

MICROFILM DIVIDER

OMP/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1087

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1087

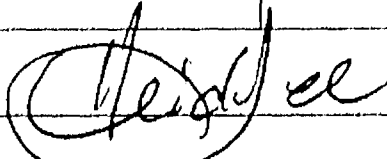
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1087

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Jan 16, 2001

Tape Number	Side A	Side B	Meter #
1	X		0-24.27
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.

Ray Gudaites: *Job Service ND* **written testimony sponsoring bill** Section 1

Chairman Berg: With these companies do you know if they have a positive or negative balance?

Gudaites: As new employers they would not have a balance at this time. Strictly new employers and new businesses that are liable on August 1, 2001 or later. They can however be a new employer up to two years for a non-construction business and three years for a construction employer.

Rep Ekstrom: Is there a provision allowing this grandfathering?

Gudaites: This is not a federal requirement, so no. **Written testimony** Section 2

Rep Thorpe: Who would have control of accounts under the new language?

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number HB 1087

Hearing Date Jan 16, 2001

Gudajtes: The predecessor, the employer, that built the history. The predecessor of an old business will still have access to an account up to three years after going out of business.

Chairman Berg: One issue is how you treat that entity after its ownership has changed and the second issue is who are we going to allow to control the account.

Gudajtes: The account can still be transferred to the new owner if the predecessor so chooses.

Rep Ekstrom: Is that generally the case?

Gudajtes: Yes

Rep Ruby: Can you transfer the account if it is a different business?

Gudajtes: Only if it is essentially the same business but that can expand an existing business.

Rep Ruby: Would it clear a lot of this up if there was a positive balance fund that they can be reimbursed at and they can do what they wish?

Gudajtes: When an employer makes a contribution to the account, that money is merged into a Trust Fund, the reserve is there for the purposes of looking at the account and specific history of a business to determine the rate for the up and coming year. **Written testimony** Section 3

Chairman Berg: So two things have to happen. One they have to meet the ownership test and two they have to have control of supervision for filing.

Rep Froseth: What determines ownership power and how many times has this section been used to try to prosecute those who have to file reports.

Gudajtes: Twenty percent ownership is an officer in the corporation of a limited liability company and as far as how many cases, there have been five.

Chairman Berg: We'll close the hearing on HB 1087.

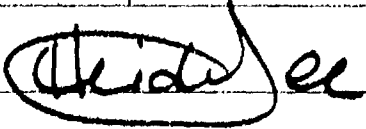
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1087(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb. 13, 2001

Tape Number	Side A	Side B	Meter #
2		X	17.6-49.7
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.

Ray Gudaites: Explained bill and amendments.

Rep Lemieux: I move the amendments.

Rep Ekstrom: I second.

Rep Lemieux: I move a do pass as amended.

Rep Ekstrom: I second.

11 yea, 0 nay, 3 absent

Carrier Rep Ekstrom

FISCAL NOTE
Requested by Legislative Council
12/20/2000

Bill/Resolution No.: HB 1087

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

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

NO FISCAL IMPACT ON STATE OR AGENCY FUNDING.

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

Prepared By Legislative Intern
Nici Meyer
January 16, 2001

PROPOSED AMENDMENT TO HOUSE BILL NO. 1087

Page 2, line 26, replace "north" with "North"

Page 2, line 28, replace "north" with "North"

Date: 2-13-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1087

House Industry, Business and Labor Committee

Legislative Council Amendment Number _____

Action Taken Do Pass @ amended

Motion Made By Lemieux Seconded By Ekstrom

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) 12 No 0

Absent 3

Floor Assignment Rep Ekstrom

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

REPORT OF STANDING COMMITTEE (410)
February 14, 2001 1:13 p.m.

Module No: HR-27-3343
Carrier: Ekstrom
Insert LC: 18100.0101 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1087: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). HB 1087 was placed on the Sixth order on the calendar.

Page 2, line 26, replace "north" with "North"

Page 2, line 28, replace "north" with "North"

Renumber accordingly

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1087

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1087

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date February 28, 2001.

