

2009 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2130

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2130

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 1/9/09

Recorder Job Number: 6741

Committee Clerk Signature

Katia Oliver

Minutes:

Maren Daley: See attached testimony #1.

Senator Horne: Please review the financial information.

Maren Daley: See attached testimony #2.

Senator Dever: Remind me, employer premiums go into the trust fund and are not used at all for administrative costs. Is that right?

Maren Daley: Yes.

Senator Cook: Are you leasing any property now or 100% of your property owned by job service?

Maren Daley: We currently do lease properties and the leases are relatively small, we pay them out of our grants but as our grants are declining we would like as much of our grant money available to serve North Dakotans in need of re-employment. We lease our Jamestown office for \$25,000 a year, Valley City for \$20,000, New Town \$7,300 a year, Beulah \$5,700 a year, Oakes \$612 a year, Harvey \$2,700 a year, and Ft. Totten \$300 a year. Total lease cost right now is \$62,715 a year the biggest opportunity is the Fargo office where our customer traffic is so high that it overruns the capacity to serve people.

Senator Cook: So you see the Fargo office being sold and leasing a bigger spot?

Maren Daley: It's a possibility; we could have the same square footage and better parking.

Our space in Fargo is a very attractive commercial space that we don't need that high end commercial space. It's for options in the future; unless we have that flexibility going forward we couldn't take advantage of those opportunities as they come up. Right now we can't afford to do anything until we pay off Bismarck and Grand Forks.

Senator Cook: Is it safe to assume that the total dollars budgeted for office space has gone down over the years?

Maren Daley: We have taken opportunities to downsize and reduce them where we could I don't think that the lease per square foot costs have changed that much. Of course we have facility repairs and things like that that we have to pay.

Senator Cook: To what degree, if this is carried to the floor, would someone raise the question of decreasing legislative oversight in your capitol decisions?

Maren Daley: In the event that question is asked, our plan and flexibility is completely laid out. We have 2 bills also before the legislature that would give us authority to sell Grafton and Fargo, although we have no immediate plans to, it would give us the authority and flexibility to. And the third bill is to sell property in Jamestown, our own space is exceeding our needs, we have already moved into leased space. We have authority to sell all the lots and when our attorney went back and checked we didn't have authority to sell the building so we are coming back saying we have already moved to save money now will you let us sell the building?

Senator Horne: I am curious about the Minot situation, the cost there, is that the total cost of the project or interest and secondly can you explain what the cooling tower is?

Maren Daley: The cost would be the total cost of the project because Minot is an owned facility and it is in need of some upgrades. The cooling tower repair, I don't have the email with the specifics on that.

Dave Kresbach: Randy Kaiser, agency support and handles building repairs, he and I worked together in this project and he forwarded me some pictures of the cooling tower. It was rusting out so what they had to do is go back in and rebuild part of the unit in the metal structure around it. Apparently it had a water leak and the water was sitting in there for, we don't know exactly how long, it rusted through the metal and into part of the building and it got into the building is when it was identified.

Senator Dever: What is the change in traffic now compared to prior to the use of the internet for job search?

Maren Daley: When the economy was strong we were seeing less traffic in the local offices and much increased internet usage. With recent manufacturing layoffs that will probably not show up in our unemployment rate until January/February we are seeing tremendous traffic in the local offices. In part because in filing for unemployment insurance claims, claimants are all trying to get their claims filed Monday morning. We are trying to encourage people to file on the internet, however there are a lot of folks who are not comfortable with the internet and so they are trying to get through to the call center. Waiting times at the call center have increased and some people are frustrated and are coming in because both they had a wait time at the call center and they are not comfortable with the computer. And the other big traffic item coming into the local offices is reemployment and its even some people being fearful of being laid off and coming in and wanting help finding another job. Sometimes under the stress in the changes in the economy they want to talk to someone face-to-face.

Senator Dever: When you have a mass temporary layoff, like Bobcat, do you make special arrangements then to deal with those through the company?

Maren Daley: Absolutely. It is what we call rapid response, which is the initial step of a long term reemployment program. Bobcat in particular has been excellent to work with, they work

with us before the layoffs happen. So we can help educate them how their severance package might affect layoffs and things like that and if they do a voluntary program how that might affect it because we want to minimize adverse affects on unemployment claimants. With Bobcat they allowed teams to come in and meet with their staff onsite and they helped set up some computers so people could file their claims at Bobcat if they didn't have a computer at home. So we were right there, on site, able to answer their questions, both on unemployment but also for reemployment and also for other referrals for assisted services that they may need.

Senator Horne: Let's say that this bill was approved and wanted to make some changes in various places, do you talk with anybody outside of your agency or is this all done internally?

