

REVISED
FISCAL NOTE

(Return in triplicate)

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:

This Fiscal Note has been revised to reflect the clarification that only reading literacy is covered by this legislation, rather than reading, writing, and speaking. This revision reduces the administration and training cost estimates due to this clarification.

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 estimated cost of administering the tests and providing the training.

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 percent of the state's adult population (age 20 and over) is considered functionally illiterate. Because comparable data are not available on the working or claimant population, the 12 percent rate of illiteracy is used as a proxy in these estimates. For the first year of the biennium, it is estimated that of the 22,000 eligible claimants, one percent will not file because of this provision, one

State Fiscal Effect:

<u>1/ 1989-90 2/</u>		<u>1/ 1990-91 2/</u>		<u>1/ Biennium Total 2/</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)	1,008,000	(9,500)	566,000	(28,700)	1,574,000

1/Reduced General Fund Expenditures

2/It is assumed the cost of administration and training will be financed from Special Funds, however, no assumption has been made as to the specific source of Special Funds.

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

Date Prepared: 1-30-89

Department Job Service North Dakota

percent will refuse to take the test, and that of those who do take the test, 2288 will not pass. It is estimated that 229 (10 percent) of those who do not pass will refuse training, and of those who take the training, 206 (10 percent) will drop out before completion.

Based on the past three years of administrative data, 1.7 percent of Job Insurance claimants are from state government. Therefore, it is estimated that 12 state employees will not file or will refuse testing or training. Of the 35 enrolled in training, it is estimated 10 percent 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, with a two-year total of \$1,567,500.

Test Administration and Training Cost Estimates

Using the assumptions that one percent of 22,000 eligible claimants would not file, and one percent would refuse the test, 21,560 claimants would be tested the first year of the biennium. Using the 12 percent illiteracy assumption, and assuming that 80 percent of those not filing or refusing the test would not pass 2,288 individuals would not pass the test. Further, it is assumed that 10 percent of those not passing the test would refuse the training, resulting in 2,059 enrolled in training the first year of the biennium, and 1154 for the second year of the biennium.

Test materials costs are estimated at \$11,000 for the first year and \$6,000 for the second year of the biennium. Administration of the Test for Adult Basic Education (TABE), given in a group setting (average of five per session) is estimated at \$51,000 for the first year and \$30,000 the second. The estimated cost of training for "tuition" is \$450 per individual to upgrade reading skills to a seventh grade level.

Additional nonmonetary determinations and appeals costs are calculated based on the rates reimbursed to Job Service North Dakota by the U.S. Department of Labor.

The number of individuals taking the tests, and therefore the cost 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.

Administrative and Training Cost Estimates:

	Year 1	Year 2	Total
Test Materials and Administration	\$ 62,000	\$ 36,000	\$ 98,000
Training	\$ 927,000	\$519,000	\$1,446,000
Nonmonetary Determinations/Appeals	\$ 19,000	\$ 11,000	\$ 30,000
Total	\$1,008,000	\$566,000	\$1,574,000

Assumptions:

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.
- 10% of those who don't pass test refuse training.
- 10% of those who sign up for training drop out and have benefits reduced.

Administration of Tests for Adult Basic Education (TABE:)

- Average group size of 5 taking test.
- 37 minutes for administration of test.
- 5 minutes to score each test.
- 2 minutes to record each test score on computer claimant file.

Training cost is estimated at \$450 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 at the seventh grade level.

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

Job Service computer programming costs have not been estimated.

Based on Job Service experience:

- 22,000 newly eligible claimants per year.
- 44% of the claimants in the second year are repeaters from the first year.
- 1.7% of claimants from state government.
- 787 additional nonmonetary determinations the first year.
- 155 additional appeals the first year.

Costs for additional nonmonetary determinations and appeals for the second year based on the 44% repeater rate.

\$11.40 and \$11.87 projected hourly salary and benefit cost for Job Service Interviewer for the first and second year of the biennium, respectively.

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