

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1425

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1425

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1425

HOUSE INDUSTRY, BUSINESS AND LABOR

Conference Committee

Hearing Date 1-24-05

Tape Number	Side A	Side B	Meter #
3	x		23.1-end
3		x	0-13.1
4	x		41.2-end
4		x	0-2.9
Committee Clerk Signature <i>Joey Riedman</i>			

Minutes:

Rep. Keiser: Called the meeting to order on HB 1425. All committee members were present.

Representative Thoreson: Appeared in support of bill and also was one of the sponsors.

Representative Koppelman: Appeared in support of bill and also was a sponsor and provided a written statement (SEE ATTACHED TESTIMONY).

Doreen Riedman, Executive Officer, ND Association of Builders: Appeared in support of HB 1425 and provided a written statement (SEE ATTACHED TESTIMONY).

Ben Koppelman, Owner, Vision Construction, Fargo: Appeared in support of HB 1425. Provided a written statement from **Greg Olson, Owner, Full Circle Construction Services,** (SEE ATTACHED TESTIMONY).

John Graham, Job Service, ND: Appeared in support of bill and provided a written statement (SEE ATTACHED TESTIMONY).

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House Industry, Business and Labor Committee

Bill/Resolution Number HB~~1411~~ 1425

Hearing Date 1-25-05

24

Representative Ruby: I move a **DO PASS** on HB 1425.

Representative Ekstrom: **SECOND** the **DO PASS** motion.

Motion failed. VOTE: 4-YES 8-NO 1-Absent (BOE).

Representative Froseth: I move a **DO NOT PASS** on HB 1425.

Representative N.Johnson: I **SECOND** the motion on a **DO NOT PASS** on HB 1425

Motion carried VOTE: 10-YES 3-NO 1-Absent (BOE).

Representative Dietrich will carry the bill on the floor.

Hearing closed.

FISCAL NOTE
Requested by Legislative Council
01/18/2005

Bill/Resolution No.: HB 1425

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$22,968	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

The fiscal impact of this Bill is to cause a modification to the Unemployment Insurance computer system consisting of reprogramming four (4) screens at an estimated cost of \$22,968. The screens would need to be changed to process the additional new business tax rate for homebuilders, and to read new NAICS codes, not now being read for tax rate determination purposes.

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.*

This Bill will result in no additional revenue to Job Service, and will have a slight negative impact on the Unemployment Insurance Trust Fund in the annual amount of \$159,000.

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.*

This Bill will result in an expenditure of funds for the estimated one-time costs for reprogramming the UI computer system in the amount of \$22,968. These funds will have to come from funds appropriated to fund our submitted 2005-2007 budget request, as we have no additional revenue source to cover these costs.

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.*

This Bill will not require an appropriation, as increasing our appropriation does not provide any additional funds to the Agency. Our current appropriation request already appropriates all of the federal funding that we anticipate receiving in the coming biennium.

Name:	John Graham	Agency:	Job Service
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Phone Number: 701-328-2843

Date Prepared: 01/21/2005

Date: 1-24-05
 Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1425

House INDUSTRY, BUSINESS AND LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Ruby Seconded By Rep. Ekstrom

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman		X	Rep. B. Amerman		X
N. Johnson-Vice Chairman		X	Rep. T. Boe	A	
Rep. D. Clark		X	Rep. M. Ekstrom	X	
Rep. D. Dietrich		X	Rep. E. Thorpe	X	
Rep. M. Dosch		X			
Rep. G. Froseth		X			
Rep. J. Kasper		X			
Rep. D. Nottestad	X				
Rep. D. Ruby	X				
Rep. D. Vigesaa		X			

Failed

Total (Yes) 4 ~~8~~ No 8

Absent (1) Rep. Boe

Floor Assignment _____

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

Date: 1-24-05
 Roll Call Vote #: 2

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1425

House INDUSTRY, BUSINESS AND LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Froseth Seconded By Rep. Johnson

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman	X		Rep. B. Amerman	X	
N. Johnson-Vice Chairman	X		Rep. T. Boe	A	
Rep. D. Clark	X		Rep. M. Ekstrom		X
Rep. D. Dietrich	X		Rep. E. Thorpe		X
Rep. M. Dosch	X				
Rep. G. Froseth	X				
Rep. J. Kasper	X				
Rep. D. Nottestad	X				
Rep. D. Ruby		X			
Rep. D. Vigesaa	X				

Total (Yes) 10 No 3

Absent (1) Rep. Boe

Floor Assignment Rep. Dietrich

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

REPORT OF STANDING COMMITTEE (410)
January 24, 2005 5:32 p.m.

