

FISCAL NOTE
Requested by Legislative Council
02/01/2019

Amendment to: HB 1060

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$10,000,000	\$0	\$20,000,000
Expenditures	\$0	\$0	\$0	\$5,000	\$0	\$5,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

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

Institutes a surcharge to be paid by employers whose employees have received unemployment insurance benefits at a rate exceeding the level of contributions paid into the system by the employer. Fiscal impact is the collection of the surcharge.

- 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.*

Section 1 provides the fiscal impact. The surcharge imposed would result in affected negative balance employers paying an additional amount into the Unemployment Insurance Trust Fund to account for the difference between their employees receipt of benefits and the contributions made by the employer. Employers whose cumulative benefits divided by cumulative contributions = 100-149% will be assessed a surcharge of 3% of their negative balance. Employers whose cumulative benefits divided by cumulative contributions = 150-199% will be assessed a surcharge of 7% of their negative balance. Employers whose cumulative benefits divided by cumulative contributions >= 200% will be assessed a surcharge of 10% of their negative balance.

The surcharge does not create a fiscal impact that would result in the state of North Dakota or Job Service receiving any additional funds that could be utilized for administrative or other purposes. As defined within the bill, the funds received as a result of the surcharge would be placed into the Unemployment Insurance Trust Fund. Funds within the Unemployment Insurance Trust Fund can only be used for the payment of Unemployment Insurance benefits to eligible unemployed workers. Additionally, when placed into the Trust Fund, the surcharge amount is to be credited to the employers account in the same manner as tax contributions, which ultimately could create a more favorable reserve ratio and lower the tax rate for the employer in subsequent years.

A fiscal impact will also occur, but is not as immediately measurable in that as negative balance employers pay surcharges, the Trust Fund balance will be positively impacted. This positive impact is projected to provide for a lower overall tax rate for all of the state's employers. Initial estimates indicate that overall tax rates would drop 10% with the implementation of the surcharge.

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 revenue amounts listed are the surcharge amounts that will be collected from employers based upon the difference between the employers contributions and benefits paid to the employees of the employer.

- 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 amounts reflect the cost of system changes and administrative costs associated with the changes associated with the bill.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

No appropriation is requested. Revenue would be deposited into the Unemployment Insurance Trust Fund and utilized only for payment of benefits to unemployed workers.

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