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SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

10884

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1084

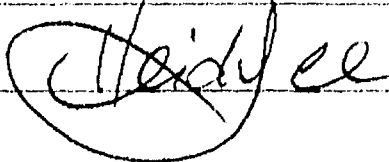
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1084

House Industry, Business and Labor Committee

Conference Committee

Hearing Date January 15, 2001

Tape Number	Side A	Side B	Meter #
1	8		1,733 - 2209
Committee Clerk Signature 			

Minutes:

Chairman Berg: We will open the hearing on HB 1084.

Jim Hirsch - Director of Centralized Services with Job Service of ND: I am here today to support the repeal of section 52-02-17 of the ND Century Code. (see written testimony).

Chairman Berg: Any questions of Mr. Hirsch?

Rep. Ekstorn: Mr. Hirsch, I talked to Brady about this, this morning. My primary concern is the report of the budget section. Can we get a reporting mechanism as well?

Hirsch: We are going to provide any reports to the Legislature as to what we are doing with the trust fund. Whatever mechanism or whatever requirements you wish to put in law is fine. Even the language may not provide you the trigger to get the reports as we think they are going to be needed. The solvency level will be much higher than that.

Chairman Berg: The history on this is in the late 80's we had a negative balance in our trust fund.

No one knew what the problem was, out of desperation this was put in the statute to say every

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number HB 1084

Hearing Date Jan. 15, 2001

time the fund was below 40 million to report it. No one really knew what to do. Last session we went through and said obviously salaries and wages are growing and having a stagnant number of forty million really doesn't make sense. It should be in relationship to the benefits we could potentially could have or might need to pay out. That was the work we did last session, we established the modified high cost multiplier depending on what our wages and benefits were. We have a floating trust fund target we are going to reach. We are each going to get a copy of the independent audit. In there it will highlight some of these things. Any other questions for Mr. Hirsch? Does anyone else wish to testify on behalf of HB 1084, anyone here in opposition to 1084. We will close the hearing on HB 1084. I would like to hold this bill for a little bit.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1084(B)

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Feb 13, 2001

Type Number	Side A	Side B	Meter #
3	X		5,0-9,0
Committee Clerk Signature <i>Herdice</i>			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Chairman Berg: Supplied amendments.

Rep Ekstrom: I move the amendments.

Rep Pietsch: I second.

Rep M. Klein: I move a do pass as amended.

Rep Koppang: I second.

13 yea, 0 nay, 2 absent

Carrier Rep Berg

FISCAL NOTE

Requested by Legislative Council
12/14/2000

Bill/Resolution No.: HB 1084

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

NO FISCAL IMPACT ON STATE OR AGENCY FUNDING.

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.*

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.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Wayne Kindem	Agency:	Job Service North Dakota
Phone Number:	328-3033	Date Prepared:	12/15/2000

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1084

Page 1, line 1, replace "repeal" with "amend and reenact"

Page 1, line 2, remove "required balance of the" and after "fund" insert "and a report to the legislative council"

Page 1, line 4, replace "**REPEAL**" with "**AMENDMENT**"

Page 1, replace line 5 with "amended and reenacted as follows:

52-02-17. Trust fund balance - Report to legislative council. The bureau shall report to the legislative council before February fifteenth of each year regarding the job insurance trust fund balance is to be maintained at a level of at least forty million dollars as of December thirty-first of the previous year, the projected job insurance trust fund balance for the next three years, and the target job insurance trust fund balance. ~~If the fund balance is ever projected to go below forty million dollars, job service North Dakota shall notify the members of the budget section, and at the next meeting of the budget section job service is to present a report on the condition of the fund, the circumstances leading to the decrease in the fund balance, and a proposal on how to increase the fund balance back to the minimum balance of forty million dollars."~~

Renumber accordingly

Date: 2-13-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1084

House Industry, Business and Labor Committee

Legislative Council Amendment Number 18103.0102 .0200

Action Taken Do Pass as Amended

Motion Made By M. Klein Seconded By Koppang

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser			Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich			Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 13 No 0

Absent 2

Floor Assignment Rep Berg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1084: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1084 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "repeal" with "amend and reenact"

Page 1, line 2, remove "required balance of the" and after "fund" insert "and a report to the legislative council"

Page 1, line 4, replace "**REPEAL**" with "**AMENDMENT**"

Page 1, replace line 5 with "amended and reenacted as follows:

52-02-17. Trust fund balance - Report to legislative council. ~~The job insurance trust fund balance is to be maintained at a level of at least forty million dollars. The bureau shall report to the legislative council before February fifteenth of each year the actual trust fund balance and the targeted modified average high cost multiplier, as of December thirty-first of the previous year. In addition, the report must include a projected trust fund balance for the next three years. If the fund balance is ever projected to go below forty million dollars, job service North Dakota shall notify the members of the budget section, and at the next meeting of the budget section job service is to present a report on the condition of the fund, the circumstances leading to the decrease in the fund balance, and a proposal on how to increase the fund balance back to the minimum balance of forty million dollars.~~

Renumber accordingly

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1084

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1084

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date March 06, 2001.