Tape Number	Side A	Side B	Meter #
1		x	7.9 to 22.2
2	x		19.4 to 20.0
Committee Clerk Signature <i>Doris E. Perez</i>			

Minutes:

The meeting was called to order. All committee members, except Senator Tollefson, present.

Hearing was opened on HB 1087 relating to unemployment compensation employer industrial classification, employer experience record, employer experience record transfers, and corporate officer personal liability; and to provide a penalty.

Ray Gudajtes, Job Service ND. This bill will replace the Standard Industrial Classification with the North American Industry Classification System for designation of employers as construction or non-construction for the purposes of the state unemployment insurance program. The bill provides that an employer that has ceased to be liable for unemployment insurance taxes shall continue their experience rating account if they again become liable within three years. It establishes that a succession can occur when a business acquires part or all of another business and continues the same business activity. Control of an experience record rests in the hands of the predecessor. Any corporate officer or LLC manager or employee owning 20 % or more of the

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1087

Hearing Date February 28, 2001.

corporation or the LLC will be personally liable for the company's failure to pay for unemployment insurance payments due. Written testimony attached.

Senator Mutch: Advantage of being successor is the lower rate?

R Gudjates: Yes if you don't get the experience rate of the predecessor you'd be rated as new business.

Senator Mathern: If the predecessor chooses not to use this rate, can it be transferred to the new business?

R Gudjates: Predecessor gets to keep history of the account for three years, if not used its gone. For the most part there are very few cases in which not transferred.

Senator Mutch: New owner has 15 days to apply for the transfer?

R Gudjates: At time of purchase new entity requests transfer of account and predecessor has 15 days to respond after given notice of request. If not received we don't transfer. Predecessor has right to appeal.

No opposing testimony. Hearing closed.

Tape 2-A- 19.4 to 20.0

Discussion held. **Senator Espegard:** Motion: do pass. **Senator Klein:** Second.

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

Floor assignment : **Senator Mutch.**

Date:

Roll Call Vote #: /

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES

Senate Industry, Business and Labor

Committee



or

Legislative Council Amendment Number

Action Taken

Motion Made By

Secondded

By

[illegible]**Total**

(Yes)

No

Absent

Floor Assignment

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

REPORT OF STANDING COMMITTEE (410)
February 28, 2001 1:26 p.m.

Module No: SR-34-4469
Carrier: Mutch
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1087, as engrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1087 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1087

HOUSE BILL 1087
Testimony Before the House Committee On
Industry, Business and Labor
Representative Rick Berg, Chairman
January 16, 2001

Mr. Chairman and members of the committee, I am Ray Gudajtes with Job Service North Dakota. House Bill 1087 addresses three areas, including:

- Use of the North American Industry Classification System (NAICS) rather than the Standard Industrial Code (SIC) for identification of industries.
- Succession to a predecessor's Unemployment Insurance experience record.
- Corporate officer or Limited Liability Company (LLC) manager personal liability.

The first area is Subsection 3.b.(3) of Section 52-04-05. As a result of the implementation of the North American Free Trade Agreement (NAFTA) between Canada, Mexico and the United States, the countries created a common industry classification system to replace the existing classifications of each country. The United States was using the Standard Industrial Classification (SIC). The new classification system is the North American Industry Classification System (NAICS). This will result in the eventual elimination of the use of the SIC classification (possibly 2003). These classifications are used especially by the U.S. Bureau of Labor Statistic (BLS) for reporting of labor market information including unemployment rates, employment statistics, wage information, etc. BLS will begin reporting this information using NAICS effective January 1, 2001. There are other federal and state entities, which also use these industry classifications.

North Dakota's Unemployment Insurance Program uses the SIC for the assignment of rates to "new employers". These are employers that have not 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). The new employer rate in 2001 for non-construction employers is 2.08%. The new employer rate for construction employers is 10.09%.

For the most part, businesses that are construction under SIC will remain construction under NAICS. However, there are five (5) classifications that do change their construction or non-construction designations:

- Land subdividers and developers, non-construction in SIC, moves into construction under NAICS.
- Rental and leasing of heavy construction equipment with operator provided, non-construction in SIC, moves into construction under NAICS.
- Boiler cleaning, non-construction in SIC, moves into construction under NAICS.
- Construction management companies, non-construction in SIC, moves into construction under NAICS.
- Asbestos abatement and lead paint removal contractors, construction in SIC, moves to non-construction under NAICS.

