

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1057

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1057

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1057

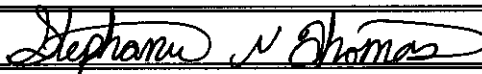
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 10, 2007

Recorder Job Number: 867

Committee Clerk Signature



Minutes:

Chair Keiser opened the hearing on HB 1057, relating to electronic filing of employer unemployment contribution and wage reports and electronic payment of contributions.

Larry Anderson, Director of Workforce & Unemployment Insurance Programs with Job

Service North Dakota: See written testimony #1.

Rep. Vigesaa: How fast is the use of the electronic filing on its own if people decide to do it that way?

Larry: The percent of employers that are choosing to file electronically is currently at about 21%.

Rep. Vigesaa: How fast is that percentage growing?

Larry: It's not as rapidly or fast as we would like to see. We feel we should have a greater percent of employers using that.

Rep. Ruby: I'm having some concerns that not even close to half the employers are willingly doing this. Are there any other areas that employers are paying for administration of claims or operational under Job Service?

Larry: Currently, we don't have any other circumstances or situations where we are charging a fee.

Rep. Dosch: Is this a system where the employer has to manually key in this information, or is it able to be downloaded directly from a payroll system?

Larry: It would be the requirement for the initial keying, but this system is designed to have data imported from various operating systems and imputed into our systems.

Rep. Dosch: Would this also take various other reports for Job Service, you statistical report that shows the number of the employees each quarter, the wages for that quarter? Is your system able to generate reports as well?

Bob Olson, Chief of Tax for Job Service North Dakota: This system calculates the total number of employees that are recorded. We still ask the employer to tell us how many were working each month. The system offers two options. One is a download from an employer's payroll system that requires no keying other than logging into the system. The other one is if we return the employees name and SSN from the previous quarter so the employer has to enter the current quarter's wage amounts only.

Rep. Keiser: If we are entering electronically our data on a monthly basis, why can't you pull off the information you want on a quarterly basis?

Bob: We don't do anything on a monthly basis here, just the quarter.

Rep. Keiser: So, if we fall on a quarter than you'll be able to do everything? If we do it electronically, any report you want can be printed off of that?

Bob: I would say the reports that you normally complete each quarter are downloaded, so you don't have to key in names and SSN. You can download from our payroll system, and then when employees are entered the excess wage calculations are done on that and the total is figured automatically. Then you can go directly to a payment page where you can choose to make a payment electronically or you can print a voucher to demand the payment.

Rep. Dosch: How about if periodically Job Service prints out a wage verification to determine eligibility for benefits on employees, and they want to go back several pay periods to verify the income. One thing I could never quite understand is you have the data, but the employers have to go back and fill out these history or verifications.

Bob: This is called a payment audit. These things are sent to employers who have former workers who are filing for unemployment. These forms are audit of the unemployment benefit recipient's weekly claim. So, when we collect information from them quarterly, we collect a total gross figure for the quarter of the tax that goes along with it. From that information we can calculate some benefit entitlements, but once they are filing a claim, they report to us for each week that they are filing. Part of that report is to tell us how much money they earned from the employer.

Rep. Amerman: You mentioned concern about schools and political subdivisions. Do you have any numbers from schools or political subs that are filing anything now?

Larry: It would be a very small percentage of schools and political subdivisions.

Rep. Kasper: How long has IU Easy been available to employers to use?

Larry: We've had this system online for about 2 years.

Rep. Kasper: What have you done in the last 2 years to inform the employers that this is available, and to encourage them to use it voluntarily?

Larry: We engaged in some fairly aggressive marketing efforts provide and make aware to people that we have that option available to them. Personally I traveled to all of 8 major cities in ND, to communicate with the market to employers the benefits to them in using that method. In addition to that every quarter we choose a newsletter to all of the current employers in the state. In addition, we have created little cards and brochures, and mailed them out to employers to further market means to file reports.

Rep. Kasper: Have you done any calling to employers, not using this system, just picking up the phone and calling and finding out why they're not using the system?

Larry: We have. Our remotely located staff has established a campaign with a goal for each of those 8 individuals that are located across the state to contact all of their employers in there administrative area. Each of those individually went out and visited with all the employers to assist them in filing their contribution reports if they had any complications or problems in doing that. That did result in an increase in the number of employers, but we are still not seeing the growth that we would like to see.

