

(Return in triplicate)

FISCAL NOTE

JAN 10 1989

Bill/Resolution No.: HB 1074 Amendment to: _____

Requested by: Legislative Council Date of Receipt: _____

Please estimate the fiscal impact of the above measure for:

State general or special funds Counties Cities

In the following space note the fiscal effect in dollars of this measure:

Narrative:

There are two separate categories in this Fiscal Note, the first includes reduced expenditures of the General Fund and the Job Insurance Trust Fund based on individuals losing benefits because of the law provisions. The second is the increased expenditure to the Job Insurance Administrative Grant for administrating the law.

Reduced Expenditure of the General Fund:

Job Service North Dakota has approximately 22,000 eligible new claimants per year. According to a U.S. Department of Education study, 12% of the state's population is considered functionally illiterate, which means they lack the basic reading, writing and math skills necessary to lead a normal life, including finding and holding a job. Because comparable data are not available on the working or claimant population, the 12% rate of illiteracy is used as a proxy in these estimates. For the first year of the biennium, it is estimated that 22% of the group not able to pass the literacy test either doesn't file, refuses to take the test or refuses to enroll in training.

State Fiscal Effect:

<u>1/ 1989-90</u>		<u>1/ 1990-91</u>		<u>1/ Biennium Total</u>	
<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>
(19,200)	1,355,000	(9,500)	759,000	(28,700)	2,114,000

- 1/ Reduced General Fund expenditures.
- 2/ Increased Federal Fund expenditures.

County and City Fiscal Effect:

<u>1989-90</u>		<u>1990-91</u>		<u>Biennium Total</u>	
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Signed Wayne G. Kindem
 Wayne G. Kindem, Director
 Typed Name Administrative Services
 Department Job Service North Dakota

Date Prepared: 1/6/89

Based on the past three years of administrative data, 1.7% of Job Insurance claimants are from state government. Therefore, 12 state employees will not file or will refuse testing or training. Of the 35 enrolled in training, 10% drop out and have benefits reduced by half. Based on an average benefit expenditure of \$1,369, the annual savings to the General Fund would be \$19,200, or a two-year total (adjusted for repeat claimants) of \$28,700.

Reduced Expenditures of the Job Insurance Trust Fund

Of the 22,000 newly eligible claimants, it is estimated 20,922 would be from tax-rated accounts and would have an impact on the Job Insurance Trust Fund. Of these, it is estimated 832 will not file or would be disqualified for failure to comply with the provisions. Using an average benefit expenditure of \$1,369, the reduced expenditure of the Trust Fund the first year would be \$1,004,800. The second year reduction, adjusting for repeaters, would be \$562,700.

Increased Expenditure for the Job Insurance Administrative Fund

Using the 12% illiteracy assumption, 2,640 of the 22,000 claimants would not "pass" the reading test. It is assumed this would also cover individuals not able to pass a writing or English speaking exam. If it is assumed 22% of this group would either not file for benefits because of the provision, would refuse to take the test, or would refuse the required training, the estimate of the number for enrolled in training would be 2,059 the first year and 1,153 the second year.

Administrative Cost Estimates:

	Year 1	Year 2	Total
Development/administration of tests	\$306,000	\$172,000	\$478,000
Cost of training	\$1,030,000	\$576,000	\$1,606,000
Nonmonetary Determinations/Appeals	\$19,000	\$11,000	\$30,000
Total	\$1,355,000	\$759,000	\$2,114,000

Development and administration of tests includes materials at \$10,000 for the first year and \$6,000 for the second year of the biennium. It also includes staff costs calculated at 60 minutes per test multiplied by \$13.72 per hour. Cost of training is estimated at \$500 per participant. Additional nonmonetary determinations and appeals costs are calculated based on the rates paid to Job Service North Dakota by the U.S. Department of Labor.

The number of individuals taking the tests, and therefore the costs for administering the tests in the second and subsequent years, would be reduced because of the provision that an individual need only pass the test once.

Assumptions:

Based on U.S. Department of Education study:
12% of states population is considered illiterate.

Based on Job Service estimates:

1% of eligible claimants will not file because of this provision.

1% of eligible claimants will refuse test.

80% of those who don't file or refuse test would not pass test.

10% of those who don't pass test refuse training.

10% of those who sign up for training drop out and have benefits reduced.

60 minutes for administration, grading and monitoring of test.

Cost of training would be paid by Job Service (no fund source identified in the bill). Training cost is estimated at \$500 per individual for "tuition." Other potential training costs such as travel, per diem, and child care have not been estimated or included.

Functional illiteracy is judged to be the inability to read, speak, or write at the seventh grade level.

All who participate in training will meet the literacy criteria and, therefore, not require a second test.

Based on Job Service experience:

22,000 newly eligible claimants per year.

44% of the claimants in the 2nd year are repeaters from the 1st year.

1.7% of claimants from state government.

787 additional nonmonetary determinations the first year.

155 additional appeals the first year.

\$13.72 projected average salary and benefit cost for Job Service staff.

\$1,369 is the average benefit cost per eligible claimant.