

FISCAL NOTE
Requested by Legislative Council
01/10/2017

Bill/Resolution No.: HB 1230

- 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	\$9,024	\$0	\$0
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 1230 changes the calculation of duration of unemployment insurance benefits from 12-26 weeks to a straight 16 weeks. The change will not result in any additional revenue or appropriation. However, the change will result in a reduction in benefits paid from the unemployment insurance trust 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 changes the existing claim duration calculation for individuals receiving unemployment insurance benefits. The bill does not provide for any additional revenues and does not result in an appropriation request. There are two primary fiscal impacts; 1) impact upon unemployment insurance benefits paid from the unemployment insurance trust fund and, 2) an impact upon claimants receiving unemployment insurance benefits who may see a change in the maximum duration of their claim. Using an average of the prior four years data, it is expected that the trust fund will see a reduction in benefits paid of between \$3 and \$5 million dollars. The same data identified that 16,897 claimants would have seen no impact upon their claim duration, 5,627 would have seen an increase in their claim duration of between 2 and 4 weeks and 4,042 would have seen a decrease in their claim duration of between 2 and 10 weeks.

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.*

No additional revenues are expected as a result of this bill.

- 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 noted relates to the technology costs associated with making the change to the various technology systems used to administer the unemployment insurance program. Mainframe changes as well as internet-based changes will be required and will result in the expenditure of \$9,024.

- 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.*

No appropriation is noted.

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Agency: Job Service North Dakota

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Date Prepared: 01/13/2017

2017 HOUSE INDUSTRY, BUSINESS, AND LABOR

HB 1230

2017 HOUSE STANDING COMMITTEE MINUTES

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

HB 1230
1/17/2017
26961

- Subcommittee
 Conference Committee

Eileen LeTang

Explanation or reason for introduction of bill/resolution:

Unemployment insurance maximum potential benefits.

Minutes:

Attachments 1, 2, 3

Chairman Keiser: Opens the hearing of HB 1230.

Rep Louser~District 5-Southwest section of Minot: Introduces HB 1230. This is a concept that I came up with last session. Originally, the bill concept would reduced the maximum unemployment benefits to 12 weeks but upon research, 16 weeks seem more appropriate. With the 16 weeks, it's still one of the lowest in the country. I understand 60 weeks is the highest. The average claim in ND is about 11½ weeks. It's expected, this legislation, would save the fund between 3-5 million dollars. The impact on claims is 16,897 claims, we would see no change. 5,627 claims would receive between 2-4 additional weeks & 4,042 claims would receive between 2 & 10 weeks less weeks. The vast majority would not have an impact. About ½ would see additional benefits & the other ½ would see fewer benefits. I see this as a policy & theory discussion.

Rep Boschee: I agree, people want to get to work, but for industry such as some of the heavy equipment operator, heavy constructions, 4 months might get maxed out. How do you see this impacting them?

Rep Louser: That was the 1st question that came up in this bill when it was proposed. Looking at the construction season, 4 months or 16 weeks is probably sufficient but I don't want to speak for somebody, I'm not in their shoes.

Chairman Keiser: Anyone else here to testify in support, opposition?

Jason Ehlert~President-North Dakota State Building & Construction Trades Council:
Attachment 1.

9:15

Rep Kasper: Have you track the average date in the spring when they go back to work?

Ehlert: I don't have that information?

Rep C Johnson: Do you know of any construction workers that seek alternate employment in the winter?

Ehlert: I don't have that data.

Stacey Bendish~Boilmakers Local 647: Talks about the situations that boilmakers, who are skilled labor & they are intermittent workers. This is why they do not support the bill. Twenty-six weeks is needed.

Waylon Hedegaard~President of the ND AFL-CIO: Attachment 2.

Chairman Keiser: Anyone else here to testify in opposition, neutral position on HB1230?

18:10

Darrin Brostrom~ND Job Service: Attachment 3.

20:35

Chairman Keiser: How much do I get paid if I go on unemployment compared to my original salary?

Brostrom: It's formula driven, based on your earnings. The least amount \$43 a week to maximum would be \$630 a week. The average we are seeing is about \$500 a week.

Chairman Keiser: Taxable or non-taxable?

Brostrom: Taxable dollars.

Mark Dougherty~Association of General Contractors of ND: Our association is split about this bill. They are concerned about the bad years. Talks about examples of the bad years.

25:00

Rep Ruby: I would like to ask a question to Job Services. How many of non-job attached workers out there?

