

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 551**81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***Prepared by: Tim Walker
Reviewed by: Tom MacDonald, Doug Wilson
Date: 03/01/2021**Measure Description:**

Provides that part-time faculty member at public institution of higher education who qualifies for health care benefits will pay 10 percent of insurance premiums for employee coverage.

Government Unit(s) Affected:

Oregon Health Authority (OHA), Higher Education Coordinating Commission (HECC), Public Universities, Community Colleges

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

| | 2021-23 Biennium | 2023-25 Biennium |
|--------------------|-------------------------|-------------------------|
| General Fund | \$12,912,592 | \$15,740,213 |
| Other Funds | 21,631,212 | 24,159,055 |
| Total Funds | \$34,543,804 | \$39,899,268 |
| Positions | 2 | 2 |
| FTE | 1.75 | 2.00 |

Analysis: SB 551 modifies the health insurance premium cost sharing required of part-time faculty at public universities and community colleges. Currently, part-time faculty who are not provided health care benefits through a post-secondary institution but are eligible for membership in the Public Employees Retirement System, can purchase insurance through the Oregon Educators Benefit Board (OEBB) at their own expense (known as the HB 2557 Program). SB 551 reduces the premium cost sharing requirement for employee-only coverage from 100% to 10%, effective October 1, 2021. The remaining 90% is required to be paid from state funds appropriated to OEBB. The bill establishes the Part-Time Faculty Insurance Fund consisting of funding made available to it to support the premium payments. The bill includes a blank General Fund appropriation to OEBB for deposit into the Fund.

OEBB is responsible for administering the program and determining before each annual open enrollment period if sufficient funds have been appropriated to support the premium payments. To the extent necessary, OEBB is authorized to increase employees' share of premium contributions if it determines an insufficient level of funds have been appropriated.

Based on input from OEBB's actuarial consultant, SB 551 results in estimated costs of \$12.9 million General Fund and \$21.6 million Other Funds in 2021-23 for the 21-month beginning October 1, 2021. The estimated General Fund impact represents the state share of premium costs and will be transferred to the new Part-Time Faculty Insurance Fund and expended as Other Funds. The estimated Other Funds expenditure limitation mostly funds the total premium payments made from the new Fund, which will be supported from the 10% premium share contributed by employees and the General Fund transfer. For 2023-25, the estimated costs are \$15.7 million

General Fund and \$24.2 million Other Funds. Because of the General Fund transfer to the Other Funds account, the total estimated fiscal impact appears inflated.

Included in the Other Funds amounts above are OEGB's administrative expenses, including the cost of two full-time positions. An Accountant 2 position will handle invoicing, reconciliation, and other fiscal services associated with the additional participants and an Operations and Policy Analyst 1 will support additional communications, enrollment, and customer service. Other administrative costs include financial system modifications to enable the receipt, reconciliation, and invoicing of the cost-sharing payments. The system modifications are expected to cost \$1.4 million as a one-time expense in 2021-23. The revenue to support the positions and one-time system changes is assumed to come from OEGB's administrative fee assessed on OEGB benefit plans.

The bill prevents public universities and community colleges from reducing the level of part-time faculty health care benefits currently provided through either policy or collective bargaining agreements. An increase in the number of part-time faculty hired at public higher education institutions that do not qualify for existing part-time faculty benefits would increase the population eligible for benefits provided in this measure and future General Fund required to cover the state share of costs.

OEGB's actuary estimates that the cost of premiums on all OEGB medical plans will increase by 0.4% due to passage of the bill, which would impact the cost of all OEGB plans. This increase would also impact OEGB's ability to meet the 3.4% cap on annual health plan premium increases required under SB 1067 (2017).

The Higher Education Coordinating Commission (HECC) does not anticipate a fiscal impact; however, it should be noted that the Governor's 2021-23 budget recommendation included \$10 million General Fund in HECC's budget for part-time faculty health care coverage.

This measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its budgetary impact on the State's General Fund.