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MEMO

TO: Senate chairs and minority leads of committees to which SF3588 has been referred
House of Representatives chairs and minority leads of committees to which HF3446 has been referred.

FROM: Christian Larson, LBO Director

DATE: May 7, 2024

SUBJECT: Local Impact Note Request: SF3588 (Mohamed) – Unemployment Eligibility During a Labor Dispute

Enclosed is the local impact note for SF3588 (Mohamed) – Unemployment eligibility during a labor dispute, requested by Senator Eric Pratt, as the ranking minority member of the Senate Finance Committee. SF3588 is a companion bill to HF3446 (Berg). The 1A version of SF3588 was considered in the preparation of this local impact note. All references to SF3588 in the local impact note are in reference to the 1A version.

The Legislative Budget Office (LBO) is charged with coordinating the development of local impact notes under Minnesota Statute 3.987. Local impact notes focus on the impact of proposed legislation on political subdivisions, understood to include local entities such as cities, townships, counties, and school districts.

The local impact note provides a summary of the bill, a description of the methodology used in the development of the note, and analysis developed by the LBO regarding the fiscal impact of SF3588 on local units of government. The local impact note is available electronically on the [LBO website](#).

If you or your staff have any questions about the local impact note process, please contact LBO Director, Christian Larson, at 651-284-6436.

cc: Representative Kaela Berg
Senate Fiscal Staff
House Fiscal Staff
LBO Staff

Committee leadership receiving a copy of the local impact note:

Senator John Marty

Senator Nick Frenz

Senator Eric Pratt

Senator Bobby Joe Champion

Senator Zaynab Mohamed

Senator Rich Draheim

Representative Liz Olson

Representative Heather Edelson

Representative Pat Garofalo

Representative Jay Xiong

Representative Jeff Brand

Representative Dave Baker

Local Impact Note

2023-2024 Legislative Session

Minnesota Legislative Budget Office

Senate File 3588 – Unemployment benefits during a labor dispute; modifications

Authors: Mohamed; Oumou Verbeten; McEwen

Date: May 7, 2024

Executive Summary

The fiscal effects to local units of government for SF3588 cannot accurately be projected due to limitations in the ability to estimate the location, duration, and number of participants of future work stoppages as a result of labor disputes. To develop a sense of the fiscal impact for this bill, the local impact note analyzes past work stoppages for local units of government in Minnesota and estimates what would have been the unemployment benefits paid if SF3588 was in place when those work stoppages occurred.

From 2001 to 2023 there were 14 work stoppages for local units of government: one city, three counties, and ten school districts. For purposes of the analysis, a range of reciprocity rates was applied to the workers involved in the work stoppages (30 percent, 50 percent, and 70 percent). Also, to get a sense of the current cost to local units of government, projected 2025 wages were assumed in the calculation.

The one work stoppage for cities between 2001 and 2023 is estimated to result in total unemployment insurance benefit payments of between \$5,000 and \$12,000, depending on the reciprocity rate using projected 2025 wages. The three counties had estimated impacts between \$20,000 and \$53,000. School districts had the most work stoppages between 2001 and 2023 and had the largest range of possible impacts. It is estimated that for nine of the work stoppages at school districts, between \$7,000 and \$275,000 in unemployment insurance benefits would have been paid. One school district was an outlier compared to the other nine, which would have resulted in unemployment benefits paid of \$1.5 million to \$3.6 million, depending on the reciprocity rate.

Local units of government are likely operating as reimbursing employers within the unemployment insurance system. Reimbursing employers would be charged in the quarter following the payment of the unemployment insurance benefits for the amount paid to workers involved in the work stoppage.

Some considerations regarding future fiscal implications of the SF3588 are possible changes in behavior of workers and employers when they know that striking workers can receive partial wage replacement during the work stoppage. Workers may be more likely to engage in a work stoppage or extend a work stoppage as a result of SF3588. It is also possible that the bargaining position changes between workers and employers so that work stoppages decrease, and that staff related costs go up for employers, including local units of government.