Tape Number	Side A	Side B	Meter #
1		x	7.5 to 22.9
Committee Clerk Signature <i>David E. Perez</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on HB 1084 relating to the job insurance trust fund and a report to the legislative council.

Ray Gudajtes, Job Service ND. This bill will require Job Service to report to the legislative council annually. Submitted an amendment to extend due date of the report to March 1st of each year rather than February 15, because they won't have the actual numbers until mid-February.

Written testimony attached.

Senator Every: Where these same amendments presented in the House?

R Gudajtes: They had already acted on the bill. Provided committee with information on what has been happening with the trust fund (two enclosed charts). Explained charts to committee.

Senator Mathern: Are we using a percentage now or different formula to determine where we want the fund to be?

R Gudajtes: We look at the highest benefit payout years in the last twenty and two highest on

the last ten. We use a formula called average cost multiplier of one, with some modifications. We want enough funds to pay benefits for one year without additional contributions being made into the fund. The fund starts dropping in 2005.

Senator Espegard: This is kind of risky if unemployment turns around and payouts increase.

R Gudajtes: When we determine rates for the year we are always looking at two things, to maintain the solvency target and to have enough funds to cover benefit charges payments.

Senator Espegard: How do you make that estimate of income?

R Gudajtes: We look at expected total wages in the state, how many are taxable wages, what the economy will be like, a lot of guesstimates involved.

Senator Tollefson: If economy goes down, these charts will change.

R Gudajtes: There are a lot of variables, the projections are based on how the economy is now. The law allows a draw down of fifty percent in the trust fund if the economy goes down. If economy goes up get back to solvency goal.

Senator Krebsbach: I think it should be amended regarding the report to the legislative council since usually it doesn't meet in March. Add "or a committee designated by the council".

Senator Mutch: Not necessary because you address it to the chairman of the council who will usually decide whether to assign it to an interim committee or not..

Senator Espegard: Motion: adopt amendment. **Senator Klein:** Second.

Roll call vote: 7 yes; 0 no. Motion carried.

Senator Espegard: Motion: do pass as amended. **Senator Mathern:** Second.

Roll call vote: 7 yes; 0 no. Motion carried. Floor assignment: **Senator Mathern.**

Date: March 06/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1084

Senate Industry, Business and Labor Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt amendment

Motion Made By Sen Espigard Seconded By Sen Klein

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espigard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: March 06/01
 Roll Call Vote #: Z

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1084

Senate Industry, Business and Labor Committee

- Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DPA

Motion Made By Sen Espigard Seconded By Sen Mathern

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espigard	✓				
Senator Krebsbach	✓				
Senator Tollefson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen Mathern

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 6, 2001 2:24 p.m.

Module No: SR-38-4943
Carrier: D. Mathern
Insert LC: 18103.0201 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1084, as engrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1084 was placed on the Sixth order on the calendar.

Page 1, line 8, replace "February fifteenth" with "March first"

Renumber accordingly

2001 TESTIMONY

HB 1084

HOUSE BILL 1084
Testimony Before the House Committee On
Industry, Business and Labor
Representative Rick Berg, Chairman
January 15, 2001

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I AM JIM HIRSCH DIRECTOR OF CENTRALIZED SERVICES OF JOB SERVICE NORTH DAKOTA. I AM HERE TODAY TO INTRODUCE LEGISLATION RECOMMENDED IN THE JOB SERVICE NORTH DAKOTA 2000 PERFORMANCE AUDIT.

WITH THE PASSAGE OF HB 1135 AND THE ESTABLISHMENT OF AN UNEMPLOYMENT INSURANCE TRUST FUND SOLVENCY LEVEL, THE AUDITORS WHO CONDUCTED OUR PERFORMANCE AUDIT RECOMMENDED THAT WE INTRODUCE LEGISLATION TO REPEAL SECTION 52-02-17.

THIS SECTION REQUIRES JOB SERVICE TO MAINTAIN A TRUST FUND RESERVE LEVEL OF AT LEAST \$40 MILLION AND TO REPORT TO THE BUDGET SECTION WHENEVER THE TRUST FUND RESERVE FALLS BELOW THAT AMOUNT.