Module No: HR-15-0962
Carrier: Dietrich
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1425: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO NOT PASS** (10 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING).
HB 1425 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

HB 1425



PRESIDENT
Joe Stenvold, Minot

PRESIDENT-ELECT
ALT. NATIONAL DIRECTOR/ALT. BUILD-PAC TRUSTEE
Don Dabbert, Jr., Fargo

SECRETARY/TREASURER
Lori Willson, Bismarck

IMMEDIATE PAST PRESIDENT
Rusty Wysocki, Grand Forks

STATE REPRESENTATIVE & SR. LIFE DIRECTOR
Gerald Eid, Fargo

BUILD-PAC TRUSTEE & LIFE DIRECTOR
Bob Klave, Grand Forks

ASSOCIATE NATIONAL DIRECTORS
Ken Krajsa, Fargo
Mike Stenvold, Minot

LIFE DIRECTOR
Ralph Applegren, Grand Forks

BISMARCK-MANDAN HOME BUILDERS
ASSOCIATION
Eddy Mitzel, President
Rory Schlosser
Lori Willson
Eldon Krein, Executive Officer

DICKINSON AREA BUILDERS ASSOCIATION
Jane Bren, President
Mary Bares
John Schaefer, Executive Officer

FORX BUILDERS ASSOCIATION
Barry Flath, President
Ralph Applegren
Bob Klave
Walt Knipe
Mario LaPlante
Tim Rosencrans
Rusty Wysocki
Betty McDonald, Executive Officer

HOME BUILDERS ASSOCIATION OF
FARGO-MOORHEAD
Dave Anderson, President
Mike Arnold
Don Dabbert, Jr.
Gerald Eid
Ken Krajsa
Tony Watterud
Bryce Johnson, Executive Vice Pres.

MINOT ASSOCIATION OF BUILDERS
Dave Lebrun, President
Joe Stenvold
Mike Stenvold
Vicky Flagstad, Executive Officer

NORTH DAKOTA ASSOCIATION OF BUILDERS
Doreen Riedman,
Executive Officer
Linda Wisniewski,
Administrative Assistant



Testimony on House Bill 1425 **House Industry, Business & Labor Committee** **January 24, 2005**

Doreen Riedman, Executive Officer
North Dakota Association of Builders

Chairman Keiser and members of the House Industry, Business & Labor Committee, the North Dakota Association of Builders (NDAB) supports House Bill 1425, relating to the unemployment insurance tax rate assigned to new builders and remodelers.

The NDAB represents nearly 1,600 members statewide, and is affiliated with five local builders associations in Bismarck-Mandan, Dickinson, Fargo-Moorhead, Grand Forks, and Minot; and is part of a larger federation, the National Association of Home Builders (NAHB), which has over 211,000 members.

Starting a new business is tough, and it's especially tough when you're charged the maximum possible rate for unemployment insurance during the first three years you're in business. New homebuilders and remodelers probably don't deserve to be charged this excessive rate. For some time now, most homebuilders have been able to keep crews busy throughout the year. By digging basements in the fall, homebuilders have homes in various stages throughout the winter months to keep employees on the job. The reserve ratios for those builders show the efforts they have made to become positive-balance employers. (see chart on page three)

In looking at the three subsectors that make up the "Construction" classification in the North American Industry Classification System, it's clear that one subsector "Heavy and Civil Engineering Construction" has a much greater negative reserve balance than the other two subsectors. Members of the North Dakota Association of Builders fall predominantly in Subsectors 236 and 238, and have much better reserve ratios than the "Heavy and Civil Engineering Construction" group, Subsector 237.

This legislation lowers the new employer rate for five categories within the "Construction of Buildings" subsector (236) to the negative employer **minimum** rate (currently 6.49%), instead of charging the negative employer **maximum** rate (currently 10.09%) for the first three

years. It is still a higher rate than the employers may be charged after those first three years, but it's much more affordable for new businesspeople. One of our members reported that his business went from being charged the 10.09% for the first three years, to a rate of approximately 1% after that.

This legislative adjustment in the rates for builders and remodelers:

- **More accurately represents actual experience ratings;**
- **Helps new builders get started** during the critical first three years they're in business; and
- **Encourages more business growth** in North Dakota, which means more jobs.

We ask this committee to support this legislation to lower the unemployment insurance rates paid by new builders and remodelers. By making this change, our state will encourage new businesses and jobs in the building industry, and put more fairness in the rates charged to new employers. Thank you for your positive consideration of this legislation.

