

HF20 - 4A - Between Terms Unemployment Insurance

Chief Author: **Emma Greenman**
 Committee: **Workforce Development Finance**
 Date Completed: **3/22/2023 8:46:47 AM**
 Lead Agency: **Education Department**
 Other Agencies:
 Employment and Economic Dvlpmt **Minnesota State**
 Minnesota State Academies **Office of Higher Education**
 Perpich Center for Arts Education **University Of Minnesota**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Education Department						
General Fund	-	275	135,374	135,374	135,374	135,374
Employment and Economic Dvlpmt						
Unemployment Insurance	55,078	-	-	-	-	-
Minnesota State						
General Fund	-	809	809	809	809	809
Minnesota State Academies						
General Fund	-	321	321	321	321	321
Office of Higher Education						
General Fund	-	495	495	495	495	495
Perpich Center for Arts Education						
General Fund	-	24	24	24	24	24
University Of Minnesota						
General Fund	-	366	366	366	366	366
State Total						
General Fund	-	2,290	137,389	137,389	137,389	137,389
Unemployment Insurance	55,078	-	-	-	-	-
Total	55,078	2,290	137,389	137,389	137,389	137,389
Biennial Total			139,679			274,778

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Education Department					
General Fund	-	1	1	1	1
Employment and Economic Dvlpmt					
Unemployment Insurance	-	-	-	-	-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Minnesota State					
General Fund	-	-	-	-	-
Minnesota State Academies					
General Fund	-	-	-	-	-
Office of Higher Education					
General Fund	-	.25	.25	.25	.25
Perpich Center for Arts Education					
General Fund	-	-	-	-	-
University Of Minnesota					
General Fund	-	-	-	-	-
Total	-	1.25	1.25	1.25	1.25

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This bill expands eligibility for UI benefits to certain employees. UI benefits would begin to be paid in FY23. Payments from employers to the UI trust fund as a result of these benefit payments would begin to be made in FY24. See the Department of Employment and Development fiscal note for further details.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/22/2023 8:46:47 AM
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State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Education Department					
General Fund	-	275	135,374	135,374	135,374
Employment and Economic Dvlpmt					
Unemployment Insurance	55,078	-	-	-	-
Minnesota State					
General Fund	-	809	809	809	809
Minnesota State Academies					
General Fund	-	321	321	321	321
Office of Higher Education					
General Fund	-	495	495	495	495
Perpich Center for Arts Education					
General Fund	-	24	24	24	24
University Of Minnesota					
General Fund	-	366	366	366	366
	Total	55,078	2,290	137,389	137,389
		Biennial Total	139,679	274,778	274,778

1 - Expenditures, Absorbed Costs*, Transfers Out*

Education Department					
General Fund	-	275	135,374	135,374	135,374
Employment and Economic Dvlpmt					
Unemployment Insurance	55,078	165,234	165,234	165,234	165,234
Minnesota State					
General Fund	-	809	809	809	809
Minnesota State Academies					
General Fund	-	321	321	321	321
Office of Higher Education					
General Fund	-	495	495	495	495
Perpich Center for Arts Education					
General Fund	-	24	24	24	24
University Of Minnesota					
General Fund	-	366	366	366	366
	Total	55,078	167,524	302,623	302,623
		Biennial Total	470,147	605,246	605,246

2 - Revenues, Transfers In*

Education Department					
General Fund	-	-	-	-	-
Employment and Economic Dvlpmt					
Unemployment Insurance	-	165,234	165,234	165,234	165,234
Minnesota State					
General Fund	-	-	-	-	-
Minnesota State Academies					
General Fund	-	-	-	-	-

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Office of Higher Education					
General Fund	-	-	-	-	-
Perpich Center for Arts Education					
General Fund	-	-	-	-	-
University Of Minnesota					
General Fund	-	-	-	-	-
	Total	-	165,234	165,234	165,234
	Biennial Total		330,468		330,468

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 Committee: **Workforce Development Finance**
 Date Completed: **3/22/2023 8:46:47 AM**
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		
	X	

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	275	135,374	135,374	135,374	135,374
Total	-	275	135,374	135,374	135,374	135,374
Biennial Total			135,649			270,748

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	1	1	1	1
Total	-	1	1	1	1

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/22/2023 8:38:19 AM
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State Cost (Savings) Calculation Details

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Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	275	135,374	135,374	135,374	
Total	-	275	135,374	135,374	135,374	
			135,649			270,748
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	275	135,374	135,374	135,374	
Total	-	275	135,374	135,374	135,374	
			135,649			270,748
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
			-			-

Bill Description

This bill provides for a new district unemployment insurance (UI) aid to be paid for eligible non-licensed school employees during summer months between academic terms.

This bill is effective for aid beginning in FY2025.

Assumptions

MDE will administer the new UI aid, based on a district, charter school or intermediate, or coop’s net audited unemployment costs for the prior fiscal year. Aid will begin in FY2025 based on FY2024 UI costs.

Districts will be paid 100 percent of their UI aid in the current aid year (based on prior year costs), rather than 90 percent in the current year and 10 percent in the final year, as this is a reimbursement program.

MDE does not have a clear understanding of the “uptake” for this new between terms UI benefit for its employees. As such, it is assumed that data provided by DEED is the basis for potential uptake/cost.

MDE will not be able to provide the level of detail on employees receiving UI benefits as desired in the bill the request is for data by district and individual job classifications. MDE would provide UFARS OBJ Code 280 by program area as submitted by districts in the annual reports.

If demand is higher than DEED’s estimate, UI aid will be pro-rated. If demand is less than DEED’s estimate, the unexpended appropriation will cancel back to the general fund at the end of each biennium. It is assumed that aid appropriations for this program will change in the future if DEED and MDE forecast that more or less money is required.

MDE will need 1.0 FTE (Education Finance Specialist II) beginning in FY2024 in the school finance division to establish and administer this UI aid program, including extensive coordination with DEED and MMB.