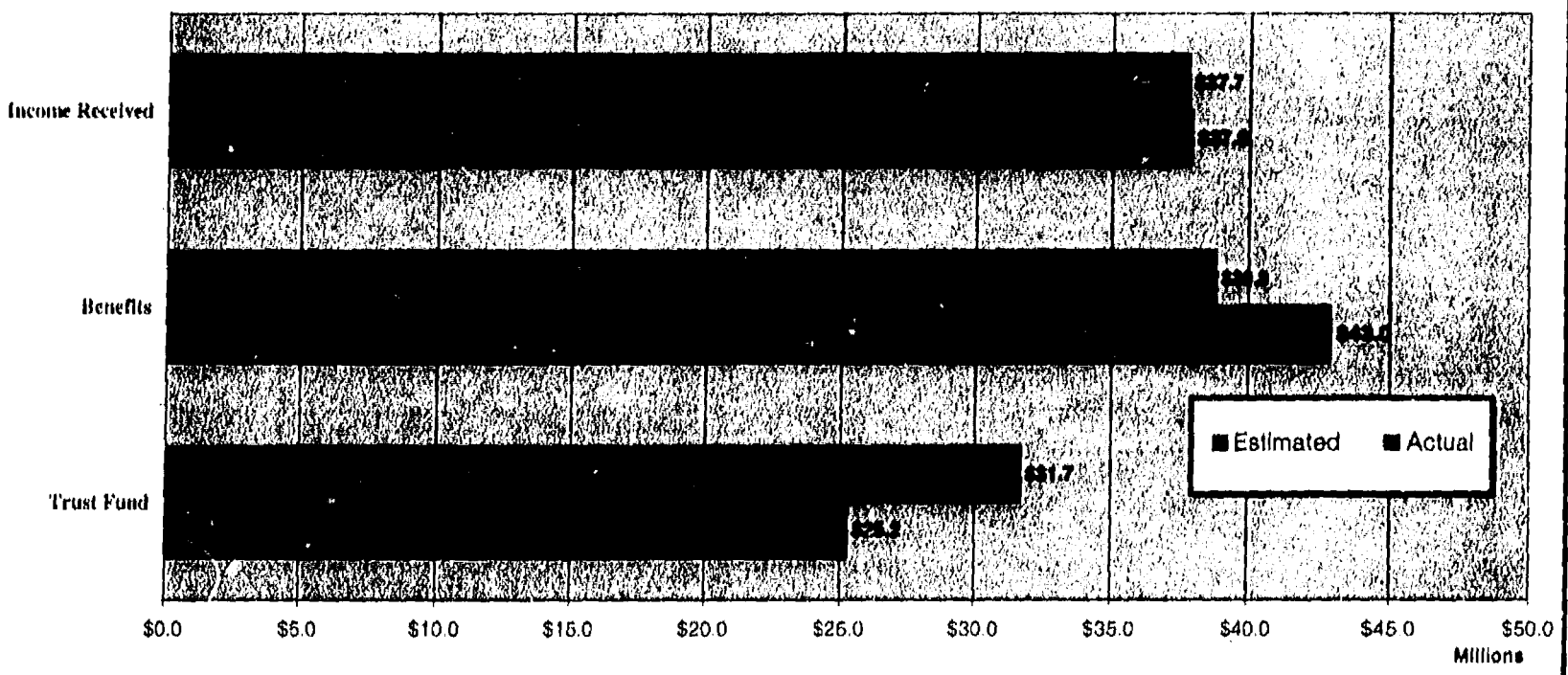
THE CURRENT REPORTING REQUIREMENT UNDER SECTION 52-02-17 DOES NOT CAUSE JOB SERVICE ANY PROBLEM. WE HAVE, AND WILL CONTINUE TO PROVIDE, UPDATES ON THE UNEMPLOYMENT INSURANCE TRUST FUND RESERVE ON A REGULAR BASIS.

HB 1135 ESTABLISHED A NEW TRUST FUND RESERVE SOLVENCY TARGET. THE NEW TRUST FUND RESERVE SOLVENCY LEVEL IS A FLOATING LEVEL BASED ON A FORMULA THAT TAKES INTO CONSIDERATION THE AVERAGE OF THE HIGHEST BENEFIT PAYOUT YEAR IN THE PAST TWENTY AND THE TWO HIGHEST BENEFIT PAYOUT YEARS IN THE PAST TEN. THE SOLVENCY TARGET LEVEL FOR 2001 IS \$76.6 MILLION. WE ARE IN OUR SECOND YEAR