This amendment will replace the Standard Industrial Classification (SIC) with the North American Industry Classification System (NAICS) for designation of employers as construction or non-construction for the purpose of the State's Unemployment Insurance program.

The amendment will not affect any employers that have a date of liability for unemployment insurance coverage prior to August 1, 2001. These employers will continue to be classified under SIC.

The second area is Subsection 4 of section 52-04-05 and Section 52-04-08 of the North Dakota Century Code (NDCC), which deals with succession to an Unemployment Insurance experience rated tax account.

Subsection 4 of section 52-04-05 provides that an employer that has ceased to be liable for unemployment insurance taxes shall continue their experience rating account if they again become liable within three years.

Section 52-04-08 establishes the requirements necessary to transfer the established experience rating account of one employer to another employer. A succession can occur when a business acquires part or all of another business and continues the same business activity. Currently this section requires that, upon request, the whole or appropriate part of the experience record must be transferred unless the predecessor files a written protest. If a protest is filed, then the transfer will not be made without opportunity for hearing.

These sections have been applied with the interpretation that the legislature had intended control of an experience rating record to rest in the hands of the employer who had established it (the predecessor). Consequently, the procedure has been, if the predecessor objects, then the transfer is not made.

Due to recent experience in district court, it has come to our attention that a contradiction exists between Sections 52-04-08 and 52-04-05 subsection 4. Section 52-04-08 states that the experience rating account must, upon request of the acquiring entity, be transferred in whole or part unless the predecessor files a written protest, then the transfer will not be made without opportunity for a hearing. This gives the impression that information gathered in a hearing may result in a decision that could give the experience rating account to either the predecessor or the successor. Then Section 52-04-05, subsection 4 states that an employer keeps his experience rating account for three years.

Because of the court's identification of the contradiction, situations now exist where both parties, predecessor and successor, have been or can be assigned the full experience of one account. Since there is only one record, this creates a problem. Both employers get the history of the rate record and a situation is created where the same record is used twice. This results in false information for calculation and assignment of tax rates, because each record is a duplicate and the taxable wages, contributions paid, benefits charged are doubled. In tax rate processing, the taxable wages determine which reserve ratios are assigned to a tax rate. Also, Unemployment Insurance employer statistics and tax rates use inflated information and the program is not administered using true information.

These amendments will remove any question that the control of the account lies with the predecessor and also removes the allowance of duplication of account histories.

The third area is Subsection 1, Section 52-04-11.1 of the North Dakota Century Code (NDCC) which makes any corporate officer or Limited Liability Company (LLC) manager or employee owning 20 percent or more of the corporation or limited liability company personally liable for the corporation's or limited liability company's failure to pay unemployment insurance payments due. A similar provision exists in Section 65-04-26.1 for administration of the North Dakota Workers Compensation program and

in Section 57-39.2-18.1 and 57-40-15.1 for administration of the North Dakota sales and use taxes. The similarity is consistent except that in Subsection 1 of Section 52-04-11.1 the term "willfully" exists in the phrase, "... and who willfully fails to file the reports or to make payments as required, is personally liable . . ."

Corporations, especially small, closely-held corporations, are often seen primarily as a method to shield officers and owners from personal liability for business debts. Because debts owned the government; for example taxes, workers compensation and unemployment insurance; would weaken the public reserves if not paid by the corporations, such debts have been made personal obligations of the corporate officers to increase the chances that they will be paid. These liability provisions are very effective. Frequently, corporations will find some way to pay their unemployment insurance tax bill when the corporate officers are informed that they will be held personally liable for the debt if not paid by the corporation. However, the present language regarding the term "willfully" is somewhat ambiguous.

This term results in inconsistency between the programs and has caused confusion for employers. Because of the term, decisions of Unemployment Insurance hearing officers and the Bureau regarding personal liability have been inconsistent with decisions from the other agencies, Workers Compensation and the state's Tax Department, for the same individual(s).

This amendment would strike out the term willfully and thus provide consistency between the State's unemployment insurance, workers compensation, sales tax and use tax programs.