Rep. Dosch: I think one of the reasons why we have not gone on it is because, there's a cost to do the programming change. Our payroll provider, I imagine is going to tell us we can do this, but you'll need a programming change.

Larry: You shouldn't have to go through any programming change. That information in your payroll system should be able to be imported into our IU Easy system.

Rep. Clark: It seems to me that this would save Job Service considerable money, but wouldn't you say that you would save the employer on the other end?

Larry: Exactly. It saves us money, but more importantly it saves the business money.

Rep. Gruchalla: You mentioned the hours saved by Job Service not having to put that data, but I didn't see a conclusion on your reduction of staff. Are you going to save some FTE's?

Larry: We anticipate that if we could be successful in getting a greater percentage of employers to file electronically, that we would reduce staff. We need to have staff do more productive tasks for us, rather than just manual data entry.

Rep. Keiser: On lines 12 and 13, contribution payments must be made electronically. So, how many companies out there at that level, are not doing it electronically?

Bob: The electronic payment numbers will be very similar, on the employers approximately 62 to 65%.

Rep. Keiser: I like the concept; I just think we're approaching it in the wrong way. We are putting a penalty in, instead of an incentive. Why shouldn't companies that do this get a break, verses companies that don't?

Larry: You make an excellent point. We actually looked at that, and it was discussed in some detail by our Unemployment Insurance Advisory Council. It would be problematic for us, because then we're using premium contribution payments that are made by the employers for reasons other than what they are strictly dedicated to by federal tax laws.

Rep. Kasper: On the fiscal note, you're putting out expenditures of 161,000. What do you need 161,000 dollars for?

Larry: These are the estimated costs to us to accommodate the increases.

Rep. Kasper: So, your telling us that you have 2 full time FTE's that are doing it this way, and there cost would be maybe 30, 40, or 50,000 per person through Job Service, but on the other hand you're saying that we have 161,000 of new money that we have to spend to do this. This is beginning to not make sense.

Darren Brostrom, Job Service of North Dakota: The charges associated with the fiscal note relate to tracking the ten dollars and any charges that come in as a result of payment loss.

Rep. Keiser: Then, why aren't we charging more? Why aren't we creating 161,000 dollars of revenue to offset the 161,000 that's going to increase our cost to collect these fees?

Darren: I believe that the programming has to be done upfront, and we don't have the dollars.

Rep. Keiser: What you have in the bill is only going to generate 60,000 new dollars. Let's change that so it generates 161,000.

Larry: We want to try to get volunteer employers to come here voluntarily, and we didn't want to make the fee so that it would become a burden or hardship on the businesses.

Rep. Keiser: So, the 161,000 is pretty much a one time cost for the programming?

Larry: Correct.

Rep. Kasper: So, if we didn't implement your bill it would mean that you've got 100,000 dollars to spend over the next 2.5 biennium's to try to encourage employers to do this voluntarily?

Larry: The assumption is that we would redirect existing industry dollars to accommodate the programming changes. In reality what we would really try to do is to take currently existing industry dollar, and manage them in such a way that we can use internal IT staff to do the work.

Rep. Kasper: So, what you're saying then is the 161,000 dollar fiscal note cost, we can just throw that out, because that's really not what you're going to spend it on?

Larry: We wanted to provide to the committee the cost estimates, or both alternatives. Are rational for that was we have a significant number of IT projects currently in the process. We weren't confident that we would have sufficient internal IT resources to commit to this project, so we provided the committee both cost estimates.

Tom Balzer, Motors Carrier Association: Opposed to the bill. We are concerned that the critical mass of use has not been met, in order to put a penalty on employers who do not choose this method.

Hearing Closed

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1057

House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 15, 2007

Recorder Job Number: 1101

Committee Clerk Signature



Minutes:

Chair Keiser opened the hearing on HB 1057.

Larry Anderson: Overview of proposed amendment. See proposed amendment.

Rep. Zaiser: Approximately, how many employers would this impact?

Larry: I'm going to recollect that it's 482.

Rep. Nottestad: When you go with this 99 to 100, once they make that switch, does that mean they stay there if they would drop back to 98? Can you oscillate back and forth in methods of reporting?

Larry: The way the language is currently structured here, if they fell below that then they would have to reconsider it.

