

FISCAL NOTE
Requested by Legislative Council
01/10/2017

Bill/Resolution No.: HB 1196

- 1 A. **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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$915,165	\$0	\$1,492,067
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

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

HB 1196 expands the expense categories for the Federal Interest Advance Repayment (FAIR) Account. The fund consists of interest & penalty funds collected by the Unemployment Insurance program. The bill does not create any new revenue or appropriation but allows additional expenditures from the fund.

- 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 bill provides for the usage of funds held within the FAIR account in the administration of the unemployment insurance program. The FAIR account consists of penalty & interest funds collected by Job Service North Dakota. This bill does not expand or create any new penalties or interest amounts. Currently, funds from the FAIR account may be used to pay expenses such as building purchase & lease costs, state fleet charges, and renovation & maintenance costs. HB 1196 provides Job Service the authority to expend funds from the FAIR account for additional purposes associated with the administration of the unemployment insurance program.

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 bill will not result in any additional revenues. The changes associated with this bill do not provide for the receipt of additional revenues to the Federal Advance Interest Repayment account. As a result, penalty and interest funds collected are expected to remain at current levels.

- 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 expenditures noted represent the usage of the FAIR account on administrative costs associated with the unemployment insurance program. Expenditures will vary each year based upon federal funding received and will be used towards administrative items such as technology costs. There is no impact upon FTE accounts.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

There is no additional appropriation request associated with this bill. The changes to the bill remain consistent with current statutory language whereby funds held within the account are appropriated within the language of the bill for expenditure in relation to the items noted as allowable in the statutory language. Because the bill provides for additional allowable expenditure types, account expenditures will increase. Amounts expended each biennium will vary based upon the balance of the fund, the calculated minimum balance of the fund, and the level of federal funding received by Job Service.

Name: Darren Brostrom

Agency: Job Service North Dakota

Telephone: 701-328-2843

Date Prepared: 01/13/2017

2017 HOUSE INDUSTRY, BUSINESS, AND LABOR

HB 1196

2017 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1196
1/17/2017
26960

- Subcommittee
 Conference Committee

Ellen Letang

Explanation or reason for introduction of bill/resolution:

Unemployment insurance federal advance interest repayment fund & provide a continuing appropriation.

Minutes:

Attachment 1, 2

Chairman Keiser: Opens the hearing of HB 1196.

Rep Ruby~District 38: Introduces the HB 1196. There has been issues with federal funding as far as the administration, which is the majority of the funds they have been able to use. The administration of their agency, all the premiums that the employers pay in goes to benefits not for the administration. They do have fund that they have limited use of which is called the federal advance interest repayment fund. What the bill is seeking to do is use more of those, more flexibility in that. The fund consists of penalty & interest that comes to the department. We have to make sure that we maintain a balance. The agency has done an excellent job doing more with less.

Cheri Giesen~Executive Director of Job Service North Dakota: Attachment 1.

7:45

Chairman Keiser: You have established a floor, but technically, it's not a real floor because, if the interest payments are required to be paid.

Giesen: Yes, you are absolutely correct.

Chairman Keiser: So it still maintains some flexibility.

Giesen: Yes.

Chairman Keiser: Instead of losing money & having it continually go down, why don't we increase premiums?

Giesen: The premiums are all factored in legislative statute right not & how it's derived. Actually, we will be increasing premiums for the trust fund. That doesn't have any effect in our operations.

Jennifer Greuel~Executive Director Economic Development Association of ND (EDND): Attachment 2.

10:36

Chairman Keiser: Anyone else here to testify in support of HB 1196, opposition, neutral position? Closes the hearing.

Vice Chairman Sukut: Moves a Do Pass.

Rep Laning: Second.

Chairman Keiser: Further discussion.

Roll call was taken on HB 1196 for a Do Pass with 13 yes, 0 no, 1 absent & Rep Ruby is the carrier.

Date: Jan 17, 2017

Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1196

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or
Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar
- Other Actions Reconsider _____

Motion Made By Rep Sukut Seconded By Rep Laning

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep Laning	X	
Vice Chairman Sukut	X		Rep Lefor	X	
Rep Beadle	X		Rep Louser	X	
Rep R Becker	<u>Ab</u>		Rep O'Brien	X	
Rep Bosch	X		Rep Ruby	X	
Rep C Johnson	X		Rep Boschee	X	
Rep Kasper	X		Rep Dobervich	X	

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep Ruby

REPORT OF STANDING COMMITTEE

HB 1196: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
HB 1196 was placed on the Eleventh order on the calendar.

