

FISCAL NOTE
Requested by Legislative Council
01/18/2013

Bill/Resolution No.: SB 2224

- 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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures		\$8,892		\$1,000		
Appropriations						

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 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).*

Financial impacts of SB 2224 - Computer programming: \$1,000. Estimated trust fund benefits payable per locked out employee: \$8,892 . Further detail is provided within part 2B of this fiscal note.

- 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.*

Two financial impacts arise as a result of the language within SB 2224: 1) Computer programming charges of \$1,000. The change to computer programming relates to the addition of eligibility questions within the Unemployment Insurance claims intake system, specifically within the Job Service North Dakota web-based application and IVR. Subsequently, electronic workflow changes would be required within these same systems. 2) Impact of unemployment benefits payable per locked out employee – \$8,892 per employee of the lockout employer. Although \$8,892 is provided as an estimated per employee costs, the actual impact of any benefits paid on future tax rates will vary based upon lockout size, duration of lockout, total statewide taxable wages and a variety of other inputs. Because the overall impact could vary significantly, a per-individual potential cost was created for purposes of this fiscal note. The weekly benefit amount (WBA) per claimant currently ranges from \$43 to \$516, with \$342 being the current average WBA. The maximum claim duration, which is the timeframe that an individual can receive regular North Dakota Unemployment Insurance (UI) benefits, is 26 weeks. Multiplying the average WBA by the maximum duration establishes a potential total cost per individual: $\$342 \times 26 = \$8,892$ per claimant. While benefits paid are ultimately charged back to the employer locking out the worker(s), in instances of large lockouts or with employers with low or negative reserves, the benefit charges may significantly exceed the Unemployment Insurance Account balance of the employer. What this means is that the employer will probably move to a negative balance status. Negative balance employers are those employers who have paid in less in tax contributions than has been paid out in benefits to their employees. Having negative employers within our system has a couple of impacts. The first impact is that the tax rate assigned to the employer increases in order to recover the funds paid out. The second impact is that because even the highest tax rate often will not pull the employer out of the negative status immediately, all employers within the state will receive a higher tax rate to account for the drawdown of the unemployment insurance trust fund. In order to understand the potential impact upon tax rates a recent lockout situation was reviewed to establish an example. Under this lockout, the potential impact upon the tax rates of all employers statewide would have been a tax rate increase of 0.06% across the entire rate table, an approximate increase of \$16.74 per employee of the employer per year.

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.*

Computer programming changes - \$1,000. The change to computer programming relates to the addition of eligibility questions within the Unemployment Insurance claims intake system, specifically within the Job Service North Dakota web-based application and IVR. Subsequently, electronic workflow changes would be required within these same systems.

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 is also included in the executive budget or relates to a continuing appropriation.*

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