

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2033 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1471

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1471

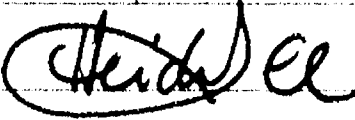
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1471

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Jan 31, 2001

Tape Number	Side A	Side B	Meter #
1	X		37.9
		X	-1.77
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.

Representative Mary Ekstrom: **Written testimony sponsoring bill**

Ray Gudajtes: *Job Service ND* **Written testimony support**

V.C. Keiser: Did your company do a financial analysis on the fund?

Gudajtes: No

C. Berg: Could you bring us an analysis?

Maine Daly: Yes

C. Berg: We'll close the hearing on HB 1471 and hold until we receive the analysis.

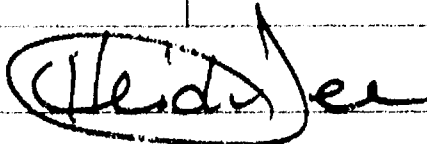
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1471(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb. 13, 2001

Tape Number	Side A	Side B	Meter #
2	X		28.7-31.5
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 M. Klein: I move a do pass.

Rep Ekstrom: I second.

15 yea, 0 nay, 0 absent

Carrier Rep Ekstrom

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/23/2001

Bill/Resolution No.: HB 1471

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:	01/26/2001

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

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1471

House Industry, Business and Labor Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By M. Klein 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) 15 No 0

Absent 0

Floor Assignment Rep Ekstrom

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

**REPORT OF STANDING COMMITTEE (410)**  
February 13, 2001 12:49 p.m.

Module No: HR-26-3187  
Carrier: Ekstro .  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1471: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends  
DO PASS (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1471 was placed  
on the Eleventh order on the calendar.**

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1471



2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1471

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date February 28, 2001.

Tape Number	Side A	Side B	Meter #
1		x	22.5 to 37.4
2	x		20.1 to 21.5
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 1471 relating to unemployment compensation employer rates; to provide an effective date and to declare an emergency.

**Representative Mary Ekstrom**, District 11, co sponsor. Introduced the bill and Ray Gudajtes.

Written testimony attached.

**Ray Gudjates**, Job Service ND. This bill clarifies the application of the rate limiter provision which was included in HB 1135 enacted by the 1999 Legislature. It identifies the exceptions where the rate limitation provision will not apply. There will be no fiscal impact because this is what has been done anyway. Written testimony attached.

No opposing testimony. Hearing closed.

Tape 2-A-20.1 to 21.5

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

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1471

Hearing Date February 28, 2001.

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

Floor assignment: **Senator Mathern.**

Date: 1-26-28/0  
Roll Call Vote #: 1

**2001 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1471**

### Senate Industry, Business and Labor

## Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Sam Matheson Seconded By Sam Kleen

[illegible]

Total (Yes) 6 No 0

Absent /

Floor Assignment Sen Mathern

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

**REPORT OF STANDING COMMITTEE (410)**  
February 28, 2001 1:32 p.m.

Module No: SR-34-4475  
Carrier: D. Mathern  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1471: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends  
DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1471 was placed  
on the Fourteenth order on the calendar.**

2001 TESTIMONY

HB 1471

HB 1471 UNEMPLOYMENT COMPENSATION RATES  
INDUSTRY, BUSINESS AND LABOR COMMITTEE  
January 31, 2001 / Mary Ekstrom

Good morning Mr. Chairman, members of the committee, I am Mary Ekstrom. I represent District 11 in Fargo.

I am here to present HB 1471. This bill was filed at the request of Job Service. Representatives from Job Service are here to explain the bill in detail.

As many of you recall, we made extensive adjustments in the Unemployment Compensation rates last session. This bill deals primarily with one additional aspect. Employers with a negative lifetime cumulative reserve balance that was also negative in the previous year may not, if this bill is enacted, buy down their negative rate through voluntary contributions.

I will let the experts explain the rest. I would happy to answer any questions.

**HOUSE BILL 1471**  
**Testimony Before the House Committee On**  
**Industry, Business and Labor**  
**Representative Rick Berg, Chairman**  
**January 31, 2001**

Mr. Chairman and members of the committee, I am Ray Gudajtes with Job Service North Dakota. House Bill 1471 clarifies the application of the rate limiter provision which was included in House Bill 1135 enacted by the 1999 Legislature.

The rate limiter provides that for the tax years 2000, 2001 and 2002 no employers tax rate would increase by more than 10% of their previous years tax rate or decrease by more than 10% of their previous years tax rate.

The intent of HB 1135 (1999) was to establish an adequate trust fund reserve level; provide a more equitable way of funding the Unemployment Insurance Trust Fund; and create incentives for employers to manage risk under the program.

The Legislature recognized the short-term impact the new arrayed tax rate schedule could have on business and provided for a gradual transition into the new rates. This was mainly for the negative balance employers who were at 5.4 percent and could have gone to 10.09 percent under the new statute and for the 78 percent positive balance employers who were in the two lowest rate groups under previous statute and would be assigned a rate in the arrayed positive schedule which could be double or more their current rate.

The rate limiter provision has been applied using experience rating principles and with the interpretation that the intent of the provision was not to reward employers by allowing them pay lower taxes if their experience or actions caused them to make higher use of the Trust Fund; or to penalize certain employers from qualifying for lower rates when through their experience or actions caused them to make less use of the Trust Fund; or to protect an employer who did not comply with program reporting requirements.