2017 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1196

2017 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

HB 1196
3/8/2017
Job Number 28860

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to unemployment insurance federal advance interest repayment fund

Minutes:

2 Attachments

Chairman Klein: Called the committee back to order.

Representative Ruby: Introduced the bill. I sponsored this bill at the request of Job Service and this is a good thing to do. It isn't a complete answer to the problem that they are trying to address with this but it is something that will definitely be of assistance for a few years. This deals with the federal advance repayment fund or FAIR fund. Currently when we pay our federal unemployment that goes to the federal government and they return that in grants back to the state for the administration of the job service and the premiums that we pay on our state unemployment goes into the unemployment trust fund and that is for benefits. So none of our premium dollars that we pay to the state go in for administering the agency. The FAIR fund is a fund that is generated from penalty and interest from the employers or claimants that were overpaid and if those kind of things happen the penalty and interest goes into this fund. It is typically being used if our trust fund goes into default or negative, we have to borrow the money and we can borrow it from the federal government or the Bank of North Dakota or whatever but we cannot use any of premium dollars from the trust fund to repay the interest on that loan. That is why the FAIR fund was created and I believe all of the states have this type of fund. What has been happening in this fund, it has been growing and it is up to about 4.8 million dollars and what we are asking with this bill is to be able to use this fund. Some of these funds are used right now for rent, and various uses for the agency but what this bill will do is expand that to some extent for them to use it for administrative costs and Job Service is here and can tell you what they foresee using it for. We did put in a floor so we always maintain a level of funds for the use to be paid on an interest of a loan if we had to and that is what you see in the calculation. (:15-7:38)

Cheri Giesen, Executive Director of Job Service: In Support. Written testimony, see attachment #1. (8:10-13:56)

Chairman Klein: Once again I want to go back just for me to understand, the FAIR account was established a long time ago. It was established in North Dakota, it is a state fund and

the whole intent was to pay the interest if we borrowed money. So your hands were tied as to what else you could do with that money because it was in code that this was the only way you could spend it. Now we are giving you the opportunity to use some of that money and we are not going to be in conflict with the federal, which also has a set of rules of how we spend their money?

Cheri Giesen: That is correct.

Chairman Klein: Because currently now all administration money comes from the federal government and now we are supplementing because they have been cheap on sending the money out?

Cheri Giesen: That is exactly correct.

Senator Campbell: Why can't you just increase your percentage of unemployment to the employers to offset that shortage?

Cheri Giesen: The taxes that we receive go right into the UI trust fund and we cannot use that trust fund for administrative purposes. It would be out of compliance.

Chairman Klein: What we as employers pay in North Dakota goes into the trust fund only for benefits to unemployed workers?

Cheri Giesen: Yes.

Chairman Klein: And none of that money can be used to do administration but we send money also to the federal government, are we not sending enough to the federal government? Why is that number stagnant on the chart that you had shown us earlier?

Cheri Giesen: I think it is just the level of funding that they receive but in the last five or six years in the state of North Dakota our employers are paying a little bit more then what we are receiving back. (16:16-18:00)

Chairman Klein: Where are we capped on the North Dakota employers, the amount we pay into Job Service reaches what, 35,000 and what about the federal?

Cheri Giesen: Yes, and the federal is 7,000.

Chairman Klein: So after your employees reach 7,000 which is minimal these days.

Cheri Giesen: Yes.

Chairman Klein: There was some testimony handed out by the Economic Development Association of North Dakota, see attachment #2. Closed the hearing.

Senator Casper moved a do pass.

Senator Poolman seconded the motion.

Senate Industry, Business and Labor Committee

HB 1196

March 8, 2017

Page 3

Roll Call Vote: Yes-7 No-0 Absent-0

Senator Klein will carry the bill.

**2017 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO.1196**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Senator Casper Seconded By Senator Poolman

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Marcellais	x	
Vice Chairman Campbell	x				
Senator Roers	x				
Senator Burckhard	x				
Senator Casper	x				
Senator Poolman	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Klein

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

REPORT OF STANDING COMMITTEE

HB 1196: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1196 was placed on the Fourteenth order on the calendar.

