

# Economic Policy Institute

Melissa Hortman  
Speaker, Minnesota House of Representatives

RE: Cost estimates for HF1035, unemployment benefits for nonlicensed K-12 school staff

8 March, 2022

Speaker Hortman,

My name is Dave Kamper and I am a Senior State Policy Coordinator for the Economic Policy Institute (EPI), a nonprofit, nonpartisan think tank that conducts research on the impact of economic trends and policies on working people. While EPI is based in Washington, DC, I live in Brooklyn Park and am a constituent of yours.

I am writing to offer additional information and perspective regarding the possible costs of the portion of HF1035 that enables nonlicensed K-12 school staff to access unemployment insurance (UI) benefits in the summer. On February 17<sup>th</sup>, I gave a [presentation](#) to the House Education Finance Committee, based on an [analysis](#) my colleague Julia Wolfe and I published in May 2021. In that presentation, I described a good faith estimate for the cost of this change at around \$28 million a year, based upon a reasonable and transparent methodology described in our May 2021 analysis.<sup>1</sup>

I have been asked by proponents of the bill to amplify my February 17<sup>th</sup> remarks in one area in particular – reciprocity. “Reciprocity” represents the share of eligible people who apply for and receive unemployment benefits. Obviously, the higher the reciprocity rate, the greater the cost of the change.

When Illinois instituted UI benefits for nonlicensed school staff in 2020, the uptake was the equivalent of 11% of those staff receiving benefits for the whole summer. This does not mean that only 11% of employees received benefits, because some number of them may have received benefits for only part of the summer, but on a full-summer basis it equated to 11% of

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<sup>1</sup> HF1035 would also include certain higher education employees. Our analysis was based on a comparison with a similar bill passed in Illinois in 2020. The higher education provisions of the Illinois measure are not similar to those in HF1035, and as such we did not feel we could accurately render an estimate of the costs or benefits to higher education employees and institutions. This memo only speaks to K-12 staff.

the nonlicensed school staff in Illinois. Because Illinois was the only real-life comparator available to us, we used an 11% reciprocity rate as the basis of our calculations for estimating the cost of HF1035. Given that it is the only real-world comparison, and it is based on a period when there was considerable economic distress, heightened public awareness of the UI system, and—for the early portion of that summer—additional financial incentive for collecting UI as result of the additional federal pandemic unemployment compensation added to every weekly UI payment, our use of the 11% estimate from Illinois is an eminently reasonable assumption.

However, we have been informed that other estimates have suggested 50-60% of nonlicensed school staff would end up receiving UI benefits for the entire summer if HF1035 passes. I am not aware of the basis by which that 50-60% figure has been chosen. As I noted, our analysis is based on the only real-life comparator available and represents a unique moment in time when the financial incentive to collect UI was higher than it has ever been. Assuming reciprocity dramatically higher than this real-world example seems highly dubious. In general, assumptions that form the basis of cost estimates should always preference specific real-world evidence over a theoretical approach.

However, there are additional reasons to believe the 50-60% figure is far too high, and our 11% figure is closer to the mark.

There are, broadly speaking, three “filters” that would cut down the number of school staff who would end up applying for this benefit:

- 1) The share of nonlicensed school staff who work year-round for the school district
- 2) The share of nonlicensed school staff who already have non-school-related summer jobs
- 3) The share of those remaining who would apply for unemployment benefits.

A back-of-the-envelope estimate of these numbers supports the idea that 11% is a reasonable figure.

### **Nonlicensed school staff working twelve months of the year**

Every school district has at least some nonlicensed employees who work all twelve months of the year. Some school bus drivers, some custodial and maintenance staff, and some clerical/administrative staff need to be on hand throughout the year. In addition, paraprofessional educators would be needed whenever summer school is taught. There is, unfortunately, no available data set that captures this information.

A National Center for Educational Statistics [study](#) from 2015-16 suggested that 20% of licensed teachers taught summer school. It is likely that a disproportionate number of students taught

in the summer either need special education services or are English language learners, and as such it seems reasonable to believe that the number of paraprofessionals involved in summer school would be at least 20% of the total, and likely more.

### Nonlicensed school staff who already have non-school-related summer jobs

The same NCES study noted above reported that 16% of licensed teachers had a summer job unrelated to the school district. No similar research has been done for nonlicensed school employees, but the number may be many times higher for one obvious reason: wages. As a [recent report](#) by my EPI colleagues David Cooper and Sebastian Hickey demonstrate, while the weekly median wage for all workers in the US economy is \$790, school support staff are paid much less:

- Food service workers: \$331
- Bus drivers: \$493
- Teaching assistants: \$507
- School custodians: \$575

These wages are only earned when the employee is working for the district. If they are not retained by the district over the summer, their wage would of course be zero.

These are nowhere close to living wages. EPI's [Family Budget Calculator](#) reports the cost of living for any county in Minnesota. In Steele County, for example (shown at right), a family of two adults and one child needs \$5,315/month to attain a modest yet accurate standard of living. Support staff wages aren't remotely sufficient to support a family, even with assistance from programs like food stamps which many school support staff [would be eligible for](#) if their only source of income is their work for the district.

MONTHLY COSTS	
2 adults and 1 child Steele County, MN	
🏠 HOUSING	\$764
🍽️ FOOD	\$576
👶 CHILD CARE	\$587
🚗 TRANSPORTATION	\$1,164
🏥 HEALTH CARE	\$1,127
🛒 OTHER NECESSITIES	\$486
🔄 TAXES	\$611
<b>MONTHLY TOTAL</b>	<b>\$5,315</b>
<b>ANNUAL TOTAL</b>	<b><u>\$63,783</u></b>

### **The share of those remaining that would apply for unemployment benefits**

The US Department of Labor's Bureau of Labor Statistics (BLS) provides data on UI take-up among eligible persons. In the five years before COVID, 2015–2019, the share of the unemployed receiving UI benefits in Minnesota [ranged from](#) 39–45%. We believe that Minnesota will likely return to this range of values once COVID's economic impacts are behind us.

**In conclusion,** , there is little reason to believe that 50–60% of all nonlicensed school staff would end up receiving a summer's worth of UI benefits if HF1035 passes. A more realistic estimate would break down as follows:

- 20% of nonlicensed school staff work for the school year round, leaving 80% to potentially claim UI benefits.
- Another 50-70% likely have a summer job outside the school district, leaving 10%-30% to potentially claim UI benefits.
- Of those remaining, 39-45% will end up receiving unemployment benefits based on existing take-up rates, giving a number very close to the 11% we used for our analysis.

As I noted earlier, we believe that the most useful number to use is the 11% experienced by Illinois in real life, leading to the ~\$28 million figure I used in my testimony on February 17<sup>th</sup>.

Please do not hesitate to let me know if there is anything more I can do to assist you or the House in its deliberations on this bill.

Yours very sincerely,

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