Maren Daley: Typically, yes we do talk to people in the community, because that is how we know what the good service locations are and if our facility may not be the best suited where should they go so we can better serve clients and we talk with our staff but thus far the communities have been very receptive of our changes because typically we get into newer & better suited facilities for providing our service.

Senator Horne: I was thinking of the legislature or other state agencies. So really we would learn about this after the fact as opposed to being a part of any planning process.

Maren Daley: However, by laying this out now we are telling you what is down the road for us. Right now, we don't have the money to do major lease changes. Yet, we are here asking permission to lease and we also have the bills regarding selling the Fargo office, selling the Grafton office, and selling Jamestown. So that is our plan laid out to you at this point, although it is not firm transactions in place, because these opportunities either come up quickly or take time to develop and we many not have the opportunity to ask you at the time when the opportunity arises. That is in part why Representative Berg recommended to us that we bring

this bill forward so if something is presented to us we can do what best meets our service requirements for customers.

Senator Dever: Is there anyone else to speak in support of SB2 130? Is there anyone to speak in opposition to SB 2130? With that we will close the hearing on SB 2130. Committee do you need additional information?

Senator Cook: Let's let it sit a week.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2130

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 1/22/09

Recorder Job Number: 7560

Committee Clerk Signature

Minutes:

Senator Nelson: Did we ever figure out how this meshed with the bills that are in political subdivisions that talks about selling the buildings?

Senator Dever: I don't think we have anything in here about dealing with the property, I think this only concern the funding.

Senator Nelson: So they need permission to use this money for lease purposes, that is the whole concept of the bill, right?

Senator Horne: It looks like SB2130 that the only change is to allow for money to be used for leasing costs and building facilities.

Senator Dever: That is my understanding.

Senator Cook: But it is related to buildings.

Senator Horne: It sounds like it gives them more flexibility with the fund and with their building use plans weather it is owning or leasing.

A motion for a Do Pass was made by Senator Ohelke and seconded by Senator Horne. Roll call was taken and the motion passed with 5 yeas, 0 nays, and 0 absent and not voting.

FISCAL NOTE
Requested by Legislative Council
12/23/2008

Bill/Resolution No.: SB 2130

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$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.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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).*

This bill allows Job Service to use moneys collected to be used to fund office building lease costs. The bill retains the continuing appropriation status for all revenues and expenditures.

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.*

Job Service will be authorized to use FAIRA funds to pay building lease costs. This will allow JSND more flexibility in managing their office structure. Using federal funds to pay the lease costs would have the effect of reducing employment services and training programs. The bill retains the continuing appropriation status for all revenues and expenditures. There is no fiscal effect to estimate.

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, 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.*

Name:	David Krebsbach	Agency:	Job Service
Phone Number:	701-328-3135	Date Prepared:	12/24/2008

REPORT OF STANDING COMMITTEE (410)
January 22, 2009 1:00 p.m.

Module No: SR-13-0725
Carrier: Oehlke
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2130: Government and Veterans Affairs Committee (Sen. Dever, Chairman)
recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2130
was placed on the Eleventh order on the calendar.

2009 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2130

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2130

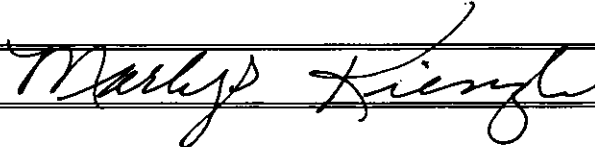
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: February 26, 2009

Recorder Job Number: #9791

Committee Clerk Signature



Minutes:

Chairman Grande: Opened the hearing for SB 2130

David Krebsbach: I am the Finance Manager of Job Service of North Dakota.

Testimony attachment #1

Handed out and went through the Testimony attachment #2

Chairman Grande: When you are talking about Major Repairs for the elevator in Fargo? Are the repairs possible?

David Krebsbach: The last I heard is that it would cost \$9,000.00.

Chairman Grande: On the Bismarck principle we go from \$63,791 to \$115,000?

David Krebsbach: The reason for the increase the previous payments were being applied to the (inaudible) for the wholesalers.

Rep Karls: Is this the same agency we did the bill on to sell their buildings?

David Krebsbach: Actually there are 3 bills that are aiming to sell the Jamestown buildings, the Grafton building and the Fargo building for Job Service. We do not have a direct time line to sell these buildings and replace them. We are looking for authorization to sell and when the opportunity arises to find a building we will be able to act and lease them.

The Fargo building now is not set up for customer flow and parking.

Rep Winrich: Do you have any projection on how the numbers would affect the cash flow if this bill would pass and you would be renting space? It doesn't look like you have a lot of leeway in this fund right now, if you rent a lot of space there isn't a lot of money available.

