

## FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2802

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

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

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Prepared by: Michael Graham  
Reviewed by: Kim To  
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### **Measure Description:**

Establishes pilot program at Portland State University and Eastern Oregon University to enhance hiring of public university students by nonprofit organizations.

### **Government Unit(s) Affected:**

Higher Education Coordinating Commission, Portland State University, Eastern Oregon University

### **Summary of Fiscal Impact:**

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

### **Analysis:**

House Bill 2802 directs the Higher Education Coordinating Commission (HECC) to establish a 5-year pilot program at Portland State University (PSU) and Eastern Oregon University (EOU) to enhance the hiring of public university students by eligible nonprofit organizations. The measure appropriates a blank amount of General Fund to HECC to allocate to PSU and EOU to conduct the pilot program in the 2023-25 biennium.

Under the pilot program, one or more individuals designated as program administrators at PSU and EOU would register enrolled students and eligible nonprofit organizations that wish to participate in the program. The pilot program administrators would match students with eligible nonprofit organizations and, if possible, match each student to an organization that operates in a field relevant to the student's course of study. For each academic term in which a student is employed by an eligible nonprofit organization, PSU and EOU would be required to reduce the student's cost of tuition by 20%.

PSU and EOU would need to adopt policies relating to the administration of the pilot program, including the application process, the number of students and nonprofit organizations that can participate in the pilot program, and the rate at which wages paid by nonprofit organizations to students would be subsidized by PSU and EOU. PSU and EOU may use the pilot program funds to offset the reduction in tuition moneys that they receive for participating in the pilot program; to reimburse participating nonprofit organizations up to 50% of the amount that the organizations paid in wages to participating students; and for administrative expenses associated with the pilot program.

PSU and EOU must submit a report by September 15th of each year to interim committees of the Legislative Assembly related to higher education that evaluates the effectiveness of the pilot program.

The measure takes effect on July 1, 2023. The pilot program sunsets on January 2, 2028.

### **Higher Education Coordinating Commission**

The fiscal impact to HECC is indeterminate, depending on the level of investment in this new pilot program and level of services that HECC would be required to provide. The measure does not specify the level of involvement that HECC would have, if any, beyond establishing the pilot program, and it does not include any requirement to provide a certain level of funding to the pilot program.

The measure directs HECC to establish the pilot program, but it does not specify what role HECC would have in this pilot program. This fiscal impact statement assumes that HECC would work with the program administrators to establish the program and educate them on the statutory requirements; otherwise, it appears that HECC would not have any administrative role or oversight over this pilot program. If HECC were to only act as a passthrough for the funds allocated to PSU and EOU, then the impact to HECC would be minimal and HECC would be able to absorb the impact within current resources. However, if HECC were required to provide a greater level of oversight or auditing of the pilot program, HECC may need additional staffing and resources.

**Portland State University and Eastern Oregon University**

The measure is anticipated to have a fiscal impact on PSU and EOU, although it is difficult to quantify this cost without additional legislative direction regarding the expected size of the program.

Although the number of students and the number of nonprofit organizations that would participate in this pilot program cannot be predicted, at this time, for a point of reference, this fiscal impact statement assumes that PSU and EOU would each aim to place approximately 50 students in jobs per year through this pilot program.

Based on a hypothetical 50 students placed with nonprofit organizations per year per institution, the estimated fiscal impact to PSU is \$1,200,000 in 2023-25 and \$1,250,000 in 2025-27, and the estimated fiscal impact to EOU is \$1,100,000 in 2023-25 and \$1,250,000 in 2025-27. The bulk of the fiscal impact is the projected cost of reimbursing the participating nonprofit organizations for up to 50% of the wages that they pay to students. Also included in the fiscal impact estimates are staffing and administrative expenses, as well as the projected lost of tuition revenues from the 20% tuition reduction per participating student.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to the State's General Fund, HECC's biennial budget, and the budgets of PSU and EOU.