A dedicated IT contract will be required for development of an online submission process to estimate UI aid payments in advance of final calculations and adjustments. It is estimated that this work will total \$125,000 in FY2024. In FY2025 and beyond, \$25,000 will be required annually for upgrades to the reporting structure.

Expenditure and/or Revenue Formula

	FY24	FY25	FY26	FY27
Unemployment Aid		135,198,998	135,198,998	135,198,998
FTE (Ed Fin Spec II)	150,000	150,000	150,000	150,000
IT Contract	125,000	25,000	25,000	25,000
TOTAL	275,000	135,373,998	135,373,998	135,373,998

Long-Term Fiscal Considerations

The UI aid program and administrative costs will be ongoing.

Local Fiscal Impact

Districts will maintain their existing levy authority for unemployment insurance costs but their levies for this purpose must be reduced by the amount of UI aid received. Districts will be required to levy on behalf of member intermediate districts or coops for their UI costs if aid is insufficient.

References/Sources

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Date: 3/22/2023 8:37:38 AM

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HF20 - 4A - Between Terms Unemployment Insurance

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 Committee: **Workforce Development Finance**
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 Agency: **Employment and Economic Dvlpmt**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		
	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Unemployment Insurance	55,078	-	-	-	-	-
Total	55,078	-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Unemployment Insurance	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/20/2023 7:30:28 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Unemployment Insurance	55,078	-	-	-	-	-
Total	55,078	-	-	-	-	-
	Biennial Total		-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Unemployment Insurance	55,078	165,234	165,234	165,234	165,234	165,234
Total	55,078	165,234	165,234	165,234	165,234	165,234
	Biennial Total		330,468			330,468
2 - Revenues, Transfers In*						
Unemployment Insurance	-	165,234	165,234	165,234	165,234	165,234
Total	-	165,234	165,234	165,234	165,234	165,234
	Biennial Total		330,468			330,468

Bill Description

This fiscal note assumes the adoption of technical language edits provided to the bill author and House staff to yield an identical output.

It removes the between and within terms provisions that would apply to contractors providing student transportation services to educational institutions.

Between Terms Provisions of UI Laws

In the early years of the Unemployment Insurance (UI) Program, government employees were not considered “covered employees” under UI law (and, thus, these workers could not collect UI benefits if they lost their jobs).

Congress eventually passed legislation that made government employment “covered employment”. That legislation included special provisions related to one sub-group of government employees: school employees who are out of work between school terms.

The statutory provisions related to school employees are referred to as the “between terms provisions”. The between terms provisions of a state’s Unemployment Insurance law are unlike other eligibility provisions of the program. Rather than making an applicant definitively eligible or ineligible, the between terms provisions affect the use of “wage credits” from certain types of employers during certain periods of the year under certain conditions. To understand how the between terms provisions ultimately affect benefit payments and therefore how one would estimate the impact of a change to those provisions one must understand several foundational elements of UI.

Base Periods, Wage Credits, and Benefit Charges

When an applicant applies for unemployment benefits, the UI law provides that the applicant’s weekly benefit amount and maximum benefit amount will be determined by their wages in their “base period”. Base periods are always four calendar quarters and begin about 18 months prior to the start of an applicant’s benefit year.

Wages in the applicant’s base period are called “wage credits”. Typically, wage credits are available to be used throughout an applicant’s entire benefit year. As a result, an applicant’s weekly benefit amount and maximum amount of benefits available throughout the benefit year do not change. Therefore, for most applicants, once they establish a weekly benefit amount and maximum benefit amount, eligibility for UI benefits is determined by the reason they left their last job (quit, discharge, layoff) and their weekly availability for work, etc.

The employers an applicant worked for during the base period are “charged” for any benefits paid to the applicant. Employers are charged either indirectly - through higher future UI tax rates - or directly through quarterly reimbursement of

the UI Trust Fund.

Effect of the Between Terms Provisions on Wage Credits

It is important to note that the between terms provisions do not directly affect weekly eligibility for unemployment benefits. Employees of educational institutions are NOT ineligible, per se, for unemployment benefits during between terms periods.

These workers are typically considered laid off at the end of the last school term; some may have a recall date in the following school term while others may not. Aside from the between terms provisions, assuming they met all other eligibility requirements, they would be eligible for UI benefits. When the between terms provisions are applied, however, the effect is to make wage credits earned from educational institutions unavailable during the period between academic terms. In some cases (where an applicant ONLY worked for educational institutions), the unavailability of wage credits from educational institutions causes the applicant's weekly benefit amount to be recalculated to \$0.00 during the between terms period.

For applicants who have wages from both educational institutions and "ordinary" employers in their base period, the unavailability of the wages from educational institutions may reduce the applicant's weekly benefit amount (or, if most wages are earned with "ordinary" employers, have no effect at all).

Specifics of the Between (Within) Terms Provisions

There are two periods during a school year when the use of wage credits is limited: The "between terms" period, essentially the summer break; and the "within terms" period, essentially, winter break and spring break.

The law provides that wage credits from educational institutions are only available IF the individual worker does not have "reasonable assurance" of employment in the following academic year or term (or following a break) that is not "substantially less favorable". This language ensures that a worker who is fully laid off from an educational institution in the spring, say, and not going back in the fall, can use their wage credits from educational institutions over the summer and thereafter.

Wage credits from educational institutions are always fully available to all workers during periods that are NOT between terms or during a break. This means that educational wage credits are always available should a layoff occur in the middle of the school year. For instance, a substitute teacher whose last assignment ends before a new assignment is made is considered laid off for UI purposes (and may be eligible for UI benefits).

Under 26 U.S.C. § 3304(a)(6)(a)(i), Congress has provided that the between (and within) terms provisions MUST be applied to at least educational "professionals" (teachers, principals, administrators, counselors). Federal law does NOT require that the *between terms* provisions be applied to "non-professional" staff (teachers' aides, support staff, food service workers, custodial and maintenance staff). Federal law DOES require that the *within terms* provisions (covering school breaks), must be applied to the wage credits of ALL employees of educational institutions (both "professional" and "non-professional"). Federal law does NOT require that the between terms or within terms provisions must be applied to employers who provide contract services to educational institutions.