David Krebsbach: What we are looking for with this bill would be down in the future years. The current principle payment in the Grand Forks building is \$380,000 after this biennium. At that point we are looking for the future. And you are correct; there is not a lot of leeway.

Rep Wolf: In your testimony you said that the funding is held at the Bank of North Dakota. What interest rate are you getting?

David Krebsbach: It is variable. We invest in CD at the bank for; I think 2% right now.

Rep Amerman: Inaudible

David Krebsbach: We are currently leasing in Jamestown.

Chairman Grande: Hearing closed

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2130 B

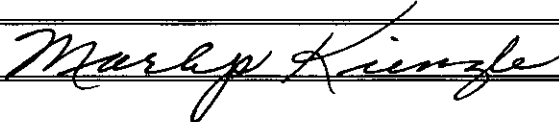
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: February 26, 2009

Recorder Job Number: # 9797 #1

Committee Clerk Signature



Minutes:

Chairman Grande: Open the hearing for SB 2130. This is pertaining to Job Service and how they would like to sell some buildings and that the building is way too big and it is not cost effective, when they could be leasing space. This is on how they could do some leasing and how they could get the funds to do that.

Rep Amerman: How are they going to pay for this?

Chairman Grande: They are not a state funded agency they work off of special funds and have the ability to do that type of leasing, but this will allow them on a bigger plan. As Jamestown it is cheaper for them to lease that to keep the building they were in.

Rep Dahl: Asked a question about what fund but is not totally audible.

Chairman Grande: This fund listed is Federal Advanced Interest and Payment account.

Rep Froseth: The monies are from collected late fees, fines, interest and violations and collections of counties etc. go into this fund and this is where this fund comes from. There has been a change of policies in the funds on that they collect.

Rep Winrich: Also look at the projected cash flow. They are paying towards billions out of these funds. Those funds will be paid off and they can use these funds for renting instead of buying or building new buildings.

Rep Kasper: What is being done with the building in Jamestown?

Chairman Grande: Yes they do own in Jamestown. But they have downsized and no longer need the large building so it is cheaper for them to lease and we authorized for them to sell it.

Vice Chair Boehning: Doesn't the Federal Government own them?

Chairman Grande: This is the money that goes back to the funds we spoke of.

Rep Meier: Made a motion as Do Pass. **Rep Wolf:** 2nd the motion.

Vote of 13 yeas 0 nays and 0 absent with **Rep Karls** as the carrier.

Date: 2/26/09
 Roll Call Vote #: 4

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2130

House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Meier Seconded By Wolf

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande	✓		Rep. Amerman	✓	
Vice Chairman Boehning	✓		Rep. Conklin	✓	
Rep. Dahl	✓		Rep. Schneider	✓	
Rep. Froseth	✓		Rep. Winrich	✓	
Rep. Karls	✓		Rep. Wolf	✓	
Rep. Kasper	✓				
Rep. Meier	✓				
Rep. Nathe	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Rep Karls

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

REPORT OF STANDING COMMITTEE

SB 2130: Government and Veterans Affairs Committee (Rep. Grande, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2130
was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2130

Senate Bill 2130
Testimony of Maren Daley
Job Service North Dakota
before the
Senate Committee On
Government and Veterans Affairs
Senator Dick Dever, Chairman
January 9, 2009
Federal Advance Interest Repayment Fund

Mr. Chairman and members of the committee, I am Maren Daley the Executive Director of Job Service North Dakota. I am here today in support of Senate Bill 2130. Senate Bill 2130 is a bill relating to the Federal Advance Interest Repayment Account (FAIRA), and provides for the use of moneys existing in the account for purposes of paying building lease costs of office facilities leased by Job Service North Dakota.

The Federal Advance Interest Repayment Account is the account to which assessments collected by the Unemployment Insurance (UI) Program are deposited for the purpose of paying interest due on federal advances to the state UI Trust Fund. These assessments interest, penalties, and fees that may be collected by Job Service as a result of an overpayment of benefits to a claimant, and non-payment or late payment of taxes due by an employer.

The FAIRA Fund was established by direction of the United States Department of Labor (USDOL) in order to have a source of funds available to pay interest due on any advances made by the federal government to the North Dakota UI Trust Fund. Advances may be made to states in cases where the state's UI Trust fund balance is not sufficient to pay benefits to the UI claimants of the state. These advances must be refunded to the USDOL, and interest is charged on all advances. North Dakota's UI Trust Fund is currently adequate to pay UI Benefits and is not projected to require advances from the federal government.

The FAIRA Fund is necessary because federal law prohibits the use of both state UI trust fund dollars and administrative dollars provided by the USDOL for the purpose of paying interest on advances made to the state. The FAIRA Fund is held as an interest-bearing account at the Bank of North Dakota.