The result will be a more equitable treatment of employers with regard to their responsibilities to pay their fair share of the cost of the unemployment insurance program. Noncomplying employers and employers delinquent in payment of taxes place the burden on good employers who already pay their taxes. Businesses who pay the taxes should not be stuck with the cost of the claims and unpaid taxes of noncomplying or delinquent employers.

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



"Gudajtes, Raymond
G."
<rgudajtes@state.nd.us>
s>

To: "Ekstrom, Mary O." <mekstrom@state.nd.us>
cc: "Hirsch, James J." <jhirsch@state.nd.us>, "Daley, Maren L."
<mdaley@state.nd.us>
Subject: HB 1087 - Data regarding the term "willfully" in Section 52-04-11 .1

01/18/01 07:56 AM

Representative Ekstrom:

Your had requested information regarding the number of cases we have where the issue of corporate officer or limited liability company manager personal liability arose and the case was affected by the term, "willfully". Since January 1998 we have had 4 such case. In all cases the officer or manager were not held liable. The total contributions owed by these entities are \$40,879. Unfortunately, these are dollars will need to be captured indirectly through tax rates from positive balance employers. We have a current case pending for \$24,500.

In addition, as a result of a reorganization within Centralized Services of Job Services North Dakota we have placed more emphasis on the collections of past due debts to the fund. We expect this will result in identification of other corporate or limited liability companies that have past due debts to the fund, which will be affected by the current language in the subject section.

If you need additional information or have any question, please don't hesitate to contact Bob at 328-3024 or I.

Sincerely,

Raymond G. Gudajtes

Business and Applicant Services Manager

Job Service North Dakota

PO Box 5507

Bismarck, North Dakota 58506-5507

(701) 328-2791



"Olson, Bob D."
<b dolson@state.nd.us>
s>

01/17/01 06:02 PM

To: "Ekstrom, Mary O." <mekstrom@state.nd.us>
cc: "Gudajtes, Raymond G." <rgudajte@state.nd.us>
Subject: Successorship scenario

*HB 1087
Job Service*

Successorship scenario regarding HB 1087 and the contradiction between NDCC 52-04-08 vs. 52-04-05 4

Representative Ekstrom, as you requested here is the scenario I told you about yesterday (please excuse the "informal" nature of this memo):

"A" owns and operates a restaurant and leases the building from "B"

The lease is up as of a certain date

"B" will not renew the lease

"A" is now effectively out of business but still owns the equipment used in the restaurant business

"B" buys the equipment but pays nothing for the "business" (good will, etc.)

"A" is, in effect, forced out of business by the landlord ("B")

"B" applies for "A's" unemployment insurance experience record

"A" is notified of the application and objects

Job Service North Dakota denies the request because "A" objects

"B" appeals the determination and Job Service's initial decision is upheld

"B" appeals to the executive director of Job Service North Dakota, original decision upheld

"B" appeals to district court, decision says the unemployment law contradicts itself (52-04-05 4 and 52-04-08) and Job Service must reconsider the matter

Job Service North Dakota was placed in a situation where we had to give "B" the experience and also keep it available for "A"

This created a completely artificial experience and could skew unemployment statistics and even change the rates of one or more employers in the system.

I am sending you a printed copy of this scenario as well as the copy of the law section you requested. I am also in the process of obtaining the estimate of the number of objections to transferring experience records and will forward that to you as soon as I get it. Please call me at 328-3024 or email me if I can be of any further assistance.

HOUSE BILL 1087
Testimony Before the Senate Committee On
Industry, Business and Labor
Senator Duane Mutch, Chairman
February 28, 2001

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

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1088

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1088

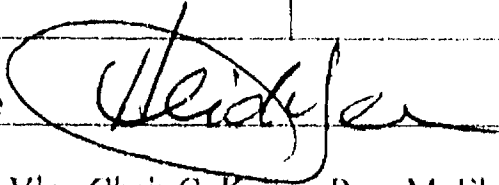
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1088

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Jan 16, 2001

Type Number	Side A	Side B	Meter #
1	X		24.67-40.10
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. Pletsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Ray Gudaites: *Job Service ND* **Written testimony sponsoring bill**

Rep Lemieux: The fiscal note will cost schools \$8,000, cities \$5,600, and counties \$1,600. What is this for?