Current Minnesota UI law applies the between and within terms provisions to ALL employees of educational institutions and contractors that provide services (other than food service) to elementary and secondary schools.

Effect of HF20 on the Between (within) Terms Provisions

HF20:

- It removes the application of the between terms provision to employees of both publicly and privately operated, elementary, secondary, post-secondary and who are *not* engaged in employment in an instructional, research, or principal administrative capacity This is group referred to as "non-professionals" in federal UI law parlance.

- It retains the limitation on the use of wage credits during within terms periods for all educational institution employees (both those that are and are not employed in an n an instructional, research, or principal administrative capacity). This is required by federal law.

- It retains the limitation on the use of wage credits during between and within terms periods for individuals employed in an instructional, research or principal administrative capacities for any publicly or privately operated, primary, secondary or post-secondary educational institution regardless of the employment status (fulltime, part-time, contingent, on-call or temporary, permanent or non-permanent). This is required to be in compliance with federal law.

Use of wage credits for such individuals will be determined based on the “reasonable assurance of work that is not substantially less favorable” standard noted above.

- It removes the between and within terms provisions that would apply to contractors providing student transportation services to educational institutions.

Assumptions

- We assume that the United States Department of Labor (USDOL) would find HF20 in compliance with federal law related to the use of wage credits during between school terms (and thus would not find the law out of conformity, rendering the law severed under Minn. Stat. 268.23).
- We assume that nearly all the public and private elementary, secondary, and post-secondary school employers affected by this proposal are reimbursing employers required to repay the UI Trust Fund for any unemployment benefit payments made to their employees one quarter after those payments are made. A review of UI data revealed no evidence to the contrary.
- We assume that the primary, affected contracted services will be bus transportation for students; other contracted services may be affected as well, but we do not have sufficient data to generate expenditure or revenue formulas for these employers (see below).
- We assume that most employees of educational institutions that have breaks and/or between terms periods do not perform services for their employer during those periods or only perform nominal services such that, by UI definitions, they are at least for the most part unemployed during breaks and between terms.
- We assume that changing the between terms provisions will draw attention to the availability of UI benefits and that, consequently, the uptake rate of these newly available benefits by newly, potentially eligible applicants will be at least the same as with other laid off workers.
- We assume that applicants will be able to meet availability and work search requirements of UI law to the same extent as other applicants.
- Because we do not have a basis for predicting potential changes in employer behavior as a result of HF20, we assume that most currently reimbursing employers would NOT elect to become tax paying employers in order to at least defer or perhaps avoid the cost of direct reimbursement of benefits paid (see Long Term Fiscal Considerations for more discussion of this issue).
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Expenditure and/or Revenue Formula

Estimating expenditure formulas for UI benefit expansions/extensions

To calculate the unemployment benefits that would be paid to applicants as a result of a legislative expansion / extension of UI eligibility, one must calculate the number of weeks of unemployment benefits that will be paid and the average amount paid per week for each week requested.

The number of weeks of unemployment benefits that will be paid depends on

1. The number of new, potential applicants that could apply.
2. Of those, the number of weeks of potential benefits available to those applicants.

This allows one to calculate the maximum number of weeks of benefits that could be paid to the population.

We also know that not every unemployed worker receives a UI payment for each week of unemployment. The difference between the number of workers who are unemployed and the number who receive a UI payment is called the “reciency rate”. The reciency rate in Minnesota varies between 50% and 60%. For any given unemployed population, one can assume between 50% and 60% of all weeks of unemployment experienced by the group will be compensated through the UI program.

It is straightforward to estimate an average weekly benefit amount if a population of workers is very well defined and there is good wage data for that population. This becomes more challenging for a workforce that moves between occupations or industries frequently. It is also challenging in industries that have a very high variability in wages. In the case of employees of educational institutions, there is the additional challenge that annual wage data is available, but it is more desirable to have good quality quarterly wages for performing the necessary estimates; the weekly benefit amount calculation for UI is based on an applicant's quarterly wage data rather than annual data.

In general, the calculation looks like this:

$$\text{Yearly Cost} = \text{Number of Newly Eligible Applicants} \times \text{Reciency Rate} \times \text{Avg. Weeks of Benefits Paid} \times \text{Avg. Weekly Benefit Amount}$$

Expenditure formula for HF20 Educational Institutions

Number of Newly Eligible Applicants Elementary and Secondary

- To estimate the number of newly eligible applicants, we use data from the Minnesota Department of Education (MDE) and wage detail information held by the Department of Employment and Economic Development. The Department of Education provides information on “licensed” and “non-licensed” employees of public elementary and secondary schools. “licensed” aligns with the term “instructional, research, or principal administrative capacity” used in the between terms laws, and “non-licensed” aligns with those not in an instructional, research, or principal administrative capacity. For the sake of simplicity, since we are using MDE data for part of this calculation, we will use “licensed” and “non-licensed” in this section.
- The number of individuals newly, potentially eligible = non-licensed employees of elementary and secondary schools.
- From wage detail information held by the UI program, we know that during the during the 4th quarter of 2021, elementary and secondary schools had 182,308 distinct employees. These employees break out between political subdivisions (primarily school districts), private schools and the State of Minnesota (which operates two elementary/secondary schools). Obviously, some proportion of these are licensed staff and some are not.
- Minnesota Department of Education (MDE) collects data from school districts that breaks out the number of Full Time Equivalent (FTE) licensed and non-licensed positions by district.
 - o For the most recent available period (2019), MDE’s data showed:
 - 124,688 FTEs total
 - 59.49% were licensed FTEs
 - 40.51% were non-licensed FTEs
 - o Note that FTEs are not individual employees, but rather positions. Two part-time employees might be equal one FTE.
 - o Note also that these data are only available for school districts. These data are not available for private elementary and secondary schools.
- Applying the licensed/non-licensed ratios taken from the 2019 MDE FTE data to wage detail data from DEED, we find:

Group	Total	Licensed Est.	Non-Licensed Est
Districts	163,706	97,389	66,317
State of Mn	286	170	116
Private	18,316	10,896	7,420
Totals	182,308	108,455	73,853

- For 2019, UI records showed that roughly 1,200 applicants who worked for educational institutions applied for benefits during the between terms period and did not have their wage credits limited.
 - o 2019 is the most recent year of UI data that is not affected by the pandemic.
- We subtract 1,200 from the non-licensed estimate to arrive at 72,652 Newly Eligible Applicants.