Bill Description

(From Senate Counsel, Research, and Fiscal Analysis Bill Summary)

Senate File 3588 amends existing unemployment law related to labor disputes so that a striking worker would not be automatically ineligible for unemployment benefits during a dispute. Under current law, workers who leave employment due to participating in a strike or labor dispute are presumed ineligible for unemployment benefits for the duration of the strike or dispute.

Section 1 changes the presumption to one of eligibility for striking workers. If the striking worker otherwise meets unemployment eligibility requirements, they could be eligible for benefits from the time the labor dispute begins. A worker striking due to a labor dispute would not be considered to have quit, been discharged, suspended, or be on a leave of absence at the time the labor dispute begins, making them ineligible. And if a striking worker does quit or is discharged during the strike or labor dispute, the effective date would be the date of the quit or discharge.

Section 2 amends the definition of “actively seeking suitable employment” for an applicant that is a union member in the construction industry. This would allow a union member’s participation in a labor dispute to constitute “actively seeking suitable employment” for continued eligibility purposes.¹

Methodology

It is not possible to predict the future number or location of work stoppages that would result in workers newly eligible for unemployment benefits as a result of SF3588. To understand a likely scope of impact, the local impact note will review past work stoppages for Minnesota cities, counties, and school districts and estimate the unemployment benefits that would have been paid in those instances if this bill would have been in place at the time of the work stoppage. This analysis will provide a sense of scale of the benefits that could be paid for local units of government in the future. The local impact note used work stoppages between fiscal years 2001 through 2023 for purposes of this analysis. Work stoppages included in this analysis were provided to the LBO from the Minnesota Bureau of Mediation Services (BMS).

To estimate the unemployment insurance (UI) benefits paid for a particular population, assumptions need to be made about:

- the newly eligible population,
- the total weeks workers will be eligible for UI benefits,
- the rate at which UI benefits will be received relative to the total possible weeks workers are eligible (reciency rate), and
- the weekly UI benefits per newly eligible worker.

The formula to estimate the unemployment benefits paid as a result of a work stoppage will be:

(Newly Eligible Population) x (Weeks Eligible for Benefits) x (Reciency Rate) x (Avg. Weekly Benefit)

The following section provides the methods used in the local impact note to estimate these four variables.

Newly Eligible Population

The local impact note estimates the impact of providing unemployment benefits to striking workers for cities, counties, and schools districts using data on public employee work stoppages for local units of government for fiscal years 2001 through 2023.

According to the BMS data, there was a total of 14 work stoppages due to labor disputes for cities, counties, and school districts for fiscal years 2001 and 2023. School districts had the highest prevalence of work stoppages in that period with ten over the 23-year period. Counties had three work stoppages, and cities had one.

Table 1 provides the list of cities, counties, and school districts with work stoppages from fiscal years 2001 to 2023, the days lost per worker for each work stoppage, and the number of employees in the work stoppage.

Table 1: Work Stoppages for Minnesota Cities, Counties, and School Districts, Fiscal Year 2001 – 2023

Unit of Government	Employer	Fiscal Year	Length of Work Stoppage (in Days)	Employees in Work Stoppage
City	City of Mounds View	2002	16	9
County	Benton County	2001	13	60
County	McLeod County	2001	12	58
County	St. Louis County	2020	4	167
School District	ISD 182, Crosby-Ironton	2005	38	86
School District	ISD 197, West St. Paul	2001	14	232
School District	ISD 200, Hastings	2023	31	32
School District	ISD 256, Red Wing	2003	17	210
School District	ISD 281, Robbinsdale	2001	5	210
School District	ISD 361 International Falls	2003	16	92
School District	ISD 472, Isle	2001	6	39
School District	ISD 564, Thief River Falls	2001	40	37
School District	ISD 625, St. Paul	2020	3	3,770
School District	Special School District 1, Minneapolis	2022	14	4,143
Total			229	9,145

From Fiscal Year 2001 to Fiscal Year 2023, there have been periods of higher and lower work stoppage activity. In the 23-year period, there were ten work stoppages from fiscal years 2001 through 2005 and four work stoppages from fiscal years 2020 to 2023. There were no work stoppages from fiscal years 2006 through 2019. Over the 23-year period, there were seven fiscal years in which a work stoppage occurred.

