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ROLL NUMBER

DESCRIPTION

1086

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1086


2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1086

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date January 15, 2001

Tape Number	Side A	Side B	Meter #
1	X	X	29.25(A) to 01.85(B)
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Chairman Berg: Let's open the hearing on HB 1086.

Ray Gudajtes - Job Service: (see written testimony)

Chairman Berg: The reason this is in place if all of a sudden we have a company that in one quarter had a huge increase in their wages we are saying there might be a huge risk to the fund if all the people are laid off.

Gudajtes: Mr. Chairman, that is correct.

Chairman Berg: And so that is the original intent. Maybe you could be more specific and describe the company that's being triggered by this. Is this one company that has exceptional growth in one quarter or a seasonal company?

Gudajtes: I will show you a live account. The type of account in 1999 or 2000 that has been affected by this adjustment. In 1999 we had five accounts all from out of state. One was manufacturing products and selling them in state, the other was an energy corporation, the other was an auto glass company, the other two construction. In 2000 we had three accounts, all out of state employers again, an electrical contractor, the other was an employer service in health care.

Chairman Berg: It makes sense that out of state companies are coming into the state for one or two projects, so their payroll is relatively small so they come in for a project that triggers the 3 times average annual fee.

Gudajtes: We think that is what occurred in every situation. They were in state but had a smaller presence.

Rep. Keiser: Greg, I am a little bit confused. With your proposal we are going to collect 14,212.00 for the fund. We were collecting 51,300.00, but you are going to protect the fund more by collecting 14 vs. 50?

Gudajtes: We are saying that we are going to protect the fund from the ?. But we are going to reduce the effect on the positive balance account. The amount we are going to collect is a positive balance account.

Rep. Keiser: How are we going to protect it from the risk?

Gudajtes: We feel we are going to protect by having this rate adjustment in there and raising their rates.

Rep. Keiser: But Ray in your example you are going from 1.62 to 10 percent. So that's a big raise. So you are going to collect a lot more money to pay an insurance premium. In your proposal you

are only going up to 2 percent. Again, if the current statute is going to get me 51,000 for the fund, that seems to me to be a lot more protection than 14,000. What am I missing?

Gudaites: We are collecting more dollars now with the present statute. We feel that the additional financial cost applied to the account is more than is necessary.

Rep. Keiser: So this isn't an argument that you are protecting the fund, but that we are collecting too much.

Gudaites: So the fund will be protected.

Rep. Keiser: And we can back down the rate.

Gudaites: So we can back down the rate on a positive balance.

Rep. Keiser: Now I am beginning to understand it. Thank you.

Chairman Berg: The other question I would have is - there is always companies that are at that level. Between positive and negative. Are we protected in here from a negative account employer saying, Okay I am five thousand in the negative, I will just pay that and get the lower rate, but maybe we should collect the higher rate.

Gudaites: Are you referring to the voluntary contribution provision? They have to make the determination whether or not to make the contribution before April 30. It's possible they could know what their payroll would be by the end of April. They could use this to make the decision to pay a voluntary contribution to save money.

Chairman Berg: It may encourage people to become positive balance employers. Which would be positive.

Rep. Keiser: Looking at this sheet again, using your example - I got a payroll running between 112 - 168 thousand each month. I go out and get a new contract and hire a lot of new people so

my payroll is around 198 thousand. One month later, I get the job done, I lay off all my long term employees, they go on unemployment, I keep all the new employees because they don't qualify for benefits. I am going to save a lot of money, Right? You are saying that with the 6,145 you collected to the fund, Vs the 29,800 you would have collected. In that scenario are you going to be okay?

Gudaites: I am not sure of which employees you laid off.

Rep. Keiser: They have to qualify first. If they were hired one month they don't have many benefits. If I have had them for five years, they qualify for the max. That is my point.

Gudaites: Our research would indicate that the raise in the rate would be sufficient to cover the additional costs.

Rep. Froelich: What protection does this fund have?

Gudaites: The only protection they have is the balance in their account.

Rep. Berg: We'll close the hearing on HB 1086 and we'll hold the bill.