Gudaites: We were advised by programmers that depending on the system, it could take anywhere from two hours to a whole day of programming.

Rep Lemieux: So this could save Job Service a substantial amount of money and employers on paperwork?

Gudaites: Yes. Both are winner in the long run.

Rep Froelich: Do you see a reduction of fees?

Gudaites: No

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number HB 1088

Hearing Date Jan 16, 2001

Rep. Kelser: Why aren't we going to give back to the small employers?

Gudaites: We look at creating an interactive system on the Internet for the smaller employers.

For large employers we'd like to import in to our form.

Rep. Lemieux: Have you considered providing the software to employers that would be compatible with Job Service?

Gudaites: We have but found very little support and also it would be hard to regulate.

Chairman Berg: What can we do to encourage business to become electronic rather than to mandate it.

Rep. Koppang: The IRS already has a mandatory requirement of electronic reporting, why would we give the director the option of exempting them if they already have it?

Gudaites: The IRS reporting is not the same.

Chairman Berg: How many of the 210 are filing electronically?

Gudaites: Currently 79.

Rep. Johnson: Has Job Service asked them to report electronically?

Gudaites: Yes and we were basically told only if it is mandated.

Chairman Berg: We'll close the hearing on HB 1088 and hold it until later.

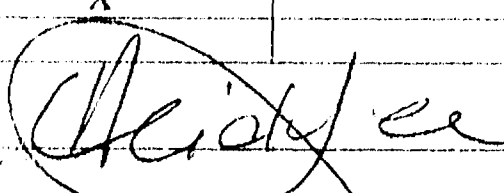
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1088

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Jan 17, 200

Tape Number	Side A	Side B	Meter #
1		X	-41.58
2	X		2.7
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Kelsner, 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 return to HB 1088, this requires companies with 250+ employees to file electronically.

Rep Lemieux: I move a do not pass.

Rep Ruby: I second.

Rep Ekstrom: I believe that the hospitals are the biggest offenders. Job Service is saying that the amount of time it would take to enter those records every quarter is excessive but they feel that the overall savings will go to the employer. I believe strongly that we should pass this bill.

Rep Ruby: They weren't planning to pass the savings on. I feel that the businesses should be given a choice.

Rep Koppang: I think that if we don't push this, it will be a step backwards for technology.

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number HB 10888

Hearing Date Jan 17, 2001

Rep Froelich: There is no savings, they want us to mandate this and apply the rules later?

Rep Kasper: I'm not impressed with Job Service's preparation. I'd like to see them come up with and supply software to the businesses. I do not like to mandate businesses.

Rep Ekstrom: ND would have the liability if we issued software.

Rep Klein: I agree with Rep Koppang and feel it will save us money.

Rep Severson: I hate mandates but I do see the win-win in this.

Rep Jensen: I'd like to pursue the use of state funding for technology.

Chairman Berg: Let's bring in three department heads to tell us why they don't have just one form. Paul Kramer, Marne Daley, and Rick Claybourgh.

Rep Lemieux: I withdraw my motion to do not pass.

Chairman Berg: We'll hold on to this until we have more information from the departments.

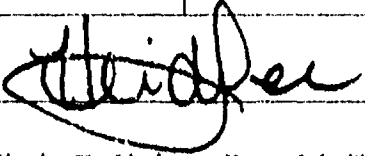
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1088(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb. 12, 2001

Tape Number	Side A	Side B	Meter #
1		X	39.0-47.0
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 Pietsch: This bill is about electronic filing with regards to Job Service.

Chairman Berg: This may interfere with Internet reporting.

Rep Kasper: I move a do not pass.

Rep Lemieux: I second.

Rep Ekstrom: This will save money regardless of whether they want it or not.

Rep Ruby: The Internet will be the big wave if the employers set it as worthwhile.