This bill identifies the exceptions where the rate limitation provision will not apply:

- An experience rated employer that was a new employer the previous year.  
A change from a new employer to an experience rated employer is a change in employer rating classification. The new employer rate is specified in statute and is there to protect the Unemployment Insurance Trust Fund while the employer has opportunity to develop a history. Once the employer has sufficient experience the employer should be assigned an experience rate appropriate for the potential risk to the fund as determined by the experience rating process.
- A negative employer that was a positive employer the previous year.  
A change from a positive balance employer to a negative balance employer is a change in employer rating classification. An employer that has created a higher risk to the solvency of the Unemployment Insurance Trust Fund should not be protected from responsibility for their lack of risk management by artificially maintaining their rates lower than their risk to the fund requires.
- A positive employer that was a negative employer the previous year.  
A change from a negative balance employer to a positive balance employer is a change in employer rating classification. An employer who has reduced their risk to the solvency of the Unemployment Insurance Trust Fund should not be penalized by artificially maintaining their rates higher than their risk to the fund requires.
- An employer that has failed to file a report.  
An employer that has failed to file reports or files an insufficient report is classified as a delinquent employer. Statute specifies the rate that will be assigned to employers that are in this status. Employers that fail to comply with the requirement of the program should not be protected from being accountable for not fulfilling their responsibilities.
- A new employer.  
Statute specifies the rate that will be assigned to employers that are classified as new employers.
- Employers that choose to make payments in lieu of contributions.  
Employers that choose this method are commonly referred to as Reimbursable employers. These employers are not assigned a tax rate;



rather they reimburse the Unemployment Insurance Trust Fund for all charges to the fund attributable to their former employees that receive unemployment insurance benefits.

For the calendar years 2000, 2001, and 2002, this bill also limits the application of a voluntary contribution by a negative balance employer to reduce their unemployment insurance tax rate. An employer with a negative lifetime cumulative reserve balance that was also negative in the previous year cannot buy down to a rate in the positive employer schedule. During these years when legislative concessions have been made to help reduce the impact of the law changes, employers should be encouraged to develop risk management and cost containment programs that will result in less use of and dependence on the unemployment insurance program and ultimately reduce the cost of all employers. Use of the voluntary contributions to buy a positive rate does not encourage employers to look at the big picture.

Mr. Chairman this concludes my testimony. Thank you.

HB 1471 UNEMPLOYMENT COMPENSATION RATES  
INDUSTRY, BUSINESS AND LABOR COMMITTEE  
February 28, 2001/ Mary Ekstrom

Good morning Mr. Chairman, members of the committee, I am Mary Ekstrom. I represent District 11 in Fargo.

I am here to present HB 1471. This bill was filed at the request of Job Service. Representatives from Job Service are here to explain the bill in detail.

As many of you recall, we made extensive adjustments in the Unemployment Compensation rates last session. This bill deals primarily with one additional aspect. Employers with a negative lifetime cumulative reserve balance that was also negative in the previous year may not, if this bill is enacted, buy down their negative rate through voluntary contributions.

I will let the experts explain the rest. I would happy to answer any questions.

**HOUSE BILL 1471**  
**Testimony Before the Senate Committee On**  
**Industry, Business and Labor**  
**Senator Duane Mutch, Chairman**  
**February 28, 2001**

Mr. Chairman and members of the committee, I am Ray Gudajtes with Job Service North Dakota. House Bill 1471 clarifies the application of the rate limiter provision which was included in House Bill 1135 enacted by the 1999 Legislature.

The rate limiter provides that for the tax years 2000, 2001 and 2002 no employers tax rate would increase by more than 30% of their previous years tax rate or decrease by more than 10% of their previous years tax rate.

The intent of HB 1135 (1999) was to establish an adequate trust fund reserve level; provide a more equitable way of funding the Unemployment Insurance Trust Fund; and create incentives for employers to manage risk under the program.

The Legislature recognized the short-term impact the new arrayed tax rate schedule could have on business and provided for a gradual transition into the new rates. This was mainly for the negative balance employers who were at 5.4 percent and could have gone to 10.09 percent under the new statute and for the 78 percent positive balance employers who were in the two lowest rate groups under previous statute and would be assigned a rate in the arrayed positive schedule which could be double or more their current rate.

The rate limiter provision has been applied using experience rating principles and with the interpretation that the intent of the provision was not to reward employers by allowing them pay lower taxes if their experience or actions caused them to make higher use of the Trust Fund; or to penalize certain employers from qualifying for lower rates when through their experience or actions caused them to make less use of the Trust Fund; or to protect an employer who did not comply with program reporting requirements.

This bill identifies the exceptions where the rate limitation provision will not apply:

- An experience rated employer that was a new employer the previous year.  
A change from a new employer to an experience rated employer is a change in employer rating classification. The new employer rate is specified in statute and is there to protect the Unemployment Insurance Trust Fund while the employer has opportunity to develop a history. Once the employer has sufficient experience the employer should be assigned an experience rate appropriate for the potential risk to the fund as determined by the experience rating process.
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A change from a positive balance employer to a negative balance employer is a change in employer rating classification. An employer that has created a higher risk to the solvency of the Unemployment Insurance Trust Fund should not be protected from responsibility for their lack of risk management by artificially maintaining their rates lower than their risk to the fund requires.
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rather they reimburse the Unemployment Insurance Trust Fund for all charges to the fund attributable to their former employees that receive unemployment insurance benefits.

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Mr. Chairman this concludes my testimony. Thank you.