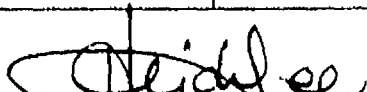
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1086 (B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Jan 31, 2001

Tape Number	Side A	Side B	Meter #
2		X	20.4-30.1
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep Klein: I move the amendments.

Rep Ekstrom: I second.

Rep Keiser: I move a do pass as amended

Rep Klein: I second.

15 yea, 0 nay, 0 absent

Carrier Rep Johnson

FISCAL NOTE

Requested by Legislative Council

02/02/2001

Bill/Resolution No.:

Amendment to: HB 1086

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 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.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

The amount of reduced contributions and affect on the Unemployment Insurance Trust Fund is negligible. The bill provides employers a more equitable tax assessment in the event their risk to the Unemployment Insurance Trust Fund increases as a result of significant increases in an employer's employment (payroll).

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Wayne Klndem	Agency:	Job Service North Dakota
Phone Number:	328-3033	Date Prepared:	02/05/2001

FISCAL NOTE
Requested by Legislative Council
12/14/2000

Bill/Resolution No.: HB 1086

Amendment to:

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.*

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	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
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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.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

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Name:	Wayne Kindem	Agency:	Job Service North Dakota
Phone Number:	328-3033	Date Prepared:	01/05/2001

Prepared by Job Service
North Dakota for House
Industry, Business, and Labor
Committee

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1086

Page 1, line 11, remove "or a rate of one percent of the"

Page 1, line 12, remove "positive employer maximum rate in effect that year"

Renumber accordingly

Date: 1-31-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~Click here to type Bill/Resolution No.~~

1086

House Industry, Business and Labor

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Ammend

Motion Made By Keiser Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich	✓		Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 15 No 0

Absent 0

Floor Assignment Johnson

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

REPORT OF STANDING COMMITTEE (410)
February 1, 2001 11:26 a.m.

Module No: HR-18-2089
Carrier: N. Johnson
Insert LC: 18101.0101 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1086: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1086 was placed on the Sixth order on the calendar.

Page 1, line 11, remove "or a rate of one percent of the"

Page 1, line 12, remove "positive employer maximum rate in effect that year"

Renumber accordingly

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1086

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1086

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date February 28, 2001.

Tape Number	Side A	Side B	Meter #
1	x		54.9 to end
		x	0 to 7.6
2	x		18.3 to 19.3
Committee Clerk Signature <i>Don & Perry</i>			

Minutes:

The meeting was called to order. All committee members, except Senator Tollefson, present. Hearing was opened on HB 1086 relating to the risk adjustment rate for unemployment compensation contributions.

Ray Gudajtes, Job Service ND. Written testimony attached including Risk Adjustment Rate table. This bill introduces two items: 1) How tax rate adjustment is determined, we propose that when the rate triggers, the tax rate assigned be determined on the account's balance. If the balance is positive the rate will be 150% of the maximum rate schedule rate or 1% whichever is greater. For negative balance accounts, the tax rate assigned would be the negative employer maximum rate in effect that year. 2) Clarify when the rate adjustment will trigger if an account has a zero average taxable payroll: when the account has reported a quarterly taxable payroll in excess of fifty thousand dollars. The fiscal impact will be minimal because only four or five employers will be affected.

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1086

Hearing Date February 28, 2001.

Senator Mathern: The employer will stay at the same rate the rest of the year?

R Gudajtes: Yes

No opposing testimony. Hearing closed.

Tape 2-A- 18.3 to 19.3

Discussion held.

Senator Espegard: Motion: do pass. **Senator Mathern:** Second.

Roll call vote: 6 yes; 0 no; 1 absent not voting. Motion carried.

Floor assignment: **Senator Krebsbach**

Date: Feb 28 01
Roll Call Vote #:

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *HB 1086*

Senate Industry, Business and Labor

Committee

Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken No Passes Proposed

Motion Made By Sen Espinosa Seconded By Sen Matheson

[illegible]

Total (Yes) 6 No 0

Absent /

Floor Assignment Sen. Krebsbach

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

REPORT OF STANDING COMMITTEE (410)
February 28, 2001 1:21 p.m.