**JOB SERVICE OF NORTH DAKOTA
DATA FROM OCTOBER 1997-SEPTEMBER 2003**

3 Digit NAICS	Description	Employers	6 Years Contributions	6 Years Benefits	3 Years Average Payroll	6 Year Reserve
236	Construction of Buildings	660	\$15,511,491.59	\$17,358,416.03	\$79,802,117.71	-2.32%
237	Heavy and Civil Engineering Construction	296	\$26,713,040.03	\$38,968,857.64	\$61,667,675.73	-19.88%
238	Specialty Trade Contractors	1,289	\$26,006,727.02	\$30,029,005.70	\$142,272,731.22	-2.83%
Total Construction		2,245	\$68,231,258.64	\$86,356,279.37	\$283,742,524.66	-6.39%

Classifications from NAICS – North American Industry Classification System

Testimony in favor of House Bill 1425
before the House Industry, Business and Labor Committee
1-24-05

Mr. Chairman and Members of the Committee;

I come before you today, in support of House Bill 1425. This is an important bill for the new employers in the home building and remodeling fields. Currently, new employers have a large disadvantage in competing with established home building companies. The current system takes a worst case scenario approach. I believe that it is in the state's best interest to help young businesses, not make them overcome deficits.

My company has been in business for two years, and I have been an employer for almost a year. When hiring employees, I have found that I struggle to compete with salaries that existing companies pay, and this disadvantage only complicates things.

My business is a small business like many in my field. Payroll costs directly impact my ability to employ. I likely would have become an employer much earlier had the unemployment and other rates been more business friendly.

Homebuilding companies such as mine are very unlikely to lay off employees during the winter, and almost never have widespread seasonal layoffs. If there are not new homes to build, we remodel. We like to take care of our employees in order to keep them.

It is my position that House Bill 1425 is a step in the right direction, and I would appreciate it if you would consider a "do pass" recommendation. I'd be happy to try to answer any questions. Thank you for your time.

Ben Koppelman, President
Vision Construction, LLC
1809 4th Street N
Fargo, ND 58102

House Bill No. 1425
Testimony of John A. Graham
Job Service North Dakota

before the

House Committee on Industry, Business, and Labor
Rep. George Keiser, Chairman

Monday, January 24, 2005

Mr. Chairman, members of the Industry, Business, and Labor Committee, I am John Graham. I am representing the Unemployment Insurance program of Job Service North Dakota. I am here in support of House Bill No. 1425.

I do want to point out two concerns to the Committee, however. First, there are other new businesses in North Dakota that are presently categorized under the "construction" category that could claim that their business type should have a differential rate. This Bill opens a door to further requests of the Legislature to create new business rates for entities engaged in certain types of construction-like operations.

Secondly, this special rate is being assigned when the housing industry is, generally speaking, enjoying good economic times, and thus the new businesses opening up are able to keep their employees fully employed. That may not be true if interest rates rise and the housing market becomes less robust.

With those caveats, Mr. Chairman, Job Service is supportive of the passage of this Bill. The impact to the trust fund (\$159,000 annually) is such that, standing alone, a general increase in taxes will not be necessary to offset it. The fiscal impact on the Agency

(\$23,000 in one-time programming costs) is unpleasant, but we will modify our planned budget to accommodate it.

Mr. Chairman, I would be happy to answer the Committee's questions.

January 23, 2005

To whomever it may concern:

My name is Greg Olson, owner of Full Circle Construction Services. I'm writing to express my opinion on House Bill 1425, which was introduced to lower the excessive rates being charged new companies in the home building and remodeling construction industries. I've been in this industry for 20 years. For the first 13 years, I worked as a sub contractor. For the next five years, I worked for a home builder, and for the past two and a half years, I have been a general contractor in the home and remodeling industry.

The rates being applied to companies that got started after July of 2002 seem to be quite excessive compared to companies that started before that date. What this rate essentially does is create an uneven playing field when bidding work. In order to be competitive on bids something has to give. What happens is that employees are paid less to accommodate the higher unemployment rate. This, in turn, hurts the families of employees and makes it difficult to hire and retain quality people. It gives an unfair advantage to businesses in this industry that started before July of 2002.

Generally, people in the home building and remodeling industry keep busy all year round (indoor work, remodeling projects, etc.). Therefore, employees should always be busy and there shouldn't be a time period where there isn't any work. Needless to say, there shouldn't be very much unemployment used as compared to road workers, concrete workers, and seasonal labor. I feel that the unemployment rates should reflect the amount of unemployment used. Home building and remodeling shouldn't be put into a category that includes seasonal construction. It is very unfair and it doesn't make sense to have such high rates for those in my line of work.

Greg Olson
508 Plum Tree Road
Hickson, ND 58047
(701) 866-1880