

**Testimony SB 2203**  
**Senate Industry Business & Labor Committee**  
**February 9, 2021**

Mr. Chairman and members of the Senate Industry Business & Labor committee, my name is Russ Hanson of the Associated General Contractors of North Dakota. AGC of ND is a 400-member association which has been in existence since 1951. Our membership consists of all aspects of commercial construction - highway contractors, vertical contractors, civil/heavy, specialty contractors, subcontractors as well as material and equipment suppliers.

I appreciate the opportunity to present this testimony in opposition to SB 2203. We believe this legislation is unnecessary and does not accomplish what it is intended.

This is not the first time a legislative policy proposal similar to this has been presented. I have been with the AGC of ND since 2005 and my recollection this is the 4<sup>th</sup> proposal presented to the Legislature attempting to implement an Unemployment Insurance surcharge. The Legislature rejected the other three and our hope is SB 2203 follows the same path.

The Unemployment Trust fund currently does not need the resources (thanks to the Emergency Commission/Budget Section allocation of CARES funds to Unemployment Insurance). The current reserve target is approximately \$239 million, and the fund is well over that amount and the exact amount can be verified by Job Service. When the exact same language was introduced in 2019 (HB 1060) pre-pandemic, the reserve fund was well above the targeted levels then too.

SB 2203 is not needed as the current system works as intended. North Dakota negative balance employers pay the top rate in the nation (see state comparison attachment). They are heavier users of the fund, so they pay a higher rate. The UI system is set to adjust premiums in a manner to reward the positive balance employers when the UI Reserve Funds are at adequate levels (see the percentage to dollars comparison rates for 2019 & 2020/2021). The rates were

adjusted after 2019 and note the positive balance employers received a significant premium decrease while the negative balance employers had a minor premium increase.

While we believe the current system works well – and fairly. It hasn't always been so stable. As the Unemployment Insurance system was studied by the UI Advisory Council last interim, a legislator requested Legislative Council provide a history of UI legislation (see final handout). Highlighted are several pieces of legislation over the past few decades to take a fund in a deficit and transform it to where it is today.

I provided that historical information as there is commonly a perception that negative balance employers do not pay their "fair share" and legislation like SB 2203 is proposed to address a perceived problem. The information provided and legislative history, in our minds, illustrates there is no problem and the legislation before you is not necessary.

Our membership has both positive and negative balance employers. While the Advisory Committee was conducting its study during the interim – we surveyed our members to inquire if they recommended changes – we did not receive one response requesting a change.

The final point is SB 2203 issues a surcharge to any business that may have had a bad year and had to layoff employees. One of our positive balance employers, when seeing SB 2203, did a 10-year review. They have a small annual premium base (\$4,000). One year they had to terminate an employee – who drew \$10,000 in benefits. Had this legislation been law, the business would have been assessed a \$1000 surcharge for action necessary for their business. That is a 25% tax increase. While this is a singular example, we have to believe many other businesses would similarly impacted.

Thanks for the opportunity to comment on SB 2203. We respectfully request the committee issue a Do Not Pass Recommendation. If the committee has questions, I am happy to try to address them.