Rep. Ruby: How many employers that you have are not filing? What is the penalty for being considered to have film file?

Larry: I'm going to speculate a fee of like \$25.

Rep. Kasper: I'd like to clarify the fiscal note, where there is \$161,000. At the bottom it says the department can be working the IT plans, and Job Service can do it for \$31,000. You're telling us employees can use the system right now, so if they can use it right now and it works

very well, why is there a fiscal impact? What would be the fiscal impact now that we're looking at a different number?

Larry: The fiscal note that we prepared for the bill is not to accommodate the programming necessary, it was to make available the means for us to manage the collection of the fees that we were proposing associated with not filing electronically.

Rep. Clark: Does WSI have a similar problem with small employers filing electronically?

Larry: I'm not real familiar with WSI's filing requirements, but I do believe they do require you to file electronically.

Rep. Dosch: The effective date, however, does not begin until December 31, 2007?

Larry: Yes,

Rep. Keiser: There was concern expressed about people who were managing other businesses accounts.

Larry: Yes, I think what you're making reference to is payroll providers. We have a single payroll provider who will send us 1200 individual checks. It takes us over a day to process those 1200 individual checks. We have addressed that in the proposal, that offer it to the committee for consideration.

Rep. Zaiser: I'd like to motion to approve the bill as is.

Rep. Amerman: Second.

Rep. Zaiser: Given their budget situation, the relatively small fine, and testimony, once you convert to that system it's much easier anyway. All those considerations lead me to think that's the right way to go.

Roll call vote was taken and failed. 3 Yeas, 11 Nays, 0 Absent

Rep. Ruby: I move to adopt the amendment.

Rep. Nottestad: Second.

Roll call vote was taken. 13 Yeas, 1 Nay, 0 Absent

Rep. Johnson: I move a do pass, as amended.

Rep. Boe: Second.

Roll call vote was taken. 14 Yeas, 0 Nays, 0 Absent, Carrier: Rep. Johnson

Hearing Closed.

FISCAL NOTE
Requested by Legislative Council
01/18/2007

Amendment to: HB 1057

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$32,751	\$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.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Require employers that employ more than ninety-nine employees to file contribution and wage reports electronically. Requires electronic payments when made for multiple employers. Effective date for the legislation is taxable years after Dec 31, 2007.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Implementing this bill will require programming changes to our mainframe Unemployment Insurance (UI) computer system. It will require adding a method to track employers that employ more than 99 employees and non-electronic payments made by a payer on behalf of more than one employer, as well as, screen and report modifications.

Due to limited Job Service North Dakota programming staff availability, it is expected that a contractor will be needed to complete the required programming. Contractor programming costs are estimated as follows:

- \$13,340 - 92 estimated hours of Programmer/Analyst time at \$145/hour
- \$13,340 - 100% learning curve cost for staff unfamiliar with user system.
- \$ 5,000 - Developer "seat," cost for one developer.
- \$ 127 - Ongoing cost of a development seat of \$127/month/developer
- \$ 175 - Network hookup, \$175 per developer
- \$ 29 - Ongoing network cost, \$29/month/developer
- \$ 450 - Emulation software (if needed), \$450/developer
- \$ 290 - Office Suite software (if needed), \$290/developer
- \$32,751 - Total

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.*

The expenditure would be to enter into a contract with external programmers. The projected expenditure would affect the operating expense line item and would be charged to the agency's federal funds.

The expenditures, if any, would be offset against another planned expenditure in order to stay within the available federal resources.

Currently 2 FTE positions are involved in the manual input of information received on paper reports. As the need for this function is reduced, we anticipate redirecting activities to accomplish other tasks affected by reduced federal funding. Some of these tasks will initially include support for employers needing help in getting used to electronic filing.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Because the agency would not be receiving any additional federal resources to fund this expenditure, an offsetting decrease in another budgeted operating expense item would need to be accomplished. Therefore, there would not be any impact on the agency's appropriation.

