

FISCAL NOTE

Requested by Legislative Council
12/26/2006

Bill/Resolution No.: SB 2034

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$1,118,530	\$0	\$906,010
Expenditures	\$0	\$0	\$0	\$379,525	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Requires Job Service to impose a fee on negative rate employers for each employee they choose to place in a return-to-employer status.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Based upon current usage of return to employer status, it is estimated that fees collected during the first year would be approximately \$588,700.00. Of this amount, 50% is being considered fee revenue and will be deposited in the Federal Advance Interest Repayment Fund. The remaining 50% is considered a contribution by the employer and will be deposited in the Unemployment Insurance Trust Fund. It is anticipated that during each successive year, return to employer status will decline by 10%, resulting in a decline in the amount of revenue generated by this fee. Estimated revenues for the 2007-2009 biennium are \$1,118,530. Estimated revenues for the 2009-2011 biennium are \$906,010.

Implementing this bill will result in a significant fiscal impact due to programming of the agency mainframe Unemployment Insurance (UI) computerized system. Most areas of the Tax system and portions of the Benefits system will need modification to accommodate this new fee. Some of the individual changes required will be:

- Database modifications
- Creation of new databases
- MIS system interface modifications and additions
- Creation and modification of mainframe batch processes Automated correspondence and billing
- Creation of required reports related to employer contributions
- Modification of MIS system for appropriate application of moneys owed
- Modification of the data validation system
- Changes to the Tax Internet based customer application, UI EASY

Due to limited Job Service North Dakota programming staff availability, it is expected that a contractor will be needed to complete the required programming. Contractor programming costs are estimated as follows:

\$372,360 - 1,284 Programmer/Analyst hours
\$ 5,000 - Developer software costs
\$ 1,018 - Ongoing cost of developer software

\$ 175 - Network hookup
\$ 232 - Ongoing network cost
\$ 450 - Emulation software
\$ 290 - Office Suite software
\$379,525 - Total Cost

If the project can be worked into the IT Plan, Job Service North Dakota IT staff would complete the programming at a cost of \$74,472 (1,284 Programmer/Analyst hours).

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The Federal Advance Interest Repayment Fund revenues will increase by \$559,265 in the 2007-2009 biennium and \$453,005 in the 2009-2011 biennium.

The Unemployment Insurance Trust Fund revenues will increase by \$559,265 in the 2007-2009 biennium and \$453,005 in the 2009-2011 biennium. Unemployment Insurance Trust funds may only be used to pay unemployment benefits.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The expenditure would be to enter into a contract with external programmers. The projected expenditure would affect the operating expense line item and would be charged to the agency's federal funds and/or would be charged to the Federal Advance Interest Repayment Fund.

If the programming is done by Job Service North Dakota IT staff, the number of FTEs would not be changed.

The expenditures, if any, would be offset against another planned expenditure in order to stay within the available resources.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Because the agency would not be receiving any additional federal resources to fund this expenditure, an offsetting decrease in another budgeted operating expense item would need to be accomplished. Therefore, there would not be any impact on the agency's appropriation. Any Federal Advance Interest Repayment Fund revenues and expenditures are under continuing appropriation status.

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