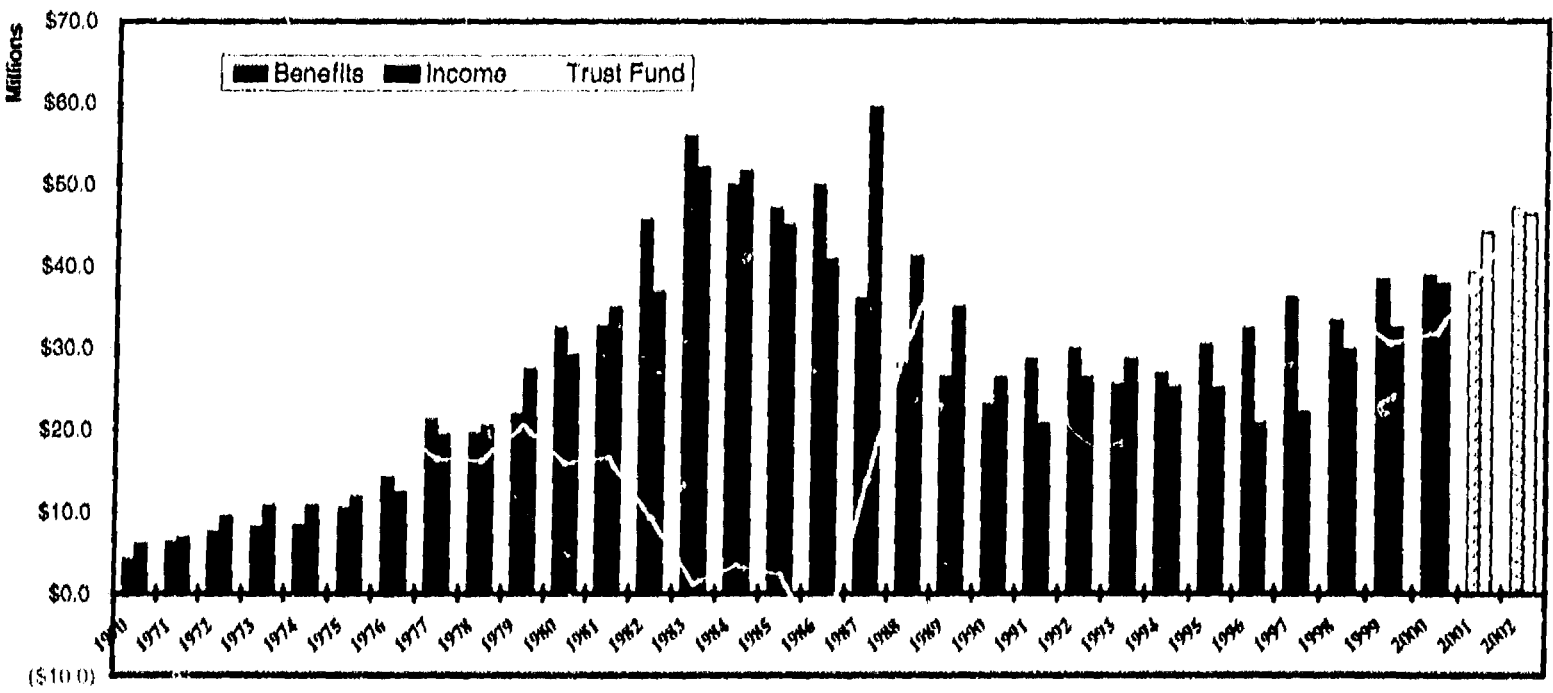
OF THE SEVEN-YEAR PERIOD PROVIDED IN HB 1135 TO REACH THIS TARGET. WE ARE ON TARGET WITH REACHING THIS SOLVENCY TARGET. DURING 2000, WE HAVE TURNED THE TREND OF A DECLINING UNEMPLOYMENT INSURANCE TRUST FUND RESERVE AROUND AND HAVE SEEN AN INCREASE IN THE TRUST FUND RESERVE BALANCE. THE TRUST FUND RESERVE BALANCE ON DECEMBER 31, 1999, WAS \$30.5 MILLION. THE TRUST FUND RESERVE BALANCE AS OF DECEMBER 31, 2000 IS 31.7 MILLION.

MR. CHAIRMAN, JOB SERVICE WILL COMPLY WITH ANY REPORTING REQUIREMENTS THE LEGISLATURE ESTABLISHES. I WOULD ANSWER ANY QUESTIONS.

November 1999 Projection for 2000



North Dakota Unemployment Insurance History (1970-2000) and Forecast (2001-2002)



52-04-14, must be deemed to have been paid to the fund as of the date payment was made as contributions therefor under another state or federal unemployment compensation law, but no such arrangement may be entered into unless it contains provisions for such reimbursements to the fund of such contributions and the actual earnings thereon as the bureau finds will be fair and reasonable as to all affected interests.