Name:	Larry Anderson	Agency:	Job Service
Phone Number:	701-328-2843	Date Prepared:	01/19/2007

FISCAL NOTE
Requested by Legislative Council
12/27/2006

Bill/Resolution No.: HB 1057

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$60,000	\$0	\$0
Expenditures	\$0	\$0	\$0	\$161,824	\$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.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Encourage employers to submit quarterly UI reports and pay taxes electronically. Employers that choose to file reports manually will pay an additional assessment to partially cover the higher costs of processing paper reports. Effective date for the legislation is taxable years after Dec 31, 2007.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The assumptions used in calculating revenue are as follows:

- 5% of approximately 20,000 employers (1,000) will not file electronically.
- Those employers will be primarily small employers (58% of ND employers have 4 or less employees - used 4 per employer in calculation). Source July 2006 issue of "Employment and Wages" published by Job Service North Dakota Labor Market Information Section.
- Above figures multiplied times 5 (the number of quarters the law will have been in effect during the 2007-2009 biennium).

Estimated revenue equals \$60,000 (\$10.00 per report plus \$.50 per employee times 5 quarters).

In subsequent bienniums, it is assumed virtually all employers will file electronically, resulting in no revenue.

Implementing this bill will require programming of our mainframe Unemployment Insurance (UI) computer system. Most areas of the Tax system and portions of the Benefits system will need modification to accommodate this new fee. Some of the individual changes required will be:

- Database modifications
- Creation of new databases
- MIS system interface modifications and additions
- Creation and modification of mainframe batch processes Automated correspondence and billing
- Creation of required reports related to employer contributions
- Modification of MIS system for appropriate application of moneys owed
- Modification of the data validation system

- Changes to the Tax Internet based customer application, UIEASY

Due to limited Job Service North Dakota programming staff availability, it is expected that a contractor will be needed to complete the required programming. Contractor programming costs are estimated as follows:

\$ 77,720 - 536 Programmer/Analyst hours
 \$ 77,720 - 100% learning curve cost for staff unfamiliar with user system.
 \$ 5,000 - Developer software costs
 \$ 382 - Ongoing cost of developer software
 \$ 175 - Network hookup
 \$ 87 - Ongoing network cost
 \$ 450 - Emulation software
 \$ 290 - Office Suite software
 \$161,824 - Total Cost

If the project can be worked into the IT Plan, Job Service North Dakota IT staff would complete the programming at a cost of \$31,088 (536 Programmer/Analyst hours).

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.*

The Federal Advance Interest Repayment Fund revenues will increase by \$60,000.

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.*

The expenditure would be to enter into a contract with external programmers. The projected expenditure would affect the operating expense line item and would be charged to the agency's federal funds and/or would be charged to the Federal Advance Interest Repayment Fund.

If the programming is done by Job Service North Dakota IT staff, the number of FTEs would not be changed.

The expenditures, if any, would be offset against another planned expenditure in order to stay within the available federal resources.

Currently 2 FTE positions are involved in the manual input of information received on paper reports. As the need for this function is reduced, we anticipate redirecting activities to accomplish other tasks affected by reduced federal funding. Some of these tasks will initially include support for employers needing help in getting used to electronic filing.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Because the agency would not be receiving any additional federal resources to fund this expenditure, an offsetting decrease in another budgeted operating expense item would need to be accomplished. Therefore, there would not be any impact on the agency's appropriation. Any Federal Advance Interest Repayment Fund revenues and expenditures are under continuing appropriation status.

Name:	Larry Anderson	Agency:	Job Service
Phone Number:	701-328-2843	Date Prepared:	01/05/2007

Date: 1-15-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1057

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Zaiser Seconded By Rep. Amerman

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser		X	Rep. Amerman	X	
Vice Chairman Johnson		X	Rep. Boe		X
Rep. Clark		X	Rep. Gruchalla		X
Rep. Dietrich		X	Rep. Thorpe	X	
Rep. Dosch		X	Rep. Zaiser	X	
Rep. Kasper		X			
Rep. Nottestad		X			
Rep. Ruby		X			
Rep. Vigasaa		X			

Total Yes 3 No 11

Absent 0

Floor Assignment Rep. Johnson

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

January 15, 2007

**House Amendments to HB 1057 (78061.0101) - Industry, Business and Labor
Committee 01/15/2007**

Page 1, line 8, replace "Employers may file contribution and wage reports by means of" with "An employer that employs more than ninety-nine employees at any time shall file contribution and wage reports by an electronic method approved by the bureau beginning with the calendar quarter in which the employer first employs more than ninety-nine employees. An employer that does not comply with the requirements to file reports electronically is deemed to have failed to submit any employer's contribution and wage report as provided in section 52-04-11"