Module No: SR-34-4463
Carrier: Krebsbach
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1086, as engrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1086 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1086

HOUSE BILL 1086
Testimony Before the House Committee On
Industry, Business and Labor
Representative Rick Berg, Chairman
January 15, 2001

Mr. Chairman and members of the committee, I am Ray Gudaites with Job Service North Dakota. Subsection 6 of Section 52-04-06 of the North Dakota Century Code (NDCC) establishes a method to adjust an unemployment insurance tax rate when an experience rated employer's risk to the Unemployment Insurance (UI) Trust Fund suddenly increases because of a significant increase in the employer's taxable payroll. Sudden increases occur as the result of short-term projects, which when completed may result in significantly higher costs to the Trust Fund. House Bill 1086 proposes to provide a more equitable rate application when these situations occur.

An experience rated employer is one who has been liable to provide Unemployment Insurance coverage for a sufficient period to develop a history that can be used to determine tax rates (2 years for non-construction industry employers and 3 years for construction industry employers). Unemployment Insurance tax rates are established for a calendar year. Employer's tax rates are determined from ratio of the tax account's average annual taxable payroll to the balance of contributions paid minus unemployment insurance benefits charged. The lower the reserve ratio, then the higher the tax rate. The logic being that the higher the payroll (consequently the number of employees), then the higher the potential for individuals from that employer to draw unemployment insurance benefits and the need for a higher reserve.

When there is a sudden increase in an employer's employment (taxable wages), Subsection 6 provides a method to adjust the rate to accommodate for that increased risk. Currently, this adjustment triggers when, in any quarter of the tax year, the employer's quarterly taxable payroll is in excess of fifty thousand dollars and at least three times the employer's average annual taxable payroll. The adjusted rate is then in effect beginning that quarter and for the remainder of that calendar year. The following year's tax rate is then redetermined using the regular rate determination process.

Currently, when this rate adjustment triggers, the tax rate assigned is the negative employer maximum tax rate in effect that year. In 2001 this rate is 10.09%.

This is a significant increase for a positive balance account. In 2001 the positive balance account rate schedule ranges from 0.49% to 1.39% and with the hold harmless provision in effect for tax years 2000, 2001, and 2002 a positive balance account can have a rate as low as 0.33% in 2001.

This adjustment is not as significant for a negative balance account. Negative balance accounts have already exhibited a high risk to the Unemployment Insurance Trust Fund and their rates are already determined from the negative balance account rate schedule, which is higher. In 2001 the negative balance account rate schedule ranges from 6.49% to 10.09%.

This amendment introduces two items to the existing provision. The first item is a change in how the tax rate adjustment is determined. The change proposes that when the rate adjustment triggers, the tax rate assigned will depend on the positive balance or negative balance status of the account.

For positive balance accounts, the tax rate assigned would be a rate that is 150% of the positive employer maximum rate in effect that year or a rate of one (1) percent, whichever is greater. This is the same rate that is also assigned to a non-construction new employer, thereby providing consistency in how rates are determined. In 2001, this rate is 2.08%.

For negative balance accounts, the tax rate assigned would continue to be the negative employer maximum tax rate in effect that year.

The current Subsection 6 provision can place a significant burden on an employer, which could affect business growth potential. The proposed change will provide additional coverage to protect the Unemployment Insurance Trust Fund without an unnecessary financial burden on the employer.

The second item clarifies when the rate adjustment will trigger if an account has a zero average taxable payroll. For an account with a zero average taxable payroll, the adjustment rate would trigger when the account has reported a quarterly taxable payroll in excess of fifty thousand dollars. This is a significant increase in payroll since an employer with a zero balance has

not had employees in the last three years. It also creates a situation of greater risk to the Unemployment Insurance Trust Fund. In addition, this provides consistent application of Subsection 6 to all employers.

Approximately 4-5 accounts are affected annually by this rate adjustment. Although the number of accounts is small, the increase in cost can be relatively significant. Attached is an example.

Mr. Chairman, this concludes my testimony. I will try to answer any questions from the committee.

Risk Adjustment Rate:

The table below reflects the impact of the proposed legislation, assuming accounts with both a positive and negative balance.