Reciprocity Rate

The local impact note estimates a range of possible outcomes for employee UI benefits. It applies a reciprocity rate, which is the number of weeks workers receive benefits relative to the total weeks they are eligible. Per information from the Department of Employment and Economic Development (DEED), the state of Minnesota has a reciprocity rate of between 50 and 60 percent for all weeks that workers are eligible for UI benefits.

As DEED discusses in the fiscal note for SF3588, this would be a new law and historically striking workers have not been eligible for such benefits, it is possible that workers taking part in a work stoppage due to a labor dispute would request unemployment benefits below the normal reciprocity rate.²

It is also possible that labor unions and labor organizing entities may have incentive to keep union members informed of their eligibility for unemployment benefits while they are on strike, so it could be that such a population has a higher-than-average reciprocity rate.

To account for the unknown reciprocity rate for this population, the local impact note applies a low (30 percent), middle (50 percent) and high (70 percent) recipient rate to determine a range of possible impacts of the legislation.

Weeks Eligible for Unemployment Benefits

To develop an estimate of the number of weeks that workers are eligible for unemployment benefits the local impact note reviews the number of days of a work stoppage from fiscal years 2001 to 2023 for local units of government. Table 2 provides an estimate of the number of weeks lost for each employee involved in a work stoppage from fiscal years 2001 through 2023.

It is important to note that UI benefits are paid in weeks. The length of the work stoppage needs to be converted from days to weeks. To do this, the local impact note divides the number of days of the work stoppage by five days. We assume that one day worked in a week would lead to eligibility for payment of benefits in that week. Therefore, in the days-to-weeks calculation, all numbers are rounded up to the nearest whole number. In the tables included in this local impact note, any work stoppage lasting less than five days is noted as not applicable to the analysis as the work stoppage would not have resulted in payment of unemployment benefits.

Table 2: Estimated Weeks Eligible for Unemployment Benefits per Worker by Work Stoppage Event in Local Units of Government, Fiscal Years 2001 - 2023

Unit of Government	Employer	Fiscal Year	Length of Work Stoppage (in Days)	Weeks Eligible for UI Benefits per Worker
City	City of Mounds View	2002	16	4
County	Benton County	2001	13	3
County	McLeod County	2001	12	3
County	St. Louis County	2020	4	N/A
School District	ISD 182, Crosby-Ironton	2005	38	8
School District	ISD 197, West St. Paul	2001	14	3
School District	ISD 200, Hastings	2023	31	7
School District	ISD 256, Red Wing	2003	17	4
School District	ISD 281, Robbinsdale	2001	5	N/A
School District	ISD 361 International Falls	2003	16	4
School District	ISD 472, Isle	2001	6	2
School District	ISD 564, Thief River Falls	2001	40	8
School District	ISD 625, St. Paul	2020	3	N/A
School District	Special School District 1, Minneapolis	2022	14	3
Total			229	49

The total weeks that a participant is eligible for unemployment benefits is estimated by using the following formula:

$$(Number\ of\ Eligible\ Employees) \times (Weeks\ Eligible\ for\ Benefits) \times (Reciency\ Rate)$$

It is also important to note that the first week a worker is eligible for UI benefits is a nonpayable week. This means that the first week that the eligible employee is not working due to a qualifying event, the worker would not receive unemployment benefits for that week.³

Tables 3 – 5 provide the estimated total number of weeks that participants would be eligible for unemployment benefits per work stoppage by applying the formula explained above. The tables account for the number of nonpayable weeks, as well as estimate the total payable weeks for each qualifying event used for the local impact note analysis.