Page 1, remove lines 9 through 12

Page 1, line 13, remove "dollars must be made electronically"

Renumber accordingly

Date: 1-15-07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1057

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt Amendment

Motion Made By Rep. Ruby Seconded By Rep. Nottestad

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe		X
Rep. Dosch	X		Rep. Zaiser	X	
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 13 No 1

Absent 0

Floor Assignment Rep Johnson

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

Date: 1-15-07
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1057

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS, as amended

Motion Made By Rep Johnson Seconded By Rep. Boe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch	X		Rep. Zaiser	X	
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 14 No 0

Absent 0

Floor Assignment Rep Johnson

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

REPORT OF STANDING COMMITTEE

HB 1057: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1057 was placed on the Sixth order on the calendar.

Page 1, line 8, replace "Employers may file contribution and wage reports by means of" with "An employer that employs more than ninety-nine employees at any time shall file contribution and wage reports by an electronic method approved by the bureau beginning with the calendar quarter in which the employer first employs more than ninety-nine employees. An employer that does not comply with the requirements to file reports electronically is deemed to have failed to submit any employer's contribution and wage report as provided in section 52-04-11"

Page 1, remove lines 9 through 12

Page 1, line 13, remove "dollars must be made electronically"

Renumber accordingly

2007 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1057

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1057

Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **February 21, 2007**

Recorder Job Number: **3550**

Committee Clerk Signature



Electronic filing employee unemployment contributions:

Larry Anderson, Job Service ND - In Favor

TESTIMONY # 1 *[Reads testimony – tells of electronic payments of contributions.]*

S Klein: Seems employers are already moving in that direction, is there a reason why we need to force them? I've heard you're trying to save some money, obviously, 21% are already filing electronically, isn't that going to continue to go up?

Larry A: We have reached the threshold in voluntary utilization of the internet-based filing. We prefer to think of this rather than enforcing them, is giving them additional options of ways to file their reports.

S Klein: You don't think this is a hammer approach?

Larry A: We like to think this will save them time.

S Klein: Do they have it on electric file anyway?

Larry A: A vast majority in the state maintain their books electronically, this system will take any electronic means that they use to manage their books and their accounts and translate that in the filing of their reports. They don't need to set up systems to accommodate this method of filing.

S Hacker: Why a threshold of 99 employees?

Larry A: We actually had the number lower than that, but in interest in trying to secure passage of the legislation, we went with a more conservative approach and get after that group of employers in reporting in our system who report those high amounts, to get a bigger chunk of those filing.

S Klein: You talked about the "99" employees, but also if someone else is doing the return, is that not your local bookkeeper, the PEO company?

Larry A: There are a number of professional services that provide payroll reporting for businesses, EBP as example, they report typically for a large employers and this would require they must submit their reports electronically. They have large payroll providers have told us that until we pass legislation and it is required in our state, they will continue to submit their payments manually because of the float that they realize on that.

S Klein: Because why?

Larry A: What's referred to as a "Float" that they get by paying manually, VS electronically.

S Hacker: The 100 version of the bill, how many employees was that? Did you introduce legislation with limitation of 99 employees? Did the House amend the bill to go to 99 employees?

Larry A: *[Referred to another attender.]* Yes they did.

S Hacker: Do you know what the number was before that?

Larry A: It was 50.

S Wanzek: You talked about professional services. *[tells about personal experience 11:2m7]*
[explains his experience]

S Klein: The preparation, the question is how does that fall into the group?

S Wanzek: Our person will file electronically and he'll give me instruction at the end of the quarter with a coupon, and says "Pay this amount" to job service. He files it electronically, but I send in the money.

Larry A: The bill as proposed will have no effect. It calls for *reports* and not *payments*.

Tom Balzer – ND Motor Carriers Association - In Favor

Originally testified in opposition on this on the House side. We like the new version leeway. We would like the numbers to have substantial numbers so the smaller businesses don't get affected. We are trying to help these people move toward this direction. These are little baby steps along the way.

CLOSED

Motion for a DO PASS S Wanzek

Second by S Hacker

S Wanzek: I can't imagine a company with 99 employees not using some kind of modern technology. It will be a lot easier for them.