The September quarter has a payroll that is more than \$50,000 and is three times the average annual payroll of \$98,478. This would trigger the risk adjustment in that quarter. The current law would put the tax rate at the maximum of the negative schedule (10.09%). The rate would be in effect for the entire year (payroll for the September and December quarters). The next year's rate is calculated based on the experience of the account.

Payroll Quarter	Taxable Wages	Current Statute				Proposed Statute			
		Positive Account		Negative Account		Positive Account		Negative Account	
		Balance		Balance		Balance		Balance	
		Tax Rate	Taxes Paid	Tax Rate	Taxes Paid	Tax Rate	Taxes Paid	Tax Rate	Taxes Paid
March	\$112,630	1.62%	\$1,824	6.49%	\$ 7,310	1.62%	\$ 1,824	6.49%	\$ 7,310
June	\$168,725	1.62%	\$2,733	6.49%	\$10,950	1.62%	\$ 2,733	6.49%	\$10,950
September	\$295,434	10.09%	\$29,809	10.09%	\$29,809	2.08%	\$ 6,145	10.09%	\$29,809
December	\$168,725	10.09%	\$17,024	10.09%	\$17,024	2.08%	\$ 3,509	10.09%	\$17,024
Total			\$51,391		\$65,094		\$14,212		\$65,094

HB 1006
RISK ADJUSTMENT
Subsection 6 of Section 52-04-06

Per request of House IBL Committee a scenario assuming the risk adjustment triggers in Fiscal Year 1999.

CURRENT STATUTE

	CONTRIBUTIONS	BENEFITS	RESERVE	RATES
FY1995				
FY1996				02.200%
FY1997	4,743.25+		4,743.25+	02.200%
FY1998	2,423.01+	1,118.43+	1,304.58+	02.200%
FY1999	107,359.74+	418.39+	106,941.35+	05.400%
FY2000	31,721.61+	48,337.06+	16,615.45-	01.440%
6-YEAR	146,247.61+	49,873.88+	96,373.73+	RATIO 8.90+
CUMULATIVE	146,247.61	49,873.88	96,373.73+	2001 .490%
			HOLD HARM	01.300%

CHG-DTE 10-31-01	ACCUMULATOR			
CODE:RATE 09	COMBINED	VOL-CON	REDUCTION 3YR+ N PLAN	.000%
PAYROLL			2YR+ N	
FY 1998	110,137.23	FY 1999	2,026,247.70	FY 2000 1,108,791.20
			AVERAGE	1,081,725.37
BENEFIT CHARGES	QTR 00-4	14,952.76+	QTR 01-1	
TOT 2001	QTR 01-2		QTR 01-3	

PROPOSED STATUTE

	CONTRIBUTIONS	BENEFITS	RESERVE	RATES
FY1995				
FY1996				02.200%
FY1997	4,743.25+		4,743.25+	02.200%
FY1998	2,423.01+	1,118.43+	1,304.58+	02.200%
FY1999	41,952.75+	418.39+	41,534.36+	02.080%
FY2000	18,512.86+	48,337.06+	29,824.20-	01.440%
6-YEAR	67,631.87+	49,873.88+	17,757.99+	RATIO 1.64+
CUMULATIVE	67,631.87	49,873.88	17,757.99+	2001 .790%
			HOLD HARM	01.300%

CHG-DTE 10-31-01	ACCUMULATOR			
CODE:RATE 09	COMBINED	VOL-CON	REDUCTION 3YR+ N PLAN	.000%
PAYROLL			2YR+ N	
FY 1998	110,137.23	FY 1999	2,026,247.70	FY 2000 1,108,791.20
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TOT 2001	QTR 01-2		QTR 01-3	

Post-It® Fax Note	7871	Date	# of pages 1
To Rep Nancy Johnson	From Ray		
Co./Dept.	Co. SUB SERVICE		
Phone #	Phone # 8-2791		
Fax # 8-1997	Fax #		

HOUSE BILL 1086
Testimony Before the Senate Committee On
Industry, Business and Labor
Senator Duane Mutch, Chairman
February 28, 2001

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not had employees in the last three years. It also creates a situation of greater risk to the Unemployment Insurance Trust Fund. In addition, this provides consistent application of Subsection 6 to all employers.

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