Table 3: Total Estimated Eligible Weeks for Unemployment Benefits by Work Stoppage Event in Local Units of Government at 30% Recipiency Rate, Fiscal Years 2001 - 2023

Unit of Government	Employer	Fiscal Year	Total Eligible Weeks (30%)	Nonpayable Weeks	Payable Weeks
City	City of Mounds View	2002	11	3	8
County	Benton County	2001	54	18	36
County	McLeod County	2001	52	17	35
County	St. Louis County	2020	N/A	N/A	N/A
School District	ISD 182, Crosby-Ironton	2005	206	26	180
School District	ISD 197, West St. Paul	2001	209	70	139
School District	ISD 200, Hastings	2023	67	10	57
School District	ISD 256, Red Wing	2003	252	63	189
School District	ISD 281, Robbinsdale	2001	N/A	N/A	N/A
School District	ISD 361 International Falls	2003	110	28	82
School District	ISD 472, Isle	2001	23	12	11
School District	ISD 564, Thief River Falls	2001	89	11	78
School District	ISD 625, St. Paul	2020	N/A	N/A	N/A
School District	Special School District 1, Minneapolis	2022	3,729	1,243	2,486
Total			4,802	1,501	3,301

Table 4: Total Estimated Eligible Weeks for Unemployment Benefits by Work Stoppage Event in Local Units of Government at 50% Reciprocity Rate, Fiscal Years 2001 - 2023

Unit of Government	Employer	Fiscal Year	Total Eligible Weeks (50%)	Nonpayable Weeks	Payable Weeks
City	City of Mounds View	2002	18	5	13
County	Benton County	2001	90	30	60
County	McLeod County	2001	87	29	58
County	St. Louis County	2020	N/A	N/A	N/A
School District	ISD 182, Crosby-Ironton	2005	344	43	301
School District	ISD 197, West St. Paul	2001	348	116	232
School District	ISD 200, Hastings	2023	112	16	96
School District	ISD 256, Red Wing	2003	420	105	315
School District	ISD 281, Robbinsdale	2001	N/A	N/A	N/A
School District	ISD 361 International Falls	2003	184	46	138
School District	ISD 472, Isle	2001	39	20	19
School District	ISD 564, Thief River Falls	2001	148	19	129
School District	ISD 625, St. Paul	2020	N/A	N/A	N/A
School District	Special School District 1, Minneapolis	2022	6,215	2,072	4,143
Total			8,005	2,501	5,504

Table 5: Total Estimated Eligible Weeks for Unemployment Benefits by Work Stoppage Event in Local Units of Government at 70% Reciprocity Rate, Fiscal Years 2001 - 2023

Unit of Government	Employer	Fiscal Year	Total Eligible Weeks (70%)	Nonpayable Weeks	Payable Weeks
City	City of Mounds View	2002	25	6	19
County	Benton County	2001	126	42	84
County	McLeod County	2001	122	41	81
County	St. Louis County	2020	N/A	N/A	N/A
School District	ISD 182, Crosby-Ironton	2005	482	60	422
School District	ISD 197, West St. Paul	2001	487	162	325
School District	ISD 200, Hastings	2023	157	22	135
School District	ISD 256, Red Wing	2003	588	147	441
School District	ISD 281, Robbinsdale	2001	N/A	N/A	N/A
School District	ISD 361 International Falls	2003	258	64	194
School District	ISD 472, Isle	2001	55	27	28
School District	ISD 564, Thief River Falls	2001	207	26	181
School District	ISD 625, St. Paul	2020	N/A	N/A	N/A
School District	Special School District 1, Minneapolis	2022	8,700	2,900	5,800
Total			11,207	3,497	7,710

Average Weekly Wage

The weekly UI benefit in Minnesota is about 50 percent of the worker's average weekly wage.⁴ The LBO took two approaches to estimate the average weekly wages for employees newly eligible for unemployment benefits resulting from SF3588. The first was to use the average weekly wage of Minnesota local government employees using Quarterly Census and Employment and Wage (QCEW) data as published by the Bureau of Labor Statistics (BLS).⁵

The local impact note also includes an analysis of the wages for occupations that would likely fall within the bargaining units involved in the work stoppages. This occupation analysis is included to validate the use of the QCEW average weekly wage for all Minnesota local government employees as a useful estimate for the weekly wages for the impacted population. This data was collected by accessing the Occupational Employment and Wage Statistics (OEWS) Survey as published by the BLS in May 2023.⁶

Quarterly Census of Employment and Wages (QCEW)

According to the QCEW data, the average weekly wage for employees of local units of government in Minnesota in 2022 was \$1,129. The last year an annual average weekly wage was available was 2022.