S Behm: I agree, it is the computer age.

Vote on DO PASS HB 1057 – 6-0-1 Passed

Carrier: Hacker

Date: 2-21-07

Roll Call Vote: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1057

Senate INDUSTRY BUSINESS & LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By Wanzek Seconded By Hacker

Senators	Yes	No	Senators	Yes	No
Chairman Klein, Jerry	✓		Senator Behm, Arthur	✓	
Senator Hacker, Nick VC	✓		Senator Heitkamp, Joel	✓	
Senator Andrist, John	NP.		Senator Potter, Tracy	✓	
Senator Wanzek, Terry	✓				

Total Yes 6 No 0

Absent 1

Floor Assignment Hacker

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

REPORT OF STANDING COMMITTEE (410)
February 21, 2007 3:41 p.m.

Module No: SR-33-3635
Carrier: Hacker
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1057, as engrossed: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1057 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HB 1057

House Bill 1057
Testimony of Larry D. Anderson
Job Service North Dakota
before the
House Committee On
Industry, Business and Labor
Representative George Keiser, Chairman
January 10, 2007

Mr. Chairman and Members of the Committee, I am Larry Anderson, Director of Workforce and Unemployment Insurance Programs with Job Service North Dakota.

House Bill 1057 proposes a method to “encourage” employers to submit their quarterly Unemployment Insurance Contribution and Wage Reports electronically. Electronic reporting includes reporting via our Internet application called *UI EASY*, as well as by magnetic tape, CD, diskette or FTP transfer via the Internet. The bill also provides a requirement that payments in excess of five hundred dollars, and payments made on behalf of more than one employer be made electronically. This bill would be in effect for taxable years after 2007.

Currently approximately 20,500 employers submit reports each quarter. Of those employers, approximately 21%, or 4,400, already report their quarterly contribution and wage information electronically.

During the fourth quarter of 2006, North Dakota employers reported approximately 440,000 workers. This number is slightly higher than the actual number of workers within North Dakota because some individuals have more than one job, and are reported

by multiple employers. Of these 440,000, approximately 56%, or 247,000, were reported electronically.

While the number of employers reporting electronically at the current time has proven beneficial, a significant increase in the usage of electronic filing is necessary due to the cost and inefficiency of processing paper reports. Currently, Job Service North Dakota processes 16,100 paper reports and 193,000 individual wage amounts each quarter. This volume of paper reports provides for decreased efficiency, and a greater potential for errors.

Due to reductions in our federal revenues, Job Service North Dakota found it necessary to reduce 47 FTEs during the last biennium. It takes significantly more time to process information submitted on paper. Currently two operators spend nearly all of their time each year manually keying in over 64,000 reports and nearly 800,000 wage amounts. Because of this volume, errors that cause both time and quality concerns occur during the processing of the information submitted on paper. Input errors, especially with reports of larger size, are not uncommon. An error report for an employer with 2,500 to 2,600 employees, takes approximately two and a half hours to review after already having taken nearly a full day to enter.

Vast improvements in processing time and data integrity result from electronic reporting. Reports that are submitted electronically are processed almost immediately and without entry errors. Passage of this bill would result in productivity efficiencies that would allow Job Service to redirect staff to provide services, which have been negatively impacted by a significant reduction in federal resources.

Electronic reporting is consistent with the direction in which the Internal Revenue Service (IRS) and many other states are moving. Our neighbor to the east, Minnesota, recently began requiring all employers to file electronically. North Dakota shares many employers and employees with Minnesota and many calls to our office have indicated that our *UI EASY* Internet-based application compares very favorably with the Minnesota system.

Additionally, it should be noted that a recommendation in the Job Service North Dakota year 2000 Performance Audit recognized that, “. . . significant staff hours could be saved by reducing the number of wage records entered manually. . .”, and suggested that employers be persuaded to use electronic filing.