Reciency

The reciency rate in Minnesota varies between 50% and 60%.

Reciency Rate Applied	Est. Count
Reciency Rate 50% (low)	36,326
Reciency Rate 60% (high)	43,591
midpoint	39,959

Applying a mid-point reciency level of 55%, we now have 39,959 applicants.

Average Weeks of Benefits

As noted above, the change to the between terms provisions affect primarily the summer period between the end of the spring term (say, end of May) and the beginning of the fall term (say, beginning of September), roughly twelve weeks.

Applicants who apply for benefits may be ineligible for particular weeks for a variety of reasons. Most common is because they are working either part time or full time in the week and have earnings in excess of their weekly benefit amount. Applicants may also be receiving severance pay or vacation pay from their last employer or simply not be available for work perhaps taking a vacation. The percentage of weeks applicants are fully eligible can vary between 67% and 81%. We would expect that if the between terms period is 12 weeks, on average applicants would be eligible for fewer than 12 weeks.

Average Number of Weeks	Value
Est. Summer (between terms period)	12
Avg % Eligible Per Week (pct of requested weeks that are paid)	67 to 81%
Avg Weeks High	9.72
Avg Weeks Low	8.04
Midpoint Weeks	8.88

We take the mid-point estimate and assume that otherwise eligible applicants will be compensated on average for 8.88 weeks.

Average Weekly Benefit Amount

Weekly Benefit Amount Calculations -- There are two weekly benefit amount calculations under UI law: Total Base Period Calculation and High Quarter Calculation.

- For the total base period calculation, the wages for the full base period are divided by 52 to get an average weekly wage and this amount is then divided by 2 to arrive a Weekly Benefit Amount equal to half of the individual's average weekly wage (total base period wages/104).
- For the high quarter calculation, we take the quarter in which the applicant had the highest earnings and divide that first by 13 to get the average weekly wage in that quarter and then by 2 to equal half of the individual's average weekly wage (high quarter divided by 26).
- Applicants get the higher of these two calculations. For workers that have very seasonal or cyclical work like those working for educational institutions - the high quarter calculation results in a higher weekly benefit amount.

-

Occupational Employment and Wage Statistics (OEWS) -- is a dataset gathered by DEED using a sampling and surveying methodology.

- The OEWS allows for the calculation of wage levels by a combination of occupation and industry.
- We use OEWS data to establish the 2022, median income level for four occupations employed by elementary and secondary schools.
- The four occupation groups chosen were: Teaching Assistants, Except Post-Secondary; Cooks, Institutions and Cafeteria; Bus Drivers, School; and Janitors and Cleaners, Except Maids and Housekeeping Cleaners.
- Similar to the data provided by MDE, the OEWS data is a count of positions, NOT individuals.

Since each of the four occupation groups vary both in terms of numbers and median income, it is necessary to break them out for both.

To estimate an average UI weekly benefit amount for each group, we assume average weekly hours of 32 and that there are nine months of employment in a year (aligning with the school year) and then divide that by 3 to arrive at a quarterly amount. This in turn is divided by 26 to arrive at an Average Weekly Benefit Amount based on the high quarter calculation.

Occupation Group	Count from OEWS	Ratio	Annual Median Income	Quarterly Income	Average UI Weekly Benefit Amt.
Teaching Assistants, Except Postsecondary	32,080	63%	\$ 38,870.85	\$ 12,956.95	\$ 498.34
Cooks, Institution and Cafeteria	6,220	12%	\$23,811.84	\$ 7,937.28	\$ 305.28
Bus Drivers, School	1,370	3%	\$24,535.68	\$ 8,178.56	\$ 314.56
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	10,900	22%	\$22,476.48	\$ 7,492.16	\$ 288.16

Cost Estimate Calculation:

To arrive at a total cost estimate, we first apply the ratio of occupations to mid-point reciprocity level of 39,959 to get a count per occupation. We then apply the average weekly benefit amount for each occupation and the average number of weeks paid per applicant.

Occupation Group	Ratio	Mid-Point Reciprocity	Mid-Point Weeks	Avg WBA	Total
Teaching Assistants, Except Postsecondary	63%	25,349	8.88	\$498.34	\$ 112,175,221
Cooks, Institution and Cafeteria	12%	4,915	8.88	\$305.28	\$ 13,323,609
Bus Drivers, School	3%	1,083	8.88	\$314.56	\$ 3,023,829
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	22%	8,613	8.88	\$288.16	\$ 22,039,073
				Total	\$ 150,561,732

Based on this, we would estimate the total cost of this portion of the proposal to be \$150,561,732 annually.

Based on the ratio of employment taken from wage detail information above, we would estimate that this cost would be distributed between, elementary and secondary schools operated by school districts, the State of Minnesota and private educational institutions as shown below.

Group	Pct	Total
Districts	89.8%	\$ 135,198,998
State of Mn	0.2%	\$ 236,197

Private	10.0%	\$ 15,126,537
Totals	100.0%	\$ 150,561,732

Number of Newly Eligible Applicants Post-Secondary

To estimate the financial impact for this change for post-secondary institutions, we received personnel data from the University of Minnesota and Minnesota State systems. These personnel data are broken out to include type of eligible staff, appointment type, and anticipated weekly benefit. We then calculate an average cost by factoring in average claim length and reciprocity rate in a similar manner to the above analysis.