Minnesota local government employee's wages grew an average of 3.4 percent annually from 2013 to 2022. Applying this 3.4 percent growth rate, the average weekly wage for employees is projected as follows:

- 2025 – \$1,248
- 2026 – \$1,290
- 2027 – \$1,334

These years are provided as Fiscal Year 2025 is the first year this bill would be enacted and Fiscal Years 2026 and 2027 represent the tail years of the budget period traditionally included in a fiscal note.

Assuming that weekly UI benefits are half of the average weekly wage, the following is projected as the average weekly UI benefits paid for Minnesota local government employees:

- 2025 – \$624
- 2026 – \$645
- 2027 – \$667

Occupational Employment and Wage Statistics (OEWS)

To verify the reasonableness of the wage estimates for workers newly eligible for unemployment benefits as a result of SF3588, it is possible to review occupation specific wage data. In doing so, the occupations likely impacted by the bill need to be identified. The following analysis uses the bargaining unit type as a proxy for the type of occupations involved in a work stoppage. Table 6 provides the bargaining unit type for cities, counties, and school districts.

Table 6: Bargaining Unit Types Involved in Work Stoppages for Local Units of Government in Minnesota, Fiscal Years 2001 - 2023

Unit of Government	Unit Type
City	Clerical-Admin Unit
County	Clerical Unit
County	Highway/Public Works/ Parks
County	Social Services Unit
School District	Bus Drivers Unit
School District	Bus Drivers, Custodians Unit
School District	Education Assistants
School District	Food Service
School District	Paraprofessionals Unit
School District	School Community Support Professionals
School District	Teachers
School District	Transportation Unit
School District	Wall-to-wall

Table 7 provides the occupational codes identified with the associated bargaining units along with the median annual wage in Minnesota for workers within that employee code.

Table 7: Occupations Identified as Representative of those Involved in Minnesota Local Units of Government Work Stoppages, Fiscal Years 2001 – 2023

Occupational Code	Occupational Title	Mean Annual Wage
21-0000	Community and Social Service Occupations	\$59,820
25-2012	Kindergarten Teachers, Except Special Education	\$68,860
25-2021	Elementary School Teachers, Except Special Education	\$67,250
25-2022	Middle School Teachers, Except Special and Career/Technical Education	\$68,710
25-2023	Career/Technical Education Teachers, Middle School	\$79,660
25-2031	Secondary School Teachers, Except Special and Career/Technical Education	\$70,170
25-2032	Career/Technical Education Teachers, Secondary School	\$71,770
25-2052	Special Education Teachers, Kindergarten and Elementary School	\$66,250
25-2057	Special Education Teachers, Middle School	\$68,030
25-2058	Special Education Teachers, Secondary School	\$70,370
25-2059	Special Education Teachers, All Other	\$66,530
25-9045	Teaching Assistants, Except Postsecondary	\$39,850
35-2012	Cooks, Institution and Cafeteria	\$40,320
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$39,290
43-0000	Office and Administrative Support Occupations	\$51,280
47-4051	Highway Maintenance Workers	\$58,390
53-3051	Bus Drivers, School	\$47,720

If the annual wages from the OWES wage data are weighted for the number of days lost due to work stoppages for the occupational codes that coincide with the bargaining unit types, the 2023 average weekly wage in 2023 for these employees is \$1,053. Assuming the same annual growth rate for public employee wages of 3.4 percent used previously, the average weekly wages from 2025 through 2027 are as follows:

- 2025 – \$1,126
- 2026 – \$1,164
- 2027 – \$1,204

Assuming that weekly UI benefits are half of the average weekly wage, the following is projected as the annual weekly UI benefits for Minnesota local government employees:

- 2025 – \$563
- 2026 – \$582
- 2027 – \$602

Given the relatively close amounts of assumed weekly UI benefits between the QCEW and OEWS data and that QCEW is provided as a weekly amount, as opposed to the OEWS which is an annual wage, the local impact note will use the QCEW wage data in the estimates of the local impact note as a better proxy for local government wages. It should also be noted that OEWS data is not specific to local units of government, but rather include wage information from employees from all employer types. Also, it is important to note for purposes of the local impact note, projected 2025 wages were used in all calculations. The wage estimates for 2026 and 2027 provided above are to be consistent with the years displayed in a fiscal note.