Job Service North Dakota appreciates the fact that legislators are concerned about the financial impact on employers, especially schools and other political subdivisions, of legislation they pass. This concern has been addressed by the development of the

Internet-based *UI EASY* system. *UI EASY* is an Internet application developed jointly by Job Service North Dakota, and the State Information Technology Department (ITD). The system allows employers to file UI quarterly reports, notify Job Service of changes in business address or status, and to make electronic payments. *UI EASY* operates within the state's secure network environment, and provides additional data security by transmitting information via the Internet in an encrypted format. It is free to use and is available to anyone with access to the Internet. For those employers choosing to continue filing paper reports, Job Service North Dakota has calculated that the quarterly cost to an employer with 4 employees (58% of North Dakota employers have 4 employees or less) who decides to continue filing by paper would be \$12 (\$10 for the report plus \$0.50 per worker).

UI EASY makes it simple to file reports and provides a level of efficiency to employers by returning employee names from previous quarterly reports so that the employer only needs to enter wage amounts. In addition, the application automatically calculates the taxable wages and tax due for the employer, eliminating the chance for error, and providing for better customer service. Employers also have the option to import files directly into the application, thereby eliminating the need to manually enter wage amounts. This is particularly helpful to large employers, but all employers can take advantage of this feature.

While researching the impact of this bill, the Unemployment Insurance Advisory Council was consulted, and voted to endorse this legislation.

Job Service has received quite a bit of feedback from users of our *UI EASY* system through a comment process provided within the application. Following are some of the results and comments that we have received from employers who have completed the survey:

- “Number of responses to the survey: 27

25 thought the application was easy to find.

1 indicated they had trouble finding it.

16 ranked the service received from the application as Excellent.

8 ranked the service received from the application as Good.

2 ranked the service received from the application as Fair.

0 ranked the service received from the application as Poor.

24 thought the application was easy to understand and use.

2 thought the application was not easy to understand and use.

8 thought it took less time than expected to complete.

13 thought it took about the amount of time they expected to complete.

5 thought it took more time than expected to complete.

22 received the expected results.

3 did not receive the expected results.”

- “Very nice format, flows very well. Thanks, I appreciated getting into the system before the end of the quarter--really helps me manage getting in all my payroll reports for the multiple states I report to.”
- “I just love doing this online, saves so much time and is so easy to use.”
- “This is much easier than mailing the report in!”
- “Wonderful job.....easy to file....keep it up!”
- “This gets easier every time I use this!! I love it.”

Mr. Chairman, this concludes my testimony. At this time I would be happy to answer any questions from the committee.

Nottestad, Darrell D.

From: Anderson, Larry D.
Sent: Monday, January 15, 2007 2:59 PM
To: Keiser, George J.; Johnson, Nancy; Clark, Donald L.; Dosch, Mark A.; Kasper, Jim M.; Nottestad, Darrell D.; Ruby, Dan J.; Vigesaa, Donald W.; Amerman, Bill D.; Boe, Tracy L.; Gruchalla, Edmund A.; Thorpe, Elwood C.; Zaiser, Steve L.
Cc: Daley, Maren L.; Brostrom, Darren W.; Olson, Bob D.
Subject: HB1057 Committee questions

Chair Keiser & IB&L Committee members

This morning during your committee meeting Chairman Keiser brought back HB1057 for introduction of amendments. As you will recall the committee passed HB1057 as amended. During the course of the hearing several questions were asked of me that I did not have immediate answers for but promised to provide you with the information. I don't recollect which committee members asked which questions so am providing the information I believe was of interest to the entire committee. The Chair also expressed that this information be included in your record.

Q - What is the annual income to the Federal Advance Interest Repayment Account?

A - The estimated income for the 2005 - 2007 Biennium is \$300,00 per year or \$600,000 over the biennium.

Q - How many employers are there with 100 or more employees?

A - Currently over 800 employers with 100 or more employees submit reports each quarter.

Q - How many of the 800 employers file electronically through UI EASY?

A - Of the 800 approximately 75% or 600 currently report quarterly contribution and wage information electronically.

Q - How many individual wage records do the remaining 200 employers report each quarter?

A - The 200 employers remaining covered in the bill amendments represent 40,000 individual worker wage records. This equates to over 160,000 individual worker wage records per year. One trained data entry operator can input approximately 2,400 wage records per day. 40,000 wage records divide by 2,400 equals over 16 days of saved staff effort per quarter times four quarter per year equals over 2 months of saved staff effort per year.

As I stated in my testimony at the hearing while the number of employers reporting electronically at the current time has proven beneficial, a significant increase in the usage of electronic filing is necessary due to the cost and inefficiency of processing paper reports. Currently, Job Service North Dakota processes 16,100 paper reports and 193,000 individual wage records each quarter. This volume of paper reports provides for decreased efficiency, and a greater potential for errors.