Section 52-04-22 of the North Dakota Century Code identifies the allowable uses for the fund in addition to providing the continuing appropriation for the fund. Current uses include:

- Interest due on federal advances to the state trust fund.
- Interest and principal costs associated with the bond payments that funded the construction of the current Bismarck and Grand Forks Job Service offices.
- Costs of repair, renovation, or alteration of Job Service office facilities.
- Payment of the replacement rate charged for use of state fleet vehicles.
- Reemployment programs to ensure integrity of the unemployment insurance program.

The proposed legislation would expand the allowable uses for the fund and provide for the continuing appropriation associated with expanded use. The expanded use included in the proposed legislation is to allow Job Service to utilize this fund to pay office building lease costs. Federal funding has been flat to declining in recent years, resulting in reduced staffing levels. We find ourselves with unused space in some of our office buildings and leasing allows for more flexibility as our business needs and related office space requirements change. Mr. Chairman, this legislation would allow the agency to move forward with office building changes that allow the agency to provide high level customer service in the most cost effective manner. The agency

will continue to provide a one-stop environment for customers to access services through self-service, facilitated service, and assisted service.

Senate Bill 2130 does not provide for any additional costs or fees to employers or claimants of North Dakota. Additionally, a fiscal note for implementation and changes necessary as a result of this legislation is not required as our current systems are capable of processing the changes associated with the bill.

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

**FEDERAL ADVANCE INTEREST REPAYMENT ACCOUNT
PROJECTED CASH FLOW
PY 2007 - 2010**

*Same
handout
given to
Horse*

	NOTE	Actual 2007	Projected 2008	Projected 2009	Projected 2010
BEGINNING BALANCE		\$ 1,562,188	\$ 1,640,838	\$ 1,692,001	\$ 1,731,786
REVENUES					
PENALTY & INTEREST		\$ 295,677	\$ 300,138	\$ 285,573	\$ 285,576
INTEREST EARNINGS		53,434	34,134	39,993	39,984
SUBTOTAL		\$ 349,111	\$ 334,272	\$ 325,566	\$ 325,560
DISBURSEMENTS					
GRAND FORKS PRINCIPAL	1	\$ 107,107	\$ 110,049	\$ 113,581	\$ 118,289
BISMARCK PRINCIPAL	2	63,791	115,000	120,000	125,000
STATE FLEET REPLACEMENT RATE		25	1,100	2,200	2,200
USDOL RIG GRANT PROPOSAL	3	3,285	-	-	-
FEDERAL LOAN INTEREST	4	-	-	-	-
FACILITY PROJECTS	5	96,253	56,960	50,000	50,000
SUBTOTAL		\$ 270,461	\$ 283,109	\$ 285,781	\$ 295,489
REVENUE VS. DISBURSEMENTS		\$ 78,650	\$ 51,163	\$ 39,785	\$ 30,071
ENDING BALANCE		\$ 1,640,838	\$ 1,692,001	\$ 1,731,786	\$ 1,761,857

- NOTES:**
- Grand Forks remaining principal payments after 09-11 biennium is \$381,348. The final payment is due August 2013
 - Bismarck remaining principal payments after 09-11 biennium is \$1,850,000. The final payment is due December 2021.
 - Utilized FAIRA funds from the authorized use of "Reemployment programs to ensure integrity of the UI program" to write a Regional Innovation Grant(RIG). This grant was written in support of reemployment in the community of Wahpeton due to a major employer closing it's business.
 - JSND maintains a one million dollar reserve to pay interest on federal loans. This would pay the interest on a loan amount of \$21.3 million for one year at the current federal borrowing rate of 4.7%.
 - | | |
|--|------------------|
| 2007: Minot Office - carpet & furniture | \$ 56,702 |
| Central Office - heating & A/C repairs | 27,193 |
| Central Office - parking lot repairs | 9,560 |
| Information Technology Department charges - | 2,798 |
| | <u>\$ 96,253</u> |
 - | | |
|--|------------------|
| 2008: Minot cooling tower repair | \$ 21,875 |
| Fargo Office - elevator repairs | 9,500 |
| Grand Forks - roof, parking lot & tree removal | 14,500 |
| Central Office - heating & A/C repairs | 7,000 |
| Rolla Office - window blinds | 4,085 |
| | <u>\$ 56,960</u> |
 - 2009, 2010:** \$50,000 @ year reserve

Senate Bill 2130
Testimony of David Krebsbach
Job Service North Dakota
before the
House Committee On
Government and Veterans Affairs
Representative Grande, Chair
February 26, 2009
Federal Advance Interest Repayment Fund

Attachment
#1

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