Limitations of the Data

Through conversation with the BMS, it was noted that the work stoppage data was provided to the BMS from the employers and was not validated by the unions for accuracy. The data also does not reflect whether the days of the work stoppage included part-time hours or weekend work. This LIN recognizes that these limitations of the data may impact the data used in this report and these variables in the data may impact the accuracy of the estimates and represents the maximum person days lost.

As noted in a discussion with DEED, current law requires that if employees work for the employer experiencing the labor dispute, though a particular worker may not be part of the strike, they will also be ineligible for UI benefits for the first week of the labor dispute. The second week of the work stoppage would be the normal nonpayment week required for receiving UI benefits, resulting in the third week of not working being the first week that UI benefits could be received for the non-participating workers.

SF3588 eliminates the week of ineligibility for non-participating workers impacted by a work stoppage. This non-participant population could alter the unemployment insurance impact of a labor dispute, depending on the unions that are engaged with the dispute and those workers not participating. Given the data available for the analysis, the non-participants for work stoppages for local units of government for fiscal years 2001 to 2023 cannot be calculated for this LIN and therefore that fiscal impact is excluded from this analysis.

A final caveat for this analysis is that the reciprocity rate was used to help estimate the number of nonpayable weeks. The number of nonpayable weeks is equal to the number of applicants

approved as eligible for UI benefits. Each applicant who applies and is accepted for UI benefits has a one-week nonpayable week before they begin to receive benefits. Without a better measure of the number of applicants approved for UI benefits for each qualifying event, a proxy for nonpayable weeks is estimated by applying the reciprocity rate to the number of eligible workers.

Given these limitations, it should be noted that this analysis approximates the impacts of applying SF3588 to past work stoppages and not a definitive estimate of the fiscal impact.

Analysis

Unemployment Benefit Payments per Work Stoppage

As discussed in the methodology section of the local impact note, to estimate the fiscal effect of bills adjusting the eligibility to UI benefits, such as SF3588, you need to make assumptions about:

- the newly eligible population,
- the total weeks workers will be eligible for UI benefits,
- the rate at which UI benefits will be received relative to the total possible weeks workers are eligible (reciprocity rate), and
- the weekly UI benefits per newly eligible worker.

The formula to estimate the unemployment benefits paid as a result of a work stoppage will be:

$$(Newly\ Eligible\ Population) \times (Weeks\ Eligible\ for\ Benefits) \times (Reciprocity\ Rate) \times (Avg.\ Weekly\ Benefit)$$

Tables 3 – 5 provides the number of payable weeks for each work stoppage for Minnesota local units of government from fiscal years 2001 – 2023. The next step is to apply average weekly UI benefit paid to those payable weeks.

Tables 8 – 10 provide estimates of the UI benefits paid by work stoppage.

Table 8: Estimated Unemployment Insurance Benefits Paid Out to Eligible Workers for Qualifying Work Stoppages in Minnesota for Local Units of Government at 30% Reciprocity Rate, Fiscal Years 2001 - 2023

Unit of Government	Employer	Fiscal Year	Payable Weeks	2025 Average Weekly Benefit	Total UI Benefits Paid
City	City of Mounds View	2002	8	\$624	\$4,992
County	Benton County	2001	36	\$624	\$22,464
County	McLeod County	2001	35	\$624	\$21,840
County	St. Louis County	2020	N/A	\$624	N/A
School District	ISD 182, Crosby-Ironton	2005	180	\$624	\$112,320
School District	ISD 197, West St. Paul	2001	139	\$624	\$86,736
School District	ISD 200, Hastings	2023	57	\$624	\$35,568
School District	ISD 256, Red Wing	2003	189	\$624	\$117,936
School District	ISD 281, Robbinsdale	2001	N/A	\$624	N/A
School District	ISD 361 International Falls	2003	82	\$624	\$51,168
School District	ISD 472, Isle	2001	11	\$624	\$6,864
School District	ISD 564, Thief River Falls	2001	78	\$624	\$48,672
School District	ISD 625, St. Paul	2020	N/A	\$624	N/A
School District	Special School District 1, Minneapolis	2022	2,486	\$624	\$1,551,264
Total			3,301		\$2,059,824