I hope this answers the committee's questions? If there is any information that I have omitted or if I can be of further assistance please contact me.

Thanks

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Job Service North Dakota is an equal opportunity employer/program provider.
Auxiliary aids and services are available upon request to individuals with disabilities.

House Bill 1057
Testimony of Larry D. Anderson
Job Service North Dakota
before the
Senate Committee On
Industry, Business and Labor
Senator Jerry Klein, Chairman
February 21, 2007

Mr. Chairman and Members of the Committee, I am Larry Anderson, Director of Workforce and Unemployment Insurance Programs with Job Service North Dakota. House Bill 1057 proposes a requirement for employers with more than 99 employees to submit their quarterly Unemployment Insurance Contribution and Wage Reports electronically. In order to make the process as convenient as possible, Job Service provides several electronic reporting options to employers. Options include use of our Internet application, *UI EASY*, as well as by magnetic tape, CD, diskette or FTP transfer via the Internet. The bill also provides that all payers making payment on behalf of another must make those payments electronically. This bill would be in effect for taxable years after 2007, which means the requirement would begin for reports due on April 30, 2008.

Currently, approximately 20,500 employers submit reports each quarter. Of those employers, approximately 21%, or 4,400, already report their quarterly contribution and wage information electronically. Approximately 200 employers with more than 99 employees currently file reports via paper, these are the employers that would be affected

by this bill. While the number of employers affected is fairly small, these 200 employers account for approximately 40,000 employees each quarter.

During the fourth quarter of 2006, North Dakota employers reported approximately 440,000 workers. This number is slightly higher than the actual number of workers within North Dakota because some individuals have more than one job, and are reported by multiple employers. Of these 440,000, approximately 56%, or 247,000, were reported electronically.

While the number of employers reporting electronically at the current time has proven beneficial, a significant increase in the usage of electronic filing is necessary due to reductions in our federal revenues, which provide the only resources for our unemployment insurance operations. Due to these reductions in our federal revenues, Job Service North Dakota found it necessary to reduce 47 FTEs during the last biennium.

Processing paper reports is a very costly and inefficient way to utilize these very limited staff resources. During a time when our staffing numbers are being reduced, two of our staff members must spend nearly all of their time each year manually keying in over 64,000 reports and nearly 800,000 wage amounts.

In addition to the inefficiencies resulting from the manual entry of paper reports each quarter, the risk of input errors is significantly increased. Input errors, especially with reports of larger size, are not uncommon.

Passage of this bill would provide for vast improvements in processing time and data integrity resulting from electronic reporting. It would also allow Job Service to redirect staff to provide services, which have been negatively impacted by the significant reduction in federal resources. Reports that are submitted electronically are processed almost immediately and without entry errors.

Job Service North Dakota appreciates the fact that legislators are concerned about the financial impact on employers, especially schools and other political subdivisions, of legislation they pass. This concern has been addressed by the development of the Internet-based *UI EASY* system. *UI EASY* is an Internet application developed jointly by Job Service North Dakota, and the State Information Technology Department (ITD). The system allows employers to file UI quarterly reports, notify Job Service of changes in business address or status, and to make electronic payments. *UI EASY* also makes the process of ongoing reporting easier for users by providing the employer with the employees listed in the previous quarter. This allows for entry of just the wage information, rather than both employee (name and social security number) and wage information. *UI EASY* operates within the state's secure network environment, and

provides additional data security by transmitting information via the Internet in an encrypted format. It is free to use and is available to anyone with access to the Internet.

Electronic reporting is also consistent with the direction in which the Internal Revenue Service (IRS) and many other states are moving. Our neighbor to the east, Minnesota, recently began requiring **all** employers to file electronically. North Dakota shares many employers and employees with Minnesota and many calls to our office have indicated that our *UI EASY* Internet-based application compares very favorably with the Minnesota system. Following are some of the comments that we have received from employers:

- “Very nice format, flows very well. Thanks, I appreciated getting into the system before the end of the quarter--really helps me manage getting in all my payroll reports for the multiple states I report to.”
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Mr. Chairman, this concludes my testimony. At this time I would be happy to answer any questions from the committee.