2017 TESTIMONY

HB 1196



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House Bill 1196
Testimony of Cheri Giesen
Job Service North Dakota
Before the
House Committee On
Industry, Business and Labor
Representative George Keiser, Chair
January 17, 2017

Mr. Chairman, members of the committee, I am Cheri Giesen, Executive Director of Job Service North Dakota. I am here today in support of House Bill 1196.

For over a decade, Job Service has been faced with flat to declining federal funding. Our staffing levels have been reduce from 387 full time equivalent (FTE) in 2001 to 180 FTE in 2016. Currently, we have 161 FTE filled because of funding levels.

Unemployment insurance base funding is actually \$147,000 less than it was in 2006. The shortfall amount grows tremendously if inflationary costs such as health care and technology costs are factored in.

With the decline in federal funding, administration of the Unemployment Insurance program has become increasingly difficult. This is in the face of increased workload over the last ten years with the number of employers growing by 34 percent, claims filed by 37 percent, and appeals filed by 159 percent. Job Service has made extensive efforts to create efficient processes and effective self-service options for the employers and unemployed workers utilizing the program. Up to this point we have been able to administer the program; however, the program is at risk due to extremely low staffing levels and our legacy mainframe application. Our five year budget forecast of funding and expenditure projections show that the Unemployment Insurance program will be in a deficit situation in 2018.

Understanding the funding limitations we are faced with, Job Service has been working to identify funding options that have a minimal impact on our user base and do not result in a request for general fund or increase costs to employers. A source we have identified is our

existing Federal Advance Interest Repayment account. More commonly referred to as the FAIR account. This account was set up to cover interest charges on monies borrowed in the event that our unemployment insurance trust fund should become insolvent. The fund had a balance of \$4.8 million at end of 2016 calendar year.

Job Service appreciates past legislation that allowed Job Service the spending authority from this account for rent and infrastructure type expenses. The passage of this bill will allow Job Service to utilize the funding for technology and administrative purposes. A minimum balance is cited in the bill to ensure funding is available in case monies are needed to repay interest on a loan.

To be completely transparent, expenditures from this account will not provide any increase level of service. This is to maintain the current operations. Also, it is extremely important to know this is a partial solution to our federal funding shortfall. We are projecting that the use of the FAIR funds will help support our current operations and will get us close to the minimum balance; subsequently, we will need to come before you next biennium with other solutions.

Additionally, we have provided the bill to the U.S. Department of Labor to complete a conformity review. They found that the bill conforms to federal law.

Mr. Chairman, House Bill 1196 is a critical bill for Job Service North Dakota. This concludes my testimony. At this time I would be happy to answer questions from the committee.

Respectfully submitted,

Cheri Giesen

Cheri Giesen
Executive Director, Job Service North Dakota

**Testimony of Jennifer Greuel, Executive Director
Economic Development Association of North Dakota (EDND)
In Support of HB 1196
January 17, 2017**

Chairman and members of the House Industry, Business and Labor Committee:

My name is Jennifer Greuel and I am the executive director of the Economic Development Association of North Dakota. I am testifying in support of HB 1196.

EDND represents more than 80 large and small and rural and urban economic development organizations on the front line of growing businesses and communities in North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Workforce availability is the most significant challenge facing North Dakota businesses, limiting the growth potential of the state's economy. Job Service provides many essential services for economic developers, including workforce recruitment, worker education and training, and assistance with re-employing job seekers. However, the resources of local offices are expended disproportionately on filing unemployment insurance claims, so other services are not able to be adequately provided.

EDND believes it is appropriate for the FAIR fund be used to administer the unemployment program so resources can be dedicated to re-employment of the state's workforce.

Thank you for the opportunity to address the committee and express support for this bill and for your continued commitment to keeping North Dakota globally competitive to recruit and retain the state's workforce.



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House Bill 1196

Testimony of Cheri Giesen
Job Service North Dakota
Before the
Senate Committee On
Industry, Business and Labor
Senator Jerry Klein, Chair
March 8, 2017

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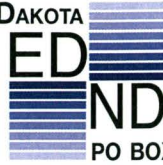
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Cheri Giesen

Cheri Giesen
Executive Director, Job Service North Dakota

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA



PO BOX 1091 • BISMARCK, NORTH DAKOTA 58502

**Testimony of Jennifer Greuel, Executive Director
Economic Development Association of North Dakota (EDND)
In Support of HB 1196
March 8, 2017**

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