11 yea, 3, nay, 1 absent Carrier Rep Pietsch

FISCAL NOTE
Requested by Legislative Council
12/14/2000

Bill/Resolution No.: HB 1088

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.*

	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	\$1,600	\$5,600	\$8,000	\$0	\$0	\$0

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

There is no effect on the Unemployment Insurance Trust Fund. The effect is to achieve productivity efficiencies in collection and processing of the quarterly Unemployment Insurance Employer Contribution and Wage Reports. The productivity efficiencies would free up staff-time, which will be applied to providing increased reemployment services.

The fiscal effect shown in section 1B. is the estimated cost of programming for electronic reporting for the Counties, Cities, and School Districts affected by this legislation.

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:	01/05/2001

Date: 2-12-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~HR 1088~~ HB 1088

House Industry, Business and Labor Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Kasper Seconded By Lemieux

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) 11 No 3

Absent 1

Floor Assignment Rep Pietsch

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

REPORT OF STANDING COMMITTEE (410)
February 12, 2001 4:13 p.m.

Module No: HR-25-3127
Carrier: Pletsch
Insert LC: , Title: .

REPORT OF STANDING COMMITTEE

**HB 1088: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends
DO NOT PASS (11 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1088 was
placed on the Eleventh order on the calendar.**

2001 TESTIMONY

HB 1088

HOUSE BILL 1088
Testimony Before the House Committee On
Industry, Business and Labor
Representative Rick Berg, Chairman
January 16, 2001

Mr. Chairman and members of the committee, I am Ray Gudajtes with Job Service North Dakota. House Bill 1088 proposes a requirement of employers with 250 or more employees to submit their quarterly Unemployment Insurance Contribution and Wage Reports electronically. Electronic reporting includes reporting by magnetic tape, diskette or FTP transfer via the Internet.

Although Section 52-02-02 of the North Dakota Century Code (NDCC) provides that Job Service may require such reports, as it deems necessary or suitable in the administration of the North Dakota Unemployment Compensation Law, Job Service is requesting legislative authority for required electronic reporting for employers with 250 or more employees.

Currently approximately 18,700 employers submit reports each quarter. Of those approximately 1,100 report their quarterly contribution and wage information electronically.

There are approximately 210 employers reporting 250 or more employees. These employers account for one (1) percent of the total number of employers in the state. However, they account for approximately 32% of the total employment. Currently 79 of these employers submit their quarterly reports electronically. The remaining 131 employers account for approximately 22% percent of the wage records (employees) in the state.

The processing of quarterly reports electronically would significantly increase the integrity of the data recorded and the efficiency of the processing. Required electronic reporting for these employers is consistent with the Internal Revenue Service (IRS), which requires employers with 250 more employees to report electronically, as well as do a number of other states. Employers of this size already use computer systems for their reporting, especially with the IRS requirement of mandatory electronic reporting. In addition, a recommendation in the recently conducted Job Service North Dakota 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.

Processing of paper reports is costly and inefficient:

- First, is the amount of time it takes to process information submitted on paper. Each quarter approximately 360,000 wage records are entered on to our system. Operators have only two months to enter the data so it can be used for processing claims for benefits. Approximately 20% of these wage records are currently reported electronically. The remaining 80%, or approximately 1.1 million per year, are manually keyed in by data input operators. At best, a data input operator enters 350 wage records each hour.
- Second, are the errors that occur during the processing of the information submitted on paper. Errors cause both time and quality concerns. Input errors, especially with reports of larger size are not uncommon. An error report for an employer with 2500 – 2600 employees, can take approximately 2 ½ hours to review.

When data input errors are not identified by the error report mentioned and subsequently those wages are used in determining eligibility for unemployment insurance benefits, then it is necessary for Job Service to contact the employers. This causes employers additional interruption and time to recheck their records and submit the information to us.

Reports that are submitted electronically are processed almost immediately and without inputting errors. They are more efficient both in terms of cost and quality.

The processing time for the wage records of the 131 employers with 250 or more employees that currently are not reporting electronically is approximately 1200 hours per year or six-tenths of a position. This would result in productivity efficiencies, not only in the input of data, but also processing by local offices and central office staff, and the cost of contacting employers when wage record errors occur and verification must be made with employers in order to pay benefits. The efficiencies would free up staff-time which would be applied to providing increased reemployment services.

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