University of Minnesota

Staff Category	Appt Type	Empl Count (1)	Avg Weekly Benefit (2)	Eligible Weeks (3)	Avg Claim Length (4)	Reciprocity (5)	Estimated Cost (1*2*4*5)
Civil Service	9 Mo Active, 3 Mo Break	13	\$395	13	8.88	55%	\$25,079
Civil Service	10 Mo Active, 2 Mo Break	15	\$419	9	5.84	55%	\$20,187
LR - Clerical	9 Mo Active, 3 Mo Break	9	\$340	13	8.88	55%	\$14,945
LR - Clerical	10 Mo Active, 2 Mo Break	22	\$403	9	5.84	55%	\$28,478
LR - Health Care	9 Mo Active, 3 Mo Break	4	\$387	13	8.88	55%	\$7,560
LR - Service & Maintenance	9 Mo Active, 3 Mo Break	114	\$388	13	8.88	55%	\$216,029
LR - Service & Maintenance	10 Mo Active, 2 Mo Break	8	\$405	9	5.84	55%	\$10,407
LR - Technical	9 Mo Active, 3 Mo Break	17	\$407	13	8.88	55%	\$33,792
LR - Technical	10 Mo Active, 2 Mo Break	6	\$428	9	5.84	55%	\$8,248
TOTAL		208					\$364,727

Minnesota State

Staff Category	Empl Count (1)	Avg Weekly Benefit (2)	Avg Claim Length (3)	Reciprocity (4)	Estimated Cost (1*2*3*4)
MSUAASF Seasonal	82	\$633	8.88	55%	\$253,616
Classified Seasonal	277	\$393	8.88	55%	\$532,023
TOTAL	359				\$785,640

Expenditure formula for HF20 Contractors to Educational Institutions

Based on 2022 data, there were 11,739 individuals working for bus companies providing contract services. Based on the high quarter weekly benefit amount calculation described above, the average weekly benefit amount for this group would be \$238.

Using the same approach as above:

Newly eligible applicants

- 11,739 times a mid-point reciprocity rate of 55% = 6,456
- 6,456 newly eligible applicants

Average Weeks of Benefits

- We use the same assumptions as above
- 8.8 average weeks of benefits

Average Weekly Benefit Amount

- \$238 average weekly benefit amount from above

Calculation

- Newly Eligible Applicants * Average Weeks of Benefits * Average Weekly Benefit Amount = Estimated Cost
- $6,456 * 8.8 * \$238 = \$13,521,446$

Based on the information available, we would estimate the total cost of this portion of the proposal to be \$13,521,446 annually.

Expenditure formula for HF20 Employees of Educational Institutions and Contractors to Educational Institutions

The total estimated cost for HF20 is the sum of the estimated benefits paid to newly eligible employees of elementary, secondary, and post-secondary educational institutions, as well as the newly eligible contractors to educational institutions.

Group	Cost
Employees of Elementary and Secondary Educational Institutions	\$150,561,732
Employees of Post-Secondary Educational Institutions	\$1,150,367
Contractors to Educational Institutions	\$13,521,446
Total	\$165,233,545

Revenue Formula - Generally

All employers must repay the Minnesota Unemployment Insurance Trust Fund for UI benefits received by their former workers either directly through reimbursement of the UI Trust Fund or indirectly through a higher experience rating. Schools, government entities, and nonprofits reimburse UI benefits paid to their workers on a dollar-for-dollar basis. This reimbursement is due one month after the end of the quarter in which the benefits were paid.

EXAMPLE: If a maintenance worker for a public school received unemployment benefits for ten weeks at \$400 per week during the summer break, the school would receive a bill from the unemployment insurance program for \$4,000 paid during the 3rd quarter of the year. The bill would be sent to school in October and the amount would be due and payable by the end of November of that year.

Educational contractors and other for-profit employers repay the UI Trust Fund via an increased UI tax rate in the future. They may then choose to absorb these costs or pass on some portion of these costs to the school district.

EXAMPLE (current law): If a contractor that provides transportation services to an elementary school has no work for an employee during the 2022, summer, between terms period, that worker may receive 10 weeks of UI benefits at \$260 per week for a total of \$2,600. Because the increase in UI tax rates is intentionally designed to be delayed after a layoff occurs, the employer would not experience an increase in its experience rating until the 2024 tax year. However, the cumulative effect of employees receiving benefits during between terms period could increase the employer's experience rating to 8.9% of taxable wages the maximum allowable by law.

Because the greatest share of new, potential UI benefits would be paid to employees of educational institutions (schools) and most schools are governmental entities and reimbursing employers, most of the costs of HF20 would be directly

reimbursed by local government entities. Private, not for profit schools elementary, secondary -- would similarly reimburse their share of these costs.

Costs of benefits paid to applicants whose employers provide contract services to elementary and secondary schools would experience higher UI tax rates and may or may not pass these costs on to their clients (public and private schools).

Revenue Formula Administrative Costs

The Unemployment Insurance program is federally funded based on workload activity. The changes proposed by HF 20 would, presumably, increase the number of applicants applying for and receiving benefits. This increased workload would be paid for through the federal grant.

There is a small amount of automation in place to support the administration of the between terms provisions. Because the between terms provisions will still be in place for employees employed in an instructional, research, or principal administrative capacity, this automation cannot be removed in its entirety, but will need minor updates, primarily in easily maintainable elements. This can be done as part of the program's normal maintenance cycle and poses no significant additional administrative cost.

Long-Term Fiscal Considerations

Because the estimated amount of new benefit payments provided by HF20 is significant, there are possible Trust Fund implications. We note five potential impacts below.