52-02-16. Title to real property acquired with federal funds. The state of North Dakota may receive and accept title by general warranty deed to real property which may be acquired under standard legal practices, or combinations thereof, for acquisition of real estate in accordance with the needs and requirements of the particular transaction by documents executed or to be executed by the bureau, provided the property must be acquired without appropriation by the state of North Dakota and the cost thereof must be defrayed by federal funds made available for the administration of said bureau. Sufficiency of title to any property acquired hereunder must be approved by the attorney general prior to execution of documents for acquisition of such property. Property acquired under authority hereof must be for the use and benefit of the bureau to carry out and perform the duties, powers, and authority vested therein, and to administer and participate in federal programs delegated thereto by federal authority. Upon completion of negotiations for acquisition said property may be held and occupied by the bureau at no cost other than maintenance.

52-02-17. Trust fund balance. The job insurance trust fund balance is to be maintained at a level of at least forty million dollars. If the fund balance is ever projected to go below forty million dollars, job service North Dakota shall notify the members of the budget section, and at the next meeting of the budget section job service is to present a report on the condition of the fund, the circumstances leading to the decrease in the fund balance, and a proposal on how to increase the fund balance back to the minimum balance of forty million dollars.

52-02-18. Independent audit - Continuing appropriation. The state auditor shall cause a performance audit of job service North Dakota to be conducted. The state auditor may appoint on a biennial basis an independent audit firm, with extensive expertise in job service practices and standards, to complete a performance audit or the state auditor may conduct the performance audit. If the state auditor completes the audit, the state auditor may contract with a consulting firm to aid in the state audit or to complete the audit and shall charge job service North Dakota for the audit, including the services of the consulting firm. The audit must evaluate divisions of job service North Dakota, as determined necessary by the state auditor, to determine whether the divisions are providing quality service in an efficient and cost-effective manner. The audit report must contain recommendations for divisional improvement or an explanation of why no recommendations are being made. The executive director of job service North Dakota and the auditor shall present the audit report and any action taken as a result of the audit to the legislative council's legislative audit and fiscal review committee and to the house and senate industry, business and labor standing committees during the next regular session of the legislative assembly following the audit. The executive director shall also provide a copy of the audit report to the state auditor.

HOUSE BILL 1084
Testimony Before the Senate Committee On
Industry, Business and Labor
Senator Duane Mutch, Chairman
March 6, 2001

Mr. Chairman, members of the committee, I am Ray Gudajtes of Job Service North Dakota. A recommendation of the Job Service North Dakota 2000 Performance audit prompted Job Service to introduce a bill, which would repeal Section 52-02-17. This section requires the Unemployment Trust Fund balance to be maintained at least at \$40 million and for Job Service to report to the budget section whenever the trust fund reserve falls below that amount.

With the passage of HB 1135 by the 1999 Legislature and the establishment of an Unemployment Insurance Trust Fund solvency level, the auditors who conducted our performance audit recommended that we introduce legislation to repeal section 52-02-17.

The engrossed HB 1084 modifies 52-02-17 by requiring Job Service to report to the legislative council annually. Job Service does not have any issues with the reporting requirement. We have, and will continue to provide, updates on the unemployment insurance trust fund reserve on a regular basis and as requested.

HB 1135 established a new trust fund reserve solvency target. The trust fund reserve solvency level is a floating level based on a formula that takes into consideration the average of the highest benefit payout year in the past twenty and the two highest benefit payout years in the past ten. The solvency target level for 2001 is \$76.6 million. We are in our second year of the seven-year period provided in HB 1135 to reach this target. We are on target with reaching this solvency target. During 2000, we have turned the trend of a declining unemployment insurance trust fund reserve around and have seen an increase in the trust fund reserve balance. The trust fund reserve balance on December 31, 1999, was \$30.5 million. The trust fund reserve balance as of December 31, 2000 is 31.7 million.

Again, Job Service does not have an issue with the annual reporting requirement. However, the actual numbers for the Trust Fund Reserve

level may not be available by February 15th as interest earnings data is normally not available until mid-February. Consequently, we are submitting an amendment, which would extend the due date of the report to March 1st of each year rather than February 15th.

Mr. Chairman, this ends my testimony. I am available for questions.

Prepared for Senate Industry,
Business, and Labor
Committee by Job Service
North Dakota
March 6, 2001

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1084

Page 1, line 8, replace "February fifteenth" with "March first"

Renumber accordingly

HB 1135-1084

Trust Fund Solvency Projections