## Comparison of State Unemployment Insurance Tax Rates - 2020

State	Wages Subject to Tax	Minimum Rate	Maximum Rate	New Employer Rate	Wages x Min. Rate	Wages x Max. Rate	Compared to ND
AL	\$8,000	0.65%	6.80%	2.70%	\$52.00	\$544.00	-\$3,128.51
AK	\$41,500	1.00%	5.40%	1.09%	\$415.00	\$2,241.00	-\$1,431.51
AZ	\$7,000	0.05%	12.85%	2.00%	\$3.50	\$899.50	-\$2,773.01
AR	\$7,000	0.10%	6.20%	3.40%	\$7.00	\$434.00	-\$3,238.51
CA	\$7,000	1.50%	6.20%	3.40%	\$105.00	\$434.00	-\$3,238.51
CO	\$13,600	0.58%	7.40%	1.70%	\$78.88	\$1,006.40	-\$2,666.11
CT	\$15,000	0.50%	5.40%	3.20%	\$75.00	\$810.00	-\$2,862.51
DE	\$16,500	0.10%	8.00%	1.60%	\$16.50	\$1,320.00	-\$2,352.51
DC	\$9,000	1.60%	7.00%	2.70%	\$144.00	\$630.00	-\$3,042.51
FL	\$7,000	0.10%	5.40%	2.70%	\$7.00	\$378.00	-\$3,294.51
GA	\$9,500	0.04%	7.56%	2.70%	\$3.80	\$718.20	-\$2,954.31
HI	\$48,100	0.00%	5.60%	2.40%	\$0.00	\$2,693.60	-\$978.91
ID	\$41,600	0.25%	5.40%	0.97%	\$102.90	\$2,246.40	-\$1,426.11
IL	\$12,740	0.20%	6.40%	3.13%	\$25.48	\$815.36	-\$2,857.15
IN	\$9,500	0.50%	7.40%	2.50%	\$47.50	\$703.00	-\$2,969.51
IA	\$31,600	0.00%	7.50%	1.00%	\$0.00	\$2,370.00	-\$1,302.51
KS	\$14,000	0.00%	7.10%	2.70%	\$0.00	\$994.00	-\$2,678.51
KY	\$10,800	0.30%	9.00%	2.70%	\$32.40	\$972.00	-\$2,700.51
LA	\$7,700	0.09%	6.00%	IndAvg%	\$6.93	\$462.00	-\$3,210.51
ME	\$12,000	0.06%	5.46%	1.86%	\$7.20	\$655.20	-\$3,017.31
MD	\$8,500	0.30%	7.50%	2.60%	\$25.50	\$637.50	-\$3,035.01
MA	\$15,000	0.94%	14.37%	2.42%	\$141.00	\$2,155.50	-\$1,517.01
MI	\$9,000	0.00%	6.30%	2.70%	\$0.00	\$567.00	-\$3,105.51
MN	\$35,000	0.10%	9.00%	IndAvg%	\$35.00	\$3,150.00	-\$522.51
MS	\$14,000	0.00%	5.40%	1.00%	\$0.00	\$756.00	-\$2,916.51
MO	\$11,500	0.00%	5.40%	2.38%	\$0.00	\$621.00	-\$3,051.51
MT	\$34,100	0.00%	6.12%	IndAvg%	\$0.00	\$2,086.92	-\$1,585.59
NE	\$9,000	0.00%	5.40%	1.25%	\$0.00	\$486.00	-\$3,186.51
NV	\$32,500	0.25%	5.40%	2.95%	\$81.25	\$1,755.00	-\$1,917.51
NH	\$14,000	0.10%	7.50%	1.70%	\$14.00	\$1,050.00	-\$2,622.51
NJ	\$35,300	0.40%	5.40%	2.80%	\$141.20	\$1,906.20	-\$1,766.31
NM	\$25,800	0.33%	5.40%	IndAvg%	\$85.14	\$1,393.20	-\$2,279.31
NY	\$11,600	0.00%	6.90%	2.50%	\$0.00	\$800.40	-\$2,872.11
NC	\$25,200	0.06%	5.76%	1.00%	\$15.12	\$1,451.52	-\$2,220.99
ND	\$37,900	0.08%	9.69%	1.02%	\$30.32	\$3,672.51	\$0.00
OH	\$9,000	0.30%	9.40%	2.70%	\$27.00	\$846.00	-\$2,826.51
OK	\$18,700	0.10%	5.50%	1.50%	\$18.70	\$1,028.50	-\$2,644.01
OR	\$42,100	0.70%	5.40%	2.10%	\$294.70	\$2,273.40	-\$1,399.11
PA	\$10,000	1.29%	9.93%	3.69%	\$129.05	\$993.33	-\$2,679.18
PR	\$7,000	1.20%	5.40%	2.80%	\$84.00	\$378.00	-\$3,294.51
RI	\$24,000	0.90%	9.40%	1.27%	\$216.00	\$2,256.00	-\$1,416.51
SC	\$14,000	0.00%	5.40%	0.81%	\$0.00	\$756.00	-\$2,916.51
SD	\$15,000	0.00%	9.30%	1.20%	\$0.00	\$1,395.00	-\$2,277.51
TN	\$7,000	0.01%	10.00%	2.70%	\$0.70	\$700.00	-\$2,972.51
TX	\$9,000	0.00%	6.00%	2.70%	\$0.00	\$540.00	-\$3,132.51



## Comparison of State Unemployment Insurance Tax Rates - 2020

State	Wages Subject to Tax	Minimum Rate	Maximum Rate	New Employer Rate	Wages x Min. Rate	Wages x Max. Rate	Compared to ND
UT	\$36,600	0.00%	7.00%	IndAvg%	\$0.00	\$2,562.00	-\$1,110.51
VT	\$16,100	0.80%	6.50%	1.00%	\$128.80	\$1,046.50	-\$2,626.01
VA	\$8,000	0.11%	6.20%	2.50%	\$8.80	\$496.00	-\$3,176.51
VI	\$28,900	2.50%	2.50%	2.00%	\$722.50	\$722.50	-\$2,950.01
WA	\$52,700	0.00%	5.40%	IndAvg%	\$0.00	\$2,845.80	-\$826.71
WV	\$12,000	1.50%	7.50%	2.70%	\$180.00	\$900.00	-\$2,772.51
WI	\$14,000	0.00%	10.70%	2.50%	\$0.00	\$1,498.00	-\$2,174.51
WY	\$26,400	0.00%	8.50%	IndAvg%	\$0.00	\$2,244.00	-\$1,428.51

Source: U.S. Department of Labor, Employment and Training Administration, January 2020.

<https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/January2020.pdf>

**2019 Taxable Wage Base:     \$   36,400.00**

Positive Tax Rate

1.34%	\$	487.76
1.12%	\$	407.68
0.93%	\$	338.52
0.77%	\$	280.28
0.65%	\$	236.60
0.54%	\$	196.56
0.44%	\$	160.16
0.34%	\$	123.76
0.25%	\$	91.00
0.15%	\$	54.60

31% less than national average

Negative Tax Rate

9.75%	\$	3,549.00
9.35%	\$	3,403.40
8.95%	\$	3,257.80
8.55%	\$	3,112.20
8.15%	\$	2,966.60
7.75%	\$	2,821.00
7.35%	\$	2,675.40
6.95%	\$	2,529.80
6.55%	\$	2,384.20
6.15%	\$	2,238.60

Amongst highest in the nation

**2020 Taxable Wage     \$   37,900.00**

Positive Tax Rate

1.13%	\$	428.27
0.94%	\$	356.26
0.78%	\$	295.62
0.66%	\$	250.14
0.54%	\$	204.66
0.45%	\$	170.55
0.36%	\$	136.44
0.27%	\$	102.33
0.18%	\$	68.22
0.08%	\$	30.32

Less than National Average - in 2019 it was 31% below - this is likely higher than that amount

Negative Tax Rate

9.69%	\$	3,672.51
9.29%	\$	3,520.91
8.89%	\$	3,369.31
8.49%	\$	3,217.71
8.09%	\$	3,066.11
7.69%	\$	2,914.51
7.29%	\$	2,762.91
6.89%	\$	2,611.31
6.49%	\$	2,459.71
6.09%	\$	2,308.11

Amongst highest in the nation

Table 1

North Dakota Unemployment Fund Balance: 1983-2018