Table 9: Estimated Unemployment Insurance Benefits Paid Out to Eligible Workers for Qualifying Work Stoppages in Minnesota for Local Units of Government at 50% Reciprocity Rate, Fiscal Years 2001 - 2023

Unit of Government	Employer	Fiscal Year	Payable Weeks	2025 Average Weekly Benefit	Total UI Benefits Paid
City	City of Mounds View	2002	13	\$624	\$8,112
County	Benton County	2001	60	\$624	\$37,440
County	McLeod County	2001	58	\$624	\$36,192
County	St. Louis County	2020	N/A	\$624	N/A
School District	ISD 182, Crosby-Ironton	2005	301	\$624	\$187,824
School District	ISD 197, West St. Paul	2001	232	\$624	\$144,768
School District	ISD 200, Hastings	2023	96	\$624	\$59,904
School District	ISD 256, Red Wing	2003	315	\$624	\$196,560
School District	ISD 281, Robbinsdale	2001	N/A	\$624	N/A
School District	ISD 361 International Falls	2003	138	\$624	\$86,112
School District	ISD 472, Isle	2001	19	\$624	\$11,856
School District	ISD 564, Thief River Falls	2001	129	\$624	\$80,496
School District	ISD 625, St. Paul	2020	N/A	\$624	N/A
School District	Special School District 1, Minneapolis	2022	4,143	\$624	\$2,585,232
Total			5,504		\$3,434,496

Table 10: Estimated Unemployment Insurance Benefits Paid Out to Eligible Workers for Qualifying Work Stoppages in Minnesota for Local Units of Government at 70% Reciprocity Rate, Fiscal Years 2001 - 2023

Unit of Government	Employer	Fiscal Year	Payable Weeks	2025 Average Weekly Benefit	Total UI Benefits Paid
City	City of Mounds View	2002	19	\$624	\$11,856
County	Benton County	2001	84	\$624	\$52,416
County	McLeod County	2001	81	\$624	\$50,544
County	St. Louis County	2020	N/A	\$624	N/A
School District	ISD 182, Crosby-Ironton	2005	422	\$624	\$263,328
School District	ISD 197, West St. Paul	2001	325	\$624	\$202,800
School District	ISD 200, Hastings	2023	135	\$624	\$84,240
School District	ISD 256, Red Wing	2003	441	\$624	\$275,184
School District	ISD 281, Robbinsdale	2001	N/A	\$624	N/A
School District	ISD 361 International Falls	2003	194	\$624	\$121,056
School District	ISD 472, Isle	2001	28	\$624	\$17,472
School District	ISD 564, Thief River Falls	2001	181	\$624	\$112,944
School District	ISD 625, St. Paul	2020	N/A	\$624	N/A
School District	Special School District 1, Minneapolis	2022	5,800	\$624	\$3,619,200
Total			7,710		\$4,811,040

Tables 8 – 10 give a sense of the range of the UI benefits that would have been paid out from fiscal years 2001 to 2023 if SF3588 would have been law at the time of those work stoppages, using an estimated average annual wage for 2025. The majority of impacts were between \$5,000 and \$275,000 per employer, depending on the assumed reciprocity rate. The outlier is the work stoppage in 2022 for Special School District 1, Minneapolis, which included 14 days of work stoppage involving 5,800 employees. That work stoppage would have resulted in an estimated \$1.5 to \$3.6 million in UI benefits paid, depending on the reciprocity rate.

When taking an annual average over the 23-year period for which we have data, the total ranges from about \$90,000 at the 30 percent reciprocity rate to \$209,000 at the 70 percent reciprocity rate. Assuming a 50 percent reciprocity rate, the annual average is about \$150,000 for local units of government per year.