- Trust Fund Solvency If a state exhausts its UI Trust Fund during an economic downturn, it must borrow from the federal government in order to be able to continue paying unemployment benefits. This proposal could increase borrowing and the amount of interest due to the federal government. Interest on borrowing is paid exclusively through a tax paid only by taxpaying (rather than reimbursing) employers.
- Timing of reimbursements When states need to borrow to pay benefits, the federal government can automatically reduce the FUTA tax credit for employers in the state in order to more quickly repay the borrowed amount. The calculation for determining whether the FUTA credit will be reduced takes place in the fall. Because benefits are paid primarily during the months of July, August and September are not reimbursed by reimbursing employers until the end of November, it's possible that, during a slowdown, the not-yet-reimbursed amounts would cause the loss of some part of the FUTA credit for Minnesota's taxpaying employers. This would, effectively, shift some of the cost of HF120 to taxpaying employers who are not involved in the educational services industry.
- Potential "socialized costs" for current tax paying employers If HF 20 becomes law, some school contractors could quickly reach the maximum statutory UI tax rate of 9.0%. This means that the amount of unemployment benefits paid to school contractor workers would not be fully recoverable through increased UI tax rates on school contractors. Non-recoverable costs would be socialized to the UI Trust Fund.
- Incomplete or Late Reimbursements If reimbursing employers do not have sufficient cash reserves to fully reimburse the UI Trust Fund in a timely manner, penalties and interest can accrue against their accounts raising the amount due and increasing the impact of the proposal on reimbursing employers. In addition, non-payment or late payment can affect Trust Fund solvency.
- Potential "socialized costs" for current reimbursing employers The estimates above assume that reimbursing employers will not elect to be tax paying employers. Under Minnesota law, 268.052, while all State of Minnesota and local government employers are by default reimbursing employers, each entity can elect to be a taxpaying employer instead. An otherwise reimbursing employer can elect to be taxpaying either to smooth out annual UI costs or, as suggested here, to cap potential costs. As reimbursing employers, these entities have, theoretically, no cap to their annual reimbursement for UI benefits paid. As taxpaying employers, their cap would be 9.0% of taxable payroll (the maximum UI tax rate permitted under the statute)

As taxpaying employers, these formerly reimbursing employers would also be eligible for "non-charging" provisions under 236.047 that are available to other taxpaying employers. This means that they could not be charged for benefits paid to individuals who quit or are discharged and later requalify for benefits.

Taken together, these two considerations may cause these reimbursing employers to elect to be taxpaying employers. The logic for doing so is specifically that it costs less than reimbursing the fund. Since the same

amount of benefits would be paid in either case, the Trust Fund balance would fall, making it less solvent and creating a need for borrowing later should a downturn occur.

Local Fiscal Impact

Under HF20, the cost for local government would be borne primarily by school districts (and perhaps charter schools). We estimate HF20 would result in approximately \$135 million in new expenditures for school districts annually. These expenditures do not account for any increased billing rates from school contractors.

References/Sources

Agency Contact: Evan Rowe, 651-262-6722

Agency Fiscal Note Coordinator Signature: Rebecca Wernett

Phone: 651-259-7056

Date: 3/20/2023 4:45:26 PM

Email: rebecca.wernett@state.mn.us

HF20 - 4A - Between Terms Unemployment Insurance

Chief Author: **Emma Greenman**
 Committee: **Workforce Development Finance**
 Date Completed: **3/22/2023 8:46:47 AM**
 Agency: **Minnesota State**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	809	809	809	809	809
Total	-	809	809	809	809	809
Biennial Total			1,618			1,618

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Xunxuan Weerts **Date:** 3/21/2023 1:47:26 PM
Phone: 651-284-6438 **Email:** xunxuan.weerts@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	809	809	809	809	809
Total	-	809	809	809	809	809
	Biennial Total		1,618		1,618	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	809	809	809	809	809
Total	-	809	809	809	809	809
	Biennial Total		1,618		1,618	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-		-	

Bill Description

This fiscal note is on the second engrossment of HF 20 as amended by the A17 amendment.

The bill extends potential eligibility for unemployment insurance benefits to people who have worked at a postsecondary educational institution and are between academic years, if the applicant’s work was in a capacity other than instruction, research, or principal administration.

The bill adds a mechanism to statute under which state postsecondary institutions may receive unemployment insurance aid to offset cost increases caused by the extension of eligibility. New statutory language sets the amount of aid an institution is eligible for at up to the difference between what it paid in unemployment benefits in fiscal year 2022 and what it paid in unemployment benefits in the year for which the aid will be received. The statute further provides that if the Minnesota State systemwide total benefits eligible for unemployment insurance aid for a fiscal year is greater than the annual appropriation for that year, payments must be made to individual colleges and universities on a pro rata basis.

The bill funds the new statutory language with annual appropriations in session law of \$39.123 million to the Board of Trustees of the Minnesota State Colleges and Universities for unemployment insurance aid to individual colleges and universities. The appropriation language provides that if Minnesota State and the Department of Employment and Economic Development jointly forecast a different aid entitlement for hourly school workers, the appropriated amount may be adjusted up or down from the original \$39.123 million. The entitlement for hourly school workers is defined by the statutory language as the difference between the total amount paid in unemployment benefits by Minnesota State colleges and universities in fiscal year 2022 and the total amount forecasted that they will pay in unemployment benefits in any given year.

Assumptions

At current staffing levels, an estimated 359 individuals would become eligible for unemployment between academic terms, 82 in MSUAASF and 277 in statewide classified bargaining units.

Based on Minnesota State payroll, DEED has calculated the average weekly benefit to be \$633 for newly-eligible MSUAASF employees and \$393 for newly-eligible classified plan employees.

Newly-eligible positions are assumed to be nine-month appointments.

Per DEED guidance, an estimated average portion of eligible weeks paid of 74% is applied to account for the various reasons an applicant would be ineligible in a given week, including the fact that there is a mandatory wait period of one week at the beginning of an eligible period.

Per DEED guidance, an estimated reciprocity rate of 55% is applied to all eligible employees to estimate the portion of employees that would apply and be eligible.