Brostrom: That information, I didn't put together.

Rep Ruby: What is the success of the non-job attached to find job employment before the 26 weeks?

Brostrom: The non-job attached individuals gets a little less duration than our job attached individuals. When I say a little, it's about ½ week difference. Typically, it the 10 to 12 weeks is where ND has always been.

Rep Boschee: The FUTA tax goes to federal & then they reallocate by to us. Does the formula that comes back to ND factor in our seasonal climate?

Brostrom: It does not, they don't factor in seasonal.

29:00

Chairman Keiser: Further discussion? Closes the hearing. What are the wishes of the committee?

Rep Boschee: Move a Do Not Pass.

Rep Laning: Second.

Rep Boschee: I think Rep Louser intention was to have discussion & we had a good discussion. I think there are more ways that we can try to find more efficiencies within Job Service. The one size fits all clearly doesn't work.

Chairman Keiser: I'm going to support the motion. We are in a difficult climate for construction.

Rep Ruby: I'm not going to support the motion by looking at the fiscal note, I was surprised when I saw how many people who were not affect by the change. There is a higher number that see improvement than see a reduction.

Chairman Keiser: This is an indication that our current system is working because the folks aren't going the full term.

Chairman Keiser: Further discussion?

Roll call was taken for a Do Not Pass on HB 1230 with 10 yes, 3 no, 1 absent & Rep Beadle is the carrier.

Date: Jan 17, 2017

Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1230

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or
Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee

- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions

- Reconsider _____

Motion Made By Rep Boschee 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) 10 No 3

Absent 1

Floor Assignment Rep Beadle

REPORT OF STANDING COMMITTEE

HB 1230: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO NOT PASS** (10 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING).
HB 1230 was placed on the Eleventh order on the calendar.

2017 TESTIMONY

HB 1230

Jan 17, 2017

HB-1230

1

Jason Ehlert
President
ND State Building & Construction Trades Council

Mr. Chairman and members of the committee:

My name is Jason Ehlert, President of the North Dakota Building & Construction Trades Council. The State Council consists of fifteen trade councils with over twenty-two hundred members representing all facets of commercial and industrial construction. Our members have built numerous capital projects across the state to meet the needs of growing communities. Additionally, we continually maintain the critical infrastructure needs of coal-fired generation, oil and gas refining, wind development, hydro-electric power and natural gas capture and utilization. To the roads and bridges that move the members of the committee here today, a member of the Building Trades has been serving the needs of North Dakota for over fifty years.

I am here today to voice concerns over House Bill 1230. It is understandable the goal of this committee to find a solution to the Unemployment Trust Fund and maintain its solvency. However, the proposed reduction of maximum benefit weeks to sixteen is a drastic cut to the benefits and potentially could have unintended consequences to the seasonal construction industry. By reducing the maximum number of allottable benefit weeks, we are concerned the workforce will go to other areas of the country to find work when their benefits run out. When the time comes for local construction projects to fire up in the spring, the available workforce will not be available. This could cause delays in the timetables in our local projects compounding an already tight construction schedule in the state.

Because of its northern position, North Dakota has always been based on seasonal construction limitations. Although there have been innovations in the industry for year-round construction, at its core, it still relies on temperatures above freezing for optimal performance. Seasonal construction workers have the same mentality as a farmer of "make hay when the sun shines." Get as much as can be possibly be done while the weather is good. When it gets cold, button the project up for winter and hope for an early spring. Spring unfortunately can take its time coming back in North Dakota. This is why the current formula for unemployment insurance maxes out at twenty-six weeks. In case the winter season goes long a seasonal construction worker has the assurance to keep a baseline fund until they get called back to work. Our members understand unemployment insurance is a maintenance program and utilize it as such. Seasonal construction workers want to get back to work as soon as possible and usually by March are calling their employer's inquiring about construction schedules. They have little desire to continue applying for benefits from the fund. If the weather would permit,

we would work year-round. They want to get back to work for their contractors and build the infrastructure needs of the state.

By shortening the maximal allotted weeks for unemployment compensation will have adverse effect on our members and the contractors they work for. By capping the number of time of benefits to sixteen weeks will force skilled tradespersons to look for work in other areas of the country. Although this may lessen the burden on the Fund, the individual who is forced to look for work in other areas may not come back when they are needed here. Construction workers don't leave until the job is done. Many construction projects are on a tight timetable in North Dakota. This can be seen in the North Dakota Department of Transportation's model specifications which views the optimal construction period as mid-April to mid-November. Consequentially, the Department of Transportation views the twenty-two-week period from mid-November to mid-April as less than ideal conditions for seasonal construction. By not starting a project on time contractors face ramifications for not completing projects by the stated deadline. Contractors want to use local Labor and local Labor wants to work for local contractors. By keeping the unemployment insurance benefit formula at its current structure of twenty-six weekly benefit payments will contribute to the local Labor force remaining in North Dakota to build the infrastructure needs of the state.