School districts represent 98 percent of the estimated UI benefits that would have been paid from fiscal years 2001 to 2023 if workers would have been eligible for UI benefits in those years. If holding the outlier in the analysis (the 2022 work stoppage for Minneapolis Special School District 1), school districts represent 90 percent of total estimated UI benefits that would have been paid.

The annual average is not necessarily a strong measure of the effect for SF3588 in that the fiscal impact is fully attributed to a single employer for each work stoppage. The impact should be considered in that context as the cost does not get dispersed among many employers, rather is specific to the local units of government experiencing a work stoppage.

Table 11 depicts the estimated total UI benefits that would have been paid out between fiscal years 2001 to 2023 under the language in SF3588, depicted per employer type. Again, this table

needs to be understood within the context that this is the total fiscal impact over a 23-year period, and the impacts for of this bill are experienced by employers individually and not in the aggregate for each work stoppage.

Table 11: Estimated Total Unemployment Insurance Benefits Paid Out to Eligible Workers for Qualifying Work Stoppages in Minnesota for Local Units of Government per Employer Type, Fiscal Years 2001 – 2023

Unit of Government	Total UI Benefits Paid 2001-2023 (30% Recipiency)	Total UI Benefits Paid 2001-2023 (50% Recipiency)	Total UI Benefits Paid 2001-2023 (70% Recipiency)
City	\$4,992	\$8,112	\$11,856
County	\$44,304	\$73,632	\$102,960
School District	\$2,010,528	\$3,352,752	\$4,696,224
Total	\$2,059,824	\$3,434,496	\$4,811,040

Employer Reimbursement for Unemployment Insurance Benefit Payments

Local units of government are set up as reimbursing accounts within the state’s UI program unless they elect to pay the UI tax. Reimbursing employers make payments to the UI trust fund for the benefits paid to eligible workers for any benefits paid in the previous quarter. Past due reimbursements are subject to the same interest charges and collection procedures that apply to past due taxes.⁷

This means that when a work stoppage occurs that results in UI benefits paid to workers, the employers who experienced the work stoppage would be billed for the UI benefits paid to their employees the quarter following the quarter when the employees become eligible for the UI benefits.

Estimating Future Impact

It is not possible to know when and where a work stoppage will occur in the future. As a result, the local impact note provides a range of possible estimates based on previous work stoppages but is not able to project the fiscal impact to local units of government in the future.

The data from FY2001 to FY2023 suggests that there are times when there are higher rates of work stoppages across the state and times when there are very few work stoppages. As previously stated, over the 23-year period from fiscal years 2001 to 2023, there were seven fiscal years in which a work stoppage occurred. The data also suggests that school districts have the highest prevalence of work stoppages among local units of government, representing ten of the 14 work stoppages, and 97 percent of workers involved in a work stoppage.

The unknowns associated with the implementation of SF3588 regarding local units of government include the level to which the bill would influence practices of workers regarding work stoppages and the reaction of employers knowing the partial wage replacement exists for workers involved in a work stoppage. It is possible that the language increases the likelihood of workers being willing to participate in a work stoppage or could extend work stoppages as employees have less financial incentive to end the work stoppage. It is also possible the bill could shift the bargaining position of employers and workers. This could result in fewer work stoppages, and it is possible the bill adjusts bargaining position resulting in higher personnel costs for local units of government.

Currently, two states have passed laws (New Jersey in 2018 and New York in 2019) that provide UI benefits to workers that are part of a work stoppage. There is not available research on this topic to make any conclusions on the future behavior of workers and employers following the implementation of the bill.

References

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- ⁷ Minnesota Statute § 268.052; Minnesota Department of Employment and Economic Development, Unemployment Insurance, “Special Provisions Relating to Governmental, Indian Tribal, and Nonprofit Organizations”, <https://uimn.org/employers/wages-taxes/reimbursers/index.jsp>; Minnesota Department of Employment and Economic Development, Unemployment Insurance, Video Library, “Benefit Charges to Your Account”, <https://uimn.org/employers/videos/index.jsp>