Expenditure and/or Revenue Formula

Staff Category	Headcount	Average Weekly Benefit	Average Claim Length	Reciprocity	Estimated Costs
MSUAASF Seasonal	82	\$633	8.88	55%	\$253,616
Classified Seasonal	277	\$393	8.88	55%	\$532,023
Total	359				\$785,640

Administrative costs (not including legal costs)	
Number of newly invoiced employees (359 x 55%)	198
x average hours to review, process or decide to contest invoices	3
x estimated average hourly salary & fringe for processing	\$40
= Administrative costs	\$23,760
Total costs	
Unemployment benefit costs	\$785,640
+ Administrative costs	\$23,760
= Total annual costs starting in FY2024	\$809,400

Long-Term Fiscal Considerations

An unknown portion of claims would result in legal proceedings to contest eligibility. This could result in significant additional costs not shown.

Based on the likelihood that higher education staff would widely educate one another on the availability of this benefit, the actual reciprocity rate would likely be significantly higher than estimated using the statewide average of 55% provided by DEED.

Since the appropriation for unemployment insurance aid is made in session law rather than in the statute that creates the entitlement, future funding amounts are subject to biennial budget processes. Significantly lower appropriation amounts could leave individual institutions with the obligation to cover the cost increases caused by this bill within existing operating funds.

Local Fiscal Impact

References/Sources

Agency Contact: Steve Ernest (651-201-1710)

Agency Fiscal Note Coordinator Signature: Steve Ernest
Phone: 651-201-1710

Date: 3/21/2023 1:42:13 PM
Email: Steve.Ernest@minnstate.edu

HF20 - 4A - Between Terms Unemployment Insurance

Chief Author: **Emma Greenman**
 Committee: **Workforce Development Finance**
 Date Completed: **3/22/2023 8:46:47 AM**
 Agency: **Minnesota State Academies**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	321	321	321	321	321
Total	-	321	321	321	321	321
Biennial Total			642			642

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/21/2023 10:15:14 AM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	321	321	321	321	321
Total		-	321	321	321	321
Biennial Total				642		642
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	321	321	321	321	321
Total		-	321	321	321	321
Biennial Total				642		642
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill amends MN Statutes 2022, section 268.085, subdivision 7(b), adding that section (a) also does not apply when an applicant is in a position for which no license is required by the Professional Educator Licensing and Standards Board or the Board of School Administrators.

Under existing law, all school employees (an esitated 71,500 FTE licensed staff and 50,000 non-licensed staff for FY2019) are ineligible for unemployment benefits during interim periods where they are likely to retain employment for the next term (i.e. summer break, etc.).

This bill would make non-licensed staff eligible for unemployment benefits during these interim periods.

Assumptions

There would be approximately 133 FTE's from the Minnesota State Academies that would be affected by this bill.

Expenditure and/or Revenue Formula

The Minnesota State Academies used an estimated 133 employees with an overall unemployment recipiency rate of 55%, an average weekly benefit of \$469 and with the average number of weeks of 9.36 to calculate the total cost of the benefits.

Long-Term Fiscal Considerations

This would be ongoing.

Local Fiscal Impact

N/A

References/Sources

HF1054-0-Unemployment Wage Credits Modified

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amber Miller
Phone: 507-384-6607

Date: 3/21/2023 9:29:40 AM
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HF20 - 4A - Between Terms Unemployment Insurance

Chief Author: **Emma Greenman**
 Committee: **Workforce Development Finance**
 Date Completed: **3/22/2023 8:46:47 AM**
 Agency: **Office of Higher Education**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	495	495	495	495	495
Total	-	495	495	495	495	495
Biennial Total			990			990

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	.25	.25	.25	.25
Total	-	.25	.25	.25	.25

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/21/2023 6:57:19 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	495	495	495	495	495
Total		-	495	495	495	495
Biennial Total				990		990
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	495	495	495	495	495
Total		-	495	495	495	495
Biennial Total				990		990
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

HF20-4A

Section 3 would amend MS 268.19 subdivision 1 related to acceptable uses of certain private data on individuals or nonpublic data gathered under the Minnesota Unemployment Insurance Law. OHE is currently listed as one of the entities permitted to use such data for “research initiatives including the Statewide Longitudinal Education Data System.” This section adds an additional permitted purpose: “and for the purposes of reimbursement under section 268.193, subdivision 5.”

Section 6 Defines Eligible Postsecondary Institutions as eligible to receive unemployment insurance aid. For each fiscal year, an eligible entity’s aid is the difference between fiscal year 2022’s unemployment costs and the current year’s unemployment insurance costs. If the total eligible unemployment aid for the fiscal year is greater than the annual appropriation for that year, the Office of Higher Education must proportionately reduce the aid payment to each eligible entity.

Section 10 appropriates funds to the Office of Higher Education to administer unemployment insurance aid to the Tribal Colleges. \$488,850 is appropriated in fiscal year 2024 and is the base for future years. \$471,000 is for unemployment insurance aid, \$17,850 is for administration of unemployment insurance aid.

Assumptions

OHE’s estimates are based on the assumptions outlined below. Deviations from these assumptions may result in additional administrative costs that would change the cost estimate presented in the fiscal note.

- Work would begin no sooner than fiscal 2024.
- Without access to any data as to the amounts that will be calculated disbursement, OHE assumes all appropriated funds will be disbursed in the year appropriated.
- Disbursements will occur no more than four times per year (quarterly). There are only three Tribal Colleges defined by the statute. OHE would initiate contracts with each of the Tribal Colleges to disburse the funds. This means that the maximum number of disbursements from OHE per year would be 12.
- Work related to administering the program include: Developing relationships with appropriate staff at the Tribal Colleges, Developing relationships with the Department of Employment and Economic Development to build capacity at OHE regarding unemployment insurance payments. Setting up contracts with the Tribal Colleges. Collecting and reviewing

Unemployment Insurance employer accounts to calculate unemployment aid. Tracking unemployment insurance aid and pro-rating unemployment insurance aid, if total aid is greater than annual appropriation.

Expenditure and/or Revenue Formula

Unemployment Insurance Aid: Without access to relevant data, OHE assumes all appropriated funds will be disbursed in the year appropriated.

Staff: Based on the activities required to administer the program discussed above, OHE estimates a 0.25 FTE State Program Administrator Principal salary would be required (\$97,216 salary and fringe x .25 = \$24,304).

