

FISCAL NOTE

Bill #: SB0079

Title: Payment of wages and benefits for noncertified school employees during closures

Primary

Sponsor: Dan Harrington

Status: As Introduced

| | | | |
|-------------------|------|---------------------------------|------|
| Sponsor signature | Date | Chuck Swysgood, Budget Director | Date |
|-------------------|------|---------------------------------|------|

Fiscal Summary

| | <u>FY2002</u> <u>Difference</u> | <u>FY2003</u> <u>Difference</u> |
|--|--|--|
| Expenditures: | | |
| Other (Unemployment Trust Fund) | \$2,380,000 | \$2,465,000 |
| Revenue: | | |
| Other (Unemployment Trust Fund, reimbursed by employers) | \$1,261,400 | \$1,306,450 |
| Net Impact on General Fund Balance: | \$0 | \$0 |

| | | | | | |
|------------------------|------------------|----------------------------------|------------------------|-----------------------|-------------------------------|
| <u>Yes</u> X | <u>No</u> | | <u>Yes</u> X | <u>No</u> X | |
| | | Significant Local Gov. Impact | | | Technical Concerns |
| | X | Included in the Executive Budget | X | | Significant Long-Term Impacts |
| | X | Dedicated Revenue Form Attached | X | | Family Impact Form Attached |

Fiscal Analysis

ASSUMPTIONS

1. From July 1, 1982 through June 30, 1985, similar legislation to this bill existed. The average annual benefit charges for government entities for the three-year period (FY 1983 through FY 1985) were \$4,600,000. During this period qualification provisions allowing payments to noncertified school employees were as proposed in SB 79.
2. In 1985, legislation was enacted which disallowed the possibility of benefits for noncertified school employees. The average annual benefit charges for government entities for a three year period following the change (FY 1986 through FY 1988) were equal to \$2,900,000 for a reduction of \$1,700,000 in benefits

(continued)

- charged, or a 37% reduction in charges. More recent years are not used for comparison because benefit charges have changed for other economic reasons.
3. The difference of \$1.7 million in average annual benefit charges to governmental entities between the three year periods is attributed in whole to the denial of benefits to noncertified school employees between academic terms and during vacations or holidays. No other economic or law changes can be attributed to the drop in benefit charges to governmental entities during this time period.
 4. The average weekly benefit amount for noncertified school employees in FY 1985 was approximately \$95. Using salary and average hours worked per week, a current average weekly benefit amount for all noncertified school employees in \$133 (40% increase) in FY 2002 and \$138 (45% increase) in FY 2003. (Source: Montana Department of Labor and Industry, Job Services Division, Research and Analysis Bureau, BLS Occupational Employment Statistics Program).
 5. Using the change in average annual weekly benefit amount as an inflation factor, the \$1.7 million difference from assumption # 3 would result in projected charges of \$2,380,000 in FY 2002 and \$2,465,000 in FY 2003.
 6. Since FY 1985, approximately half of the educational institutions in Montana have switched from governmental employer status to reimbursable employer status (53%). School wages covered under governmental and regular experience rated status account for 47% of all school wages.
 7. While the trust fund will pay out benefits, only the reimbursable employer status schools will make a contribution to the trust fund during FY 2002 and FY 2003. Therefore, the impact (expenditures minus revenues) to the trust fund would be \$1,118,600 (47% of the projected \$2,380,000) in FY 2002 and \$1,158,550 (47% of the projected \$2,465,000) in FY 2003.
 8. The majority of the schools under the reimbursable employer status are covered under the Montana Schools Unemployment Insurance fund.
 9. Reimbursable benefit charges will not significantly affect the Unemployment Insurance trust fund. Reimbursable schools are directly charged for benefits charges. This proposal may induce reimbursable schools to switch back to the governmental employee rating system. Other reimbursable school employers will be directly charged for benefit charges.
 10. Generally, benefits paid from the UI trust fund are restored in one of two ways by governmental entities: a) direct reimbursement from the employer of the benefit amount paid, or b) through the experience rating mechanism which adjusts rate schedules to ensure that an adequate balance is maintained in the trust fund. Therefore, \$1,261,400 would be restored to the UI trust fund by direct reimbursement and \$1,118,600 would be restored through the adjustment of rates of the "experience-rated" schools.
 11. Governmental accounts are experience rated. Again, the fiscal impact is on the covered entity, as their UI rates would increase to the extent benefits paid out increases. For experience rated schools, there is a short-term impact to the UI Trust Fund, but based upon experience, rates are adjusted to increase premiums and correct for any increase in benefits paid. The experience rated system for governmental entities will experience an increase in charges and result in higher tax rates in *future* years. The number of years would depend upon the number of schools switching from reimbursable to governmental status.

FISCAL IMPACT:

| | <u>FY2002</u> <u>Difference</u> | <u>FY2003</u> <u>Difference</u> |
|----------------------|------------------------------------|------------------------------------|
| <u>Expenditures:</u> | | |
| Benefits | \$2,380,000 | \$2,465,000 |

Funding:

| | | |
|---|-------------|-------------|
| Other (Unemployment Insurance Trust Fund) | \$2,380,000 | \$2,465,000 |
|---|-------------|-------------|

Revenues:

| | | |
|------------------------------------|-------------|-------------|
| Other (Reimbursable accounts only) | \$1,261,400 | \$1,306,450 |
|------------------------------------|-------------|-------------|

Net Impact to Fund Balance (Revenue minus Expenditure):

| | | |
|---|---------------|---------------|
| Other (Unemployment Insurance Trust Fund) | (\$1,118,600) | (\$1,158,550) |
|---|---------------|---------------|

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This bill may require local governments to spend additional sums for which no specific means of financing are provided. Section 1-2-114, MCA provides that a bill which has such impact may not be introduced.

Reimbursable: School districts that have chosen the reimbursable employer system will experience an increase in benefit charges. These schools are charged dollar for dollar for their benefit charges. Reimbursable employer schools that use the services of Montana Schools Unemployment Insurance Program will see an increase in their rate structures in the program.

Governmental: There will be no effect on the governmental employer rates in the 2003 biennium due to the lag time of additional benefits to effect the rating structure. County and local governments, as part of the experience rating system for governmental entities, will experience increase tax rates in future years. The proposal will not raise rates during the 2003 biennium.

In addition to increased costs for unemployment insurance, this bill also requires the school districts to pay noncertified employees for pupil-instruction days that have been cancelled as a result of an emergency and not rescheduled.

LONG-RANGE IMPACTS:

In four to six years, the ratio of total benefit charges to total wages will trigger higher tax rates for the governmental employer experience rating system. State government as well as local government will be assessed the resulting higher tax rates.