The State Building & Construction Trades Council understands the proposal presented in house bill 1230 keep the Fund solvent. But making a drastic cut to the formula we fear we have unintended consequences in construction timelines and the local Labor force availability to complete the projects needed by the state.

Thank you,

Jason Ehlert
President
State Building & Construction Trades Council

I can answer any questions if there are any.

Jan 17, 2017

2

**Testimony for 2017 House Bill 1230
House Industry, Business and Labor Committee
Presented by Waylon Hedegaard
President of the North Dakota AFL-CIO
January 16th.**

Mr. Chairman, Members of the Committee:

My name is Waylon Hedegaard, President of the North Dakota AFL-CIO.

Unemployment insurance is an essential safety net for workers. One that is critical to both workers permanently laid off from their jobs and those skilled workers who are in critical industries that are undergoing either temporary or seasonal disruption.

I understand the need for these safety nets well. I have worked industrial construction most of my life as a boilermaker. I have helped build and maintain the power plants and refineries in this state for 25 years, but work as a boilermaker, while highly skilled, is always temporary and seasonal. There is a season for repair outages and those only last so long.

So to extend my families income, I packed my suitcases and hit the road. Throughout my 25-year career, I worked an average of three months away from home every year. If anyone has spent long stretched like these away from his or her families, you'll understand how hard this can be.

But even after these sacrifices, there are times when the industry is slow, when outages across the country are few and far between and all are going at the same time. In times like these, I relied on unemployment to keep the lights on and my child fed.

Consequently, there are thousands of skilled craftsmen and women across this state that are sometimes forced to rely on unemployment to make it through these slow times, and these are the people who keep the lights running and the gas pumps pumping. Our state needs these people.

I urge this committee to vote no on HB 1230.

Thank you for hearing me, and I would stand for any questions.



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House Bill 1230
Testimony of Darren Brostrom
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 Darren Brostrom, Deputy Director and the Unemployment Insurance Director of Job Service North Dakota. I am here today to be available for questions related to House Bill 1230.

- Current duration ranges from 12 to 26 weeks
- Reduction in benefit payments \$3 to \$5 million dollars per year
- Claimant Impact:
 - 16,897 claimants would have seen no change to their duration
 - 5,627 would have received between 2 and 4 additional weeks of benefit duration
 - 4,042 would have received between 2 and 10 weeks less in benefit duration
- Three industries see higher benefit payments – Construction (\$1.1M), Agriculture (\$112K), Government (\$14K). Remainder of Industries see reduction in benefits

- Industries Impacted Most

- Construction (industry gets \$1.1M more in benefits) – 1,016 get less weeks; 2,326 get more weeks; 4,025 no change
- Mining (industry gets \$1.4M less in benefits) – 603 get less weeks; 512 get more weeks; 1,694 no change
- Manufacturing (industry gets \$286K less in benefits) – 267 get less weeks; 279 get more weeks; 2,180 no change
- Transportation (industry gets \$146K less in benefits) – 183 get less weeks; 270 get more weeks; 914 no change

- Calculate current claim duration by dividing the total base period wages by the highest quarter of earnings in the base period

1st Completed Q	2nd Completed Q	3rd Completed Q	4th Completed Q	5th Completed Q	
4th Q 2015	1st Q 2016	2nd Q 2016	3rd Q 2016	4th Q 2016	1st Q 2017
Base Period				Lag Quarter	Claim Filed in First Q of 2017
\$2,000	\$7,000	\$7,000	\$18,000	\$15,000	
			(high quarter)		

Total Base Period Wages
\$34,000

Highest Quarter in the Base Period
\$18,000

Ratio (total base period wages divided by highest quarter in the base period)
1.89

- The intent of the existing ratios and corresponding duration periods was meant to recognize consistent employment and to avoid manipulation of the unemployment insurance program.
 - Individuals with consistent quarterly earnings have established a pattern of steady employment. The individual more than likely is not hopping between jobs or developing a pattern of being terminated for misconduct or quitting jobs. These individuals receive the benefit of longer claim duration.

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