbursing employers that do not have a net impact on the UI trust fund because they reimburse the trust fund dollar for dollar for benefits paid. Additionally, the federal CARES Act is reimbursing these employers for 50% of their benefit costs through late December 2020 and provides full reimbursement for benefits paid under the Work Share program – which several educational institutions are currently using. The remaining $1.39 million in benefit payments for tax-paying employers will affect the UI trust fund directly.

This measure is expected to have a consistent annual impact due to the regularity of customary school break and recess periods. Given the quarterly Unemployment Insurance (UI) trust fund interest earnings rate of 2.4%, the annual impact to the UI trust fund is estimated to be $1.39 million in benefit payments plus $33,000 in lost interest earnings, for an estimated total annual impact of $1.43 million. This concept will likely have a modest impact on employers' experience rating, as non-reimbursing employers will be subject to more charges, which can result in a higher tax rate. Reimbursing employers will also have some additional charges as a result of the concept, but this will not affect the UI trust fund.

Higher Education Coordinating Commission (HECC) and School Districts
The measure will have an indeterminate affect on HECC and School Districts since they are responsible for increased costs associated with increased UI claims. The exact costs will depend on actual number of claims filed.