-	FY24	FY25	FY26	FY27	Total
Unemployment Insurance Aid to Tribal Colleges	\$471,000	\$471,000	\$471,000	\$471,000	\$1,884,000
Staff (Salary & Fringe)	\$24,304	\$24,304	\$24,304	\$24,304	\$97,216
Total Costs	\$495,304	\$495,304	\$495,304	\$495,304	\$1,981,216

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

None

Agency Contact: Poawit Yang

Agency Fiscal Note Coordinator Signature: Poawit Yang

Phone: 651-259-3951

Date: 3/21/2023 6:46:21 PM

Email: poawit.yang@state.mn.us

HF20 - 4A - Between Terms Unemployment Insurance

Chief Author: **Emma Greenman**
 Committee: **Workforce Development Finance**
 Date Completed: **3/22/2023 8:46:47 AM**
 Agency: **Perpich Center for Arts Education**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	24	24	24	24	24
Total	-	24	24	24	24	24
Biennial Total			48			48

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/16/2023 10:06:11 AM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	24	24	24	24	24
Total	-	24	24	24	24	24
Biennial Total			48			48
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	24	24	24	24	24
Total	-	24	24	24	24	24
Biennial Total			48			48
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill amends MN Statutes 2018, section 268.08, subd. 7(b), adding that section does not apply when an applicant is in a position for which no license is required by the Professional Educator Licensing and Standards Board or the Board of School Administrators Under existing law, all school employees (an estimated 71,500 FTE licensed staff and 50,000 FTE non-licensed staff for FY2019) are ineligible for unemployment benefits during interim periods where they are likely to retain employment for the next term (i.e. summer break, etc.) The bill would make non-licensed staff eligible for unemployment benefits during these interim periods.

Assumptions

There would be approximately 12 FTE's from Perpich Center for Arts Education that would be affected by this bill. This is money that will be reimbursed to the unemployment trust fund at DEED. The number used are from 2023 and are the most recently available numbers and were calculated in 2023.

Expenditure and/or Revenue Formula

The data is derived from Perpich Center for Arts Education.

Estimated Yearly Unemployment Expense - \$23,586.95.

11.43 FTE (eligible employees) X 0.55 (Reciency Rate) X \$469 (Average weekly benefit) X 8 (average weeks of benefits- June 10 through Week of August 1) = \$23,586.95.

Long-Term Fiscal Considerations

This would be ongoing.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Charles Rick

Phone: 763-279-4160

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Email: charles.rick@pcae.k12.mn.us

HF20 - 4A - Between Terms Unemployment Insurance

Chief Author: **Emma Greenman**
 Committee: **Workforce Development Finance**
 Date Completed: **3/22/2023 8:46:47 AM**
 Agency: **University Of Minnesota**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	366	366	366	366	366
Total	-	366	366	366	366	366
Biennial Total			732			732

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	366	366	366	366	366
Total		-	366	366	366	366
Biennial Total				732		732
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	366	366	366	366	366
Total		-	366	366	366	366
Biennial Total				732		732
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

HF20-4A would make non-exempt (non-professional) employees who work only during the academic term eligible for unemployment benefits during the unpaid summer break, and fund a special reimbursement account for each of four categories of “participating educational institutions” to cover the additional cost of the expanded unemployment benefits. The University of Minnesota is one of these participating educational institutions.

Subdivision 5 of this new statute would create an account in the special revenue fund “to be known as the University of Minnesota reimbursement account, that does not lapse nor revert to any other fund or account.” DEED is instructed to calculate the appropriate amounts for reimbursement, which would then be disbursed on a quarterly basis. Section 5 appropriates \$68,470,000 as a one- time transfer from the general fund to the Board of Regents of the University of Minnesota reimbursement account in fiscal year 2024.

Assumptions

University of Minnesota non-exempt (non-professional) employees in 9- and 10-month appointments will become newly eligible for unemployment benefits during the summer break between academic terms. 9- and 10-month appointments are continuing, non-temporary appointments that consist of an active work period, and a work break in the summer, recurring each year.

The following employee data are from February 2023:

1. University of Minnesota estimates that 208 employees would be newly eligible for unemployment benefits. Of these, 157 are in 9-month appointments and 51 are in 10-month appointments.
2. DEED statistics indicate that the reciprocity rate in Minnesota varies between 50% and 60%. In their analysis the midpoint of 55% is used, which we assume to be reasonable.
3. According to DEED’s analysis in 2021, 67% to 81% of claims meet all eligibility requirements. DEED started with the potential weeks of unemployment benefits for the added eligibility group, subtracted the “waiting week” and then multiplied the 67% to 81% range by the resulting number of potential weeks of eligibility.
4. 9-month employees will be off work for 13 weeks per year, of which 1 is a waiting week, so they could file claims for 12 weeks. 10-month employees will be off work for 9 weeks per year, of which 1 is a waiting week, so they could file claims for 8 weeks. Applying the average of 67%-81%, or 74%, to the actual potential weeks results in an average claim length of 8.88 weeks for a 9-month employee and 5.92 weeks for a 10-month employee.
5. The weekly benefit amount is calculated by taking 50% of the employee’s estimated average weekly wage up to the current state maximum of \$857. On average, the weekly benefit amount will be \$388 for 9-month employees and \$411 for 10-month employees.

The University uses a third-party vendor for its unemployment process and does not anticipate a material increase in administrative costs as a result of this legislation.

The State of Minnesota provides 17% of the University of Minnesota's funding.

Expenditure and/or Revenue Formula

Appt Type	Newly Eligible Employee Count	Reciency Rate Midpointt	Average Weeks Benefit	Avg Weekly Benefit	Total Cost
9 Mo Active, 3 Mo Break	157	55%	8.88	\$388	\$297,509
10 Mo Active, 2 Mo Break	51	55%	5.92	\$411	\$68,2391
					\$365,748

Long-Term Fiscal Considerations

Ongoing.

Local Fiscal Impact

HF20-4A will impact local government, particularly school districts.

References/Sources

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