

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1429

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1429

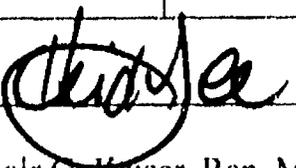
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1429

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Jan 30, 2001

Tape Number	Side A	Side B	Meter #
1		X	1.91-25.68
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 Ruby: Sponsor of bill.

Tammy Dolan: **Written testimony in support.** This bill would be revenue neutral over all and with in each of the rate classes.

Mary Skar: Support bill to concentrate safety efforts on a new hire. Should do the cap at FICA levels.

Clyde Wetsch: *Skeels Electric* **Written testimony in opposition**

Gary Nelson: Opposed to bill because it is unfair to employers and the cap should stay on.

Chairman Berg: We'll close the hearing on HB 1429.

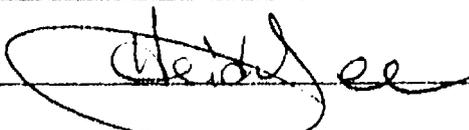
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1429(B)

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Feb. 14, 2001

Tape Number	Side A	Side B	Meter #
1		X	53.9
2	X		-10.13
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 Keiser: This is a premium structure for Worker's Comp to remove cap. Chart provided. Privatization shouldn't matter. The money matters, formulas don't.

Rep Ruby: This would make it easier for others coming in. Higher basis for premium is for a reason.

Rep Koppang: If we plan to do a study, why change the rates now?

Rep Keiser: I move a do not pass.

Rep Ekstrom: I second.

13 yea, 2 nay, 0 absent

Carrier Rep Keiser

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

Bill/Resolution No.: HB 1429

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.*

**NORTH DAKOTA WORKERS COMPENSATION  
 2001 LEGISLATION  
 SUMMARY OF ACTUARIAL INFORMATION**

**BILL DESCRIPTION:** Premium Calculated on Gross Payroll

**BILL NO:** HB 1429

**SUMMARY OF ACTUARIAL INFORMATION:** North Dakota Workers Compensation, together with its actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation eliminates the payroll cap and requires premium to be calculated on gross payroll. Gross payroll is subject to a maximum of four times the state's average annual wage.

**FISCAL IMPACT:** NDWC will implement rates for fiscal year 2001-02 that have been derived with the goal of introducing the alternate payroll base on a revenue neutral basis for the state as a whole. However, charged premiums for most individual employers will change.

**DATE:** January 26, 2001

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.*

<b>Name:</b>	Paul R. Kramer	<b>Agency:</b>	ND Workers Compensation
<b>Phone Number:</b>	328-3856	<b>Date Prepared:</b>	01/26/2001

Date: 2-14-01  
 Roll Call Vote #: /

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. HB1429

House Industry, Business and Labor Committee

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

Action Taken Do Not Pass

Motion Made By Keiser 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 Ekstrom	✓		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) 13 No 2

Absent 0

Floor Assignment Rep Keiser

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

**REPORT OF STANDING COMMITTEE (410)**  
February 14, 2001 12:59 p.m.

Module No: HR-27-3331  
Carrier: Kelsner  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1429: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends DO NOT PASS (13 YEAS, 2 NAYS, ABSENT AND NOT VOTING). HB 1429 was placed on the Eleventh order on the calendar.**

2001 TESTIMONY

HB 1429

House Bill No. 1429

Everything being the same, there would be a 38% rate reduction to be revenue neutral

**Old Language**

\$8.00 x 2000 hrs = \$16,000 x 25.26% = \$4041.60 in annual premium

\$18.00 x 2000hrs = (\$36,000) \$16,100 x 25.26% = \$4066.86 in annual premium  
maximum of \$16,100 in wages

Total of both examples = \$8108.46

**Proposed Language**

\$8.00 x 2000 hrs = \$16,000 x 25.26% = \$4041.60 in annual premium

\$18.00 x 2000hrs = \$36,000 x 25.26% = \$9093.60 in annual premium

Total of both examples = \$13135.20

For a difference of \$5026.74 between the old and new language

To be revenue neutral you would have to give a 38% reduction in the proposed language premiums.

\$8.00 per hour  
\$4041.60 x 38% = \$1535.81      \$4041.60 - \$1535.81 = \$2505.79

\$18.00 per hour  
\$9093.60 x 38% = \$3455.57      \$9093.60 - \$3455.57 = \$5638.03

Difference of \$3132.24 for doing the same job.

The \$8.00 per hr employee would see a reduction and the \$18.00 employee would see an increase

Lost Time based on 40 hr work week

\$8.00 per hr gets \$213.12 per wk - 66 2/3 of wages  
\$18.00 per hr gets \$479.52 per wk - 66 2/3 of wages

maximum of 110% of state average wage

difference of \$266.40

\$3132.24 divided by \$266.40 = 11.76 wks

Each high wage employee would have to have 12 weeks more of lost time to be the same as the low wage employee.  
The medical bills are the same

**House Bill No. 1429**

**Fifty-Seventh Legislative Assembly  
Before the Industry, Business and Labor Committee,  
January 30, 2001  
Testimony Regarding Workers Compensation Premiums**

Mr. Chairman, Members of the Committee:

My name is Tammy Dolan, and I am the Vice President for Employer and Fiscal Services at North Dakota Workers Compensation (NDWC). I am here today to testify in support of House Bill No. 1429 which eliminates the payroll cap used to determine workers' compensation premiums. The Workers Compensation Board of Directors unanimously supports this bill.

The payroll cap is presently set at 70% of the state's average annual wage. This equates to \$16,100 for fiscal year 2000 - 2001. Most other states use gross payroll as the exposure base for premium calculation, with the exception of a few narrowly defined caps. House Bill No. 1429 would align North Dakota with these other states by eliminating the current payroll cap.

Premiums would be calculated on gross payroll. Even with gross payroll there would be a limit of 400 percent of the state's average annual wage (\$92,000 for fiscal year 2000 - 2001.) The bill also establishes a minimum, which would consist of the state's average annual wage (\$23,000 for fiscal year 2000-2001), as the base for self-employed or optional coverage.

The change would be implemented on a revenue-neutral basis to NDWC. This means that total premiums charged for the system as a whole would not increase or decrease as a result of the change; nor would the amount of premium generated by each rate class. Similar employers with similar salary levels should see similar adjustments. However, premium fluctuations may exist at the individual employer level. Employers who deviate from average wages, either higher or lower, could experience fluctuations in manual premiums. NDWC's experience rating plan will offset some of the dislocations. Additionally, if the bill is passed, NDWC will work on a short-term plan to mitigate the impact on situations that could result from this change.

NDWC is required by NDCC 65-02-30 to conduct an independent performance evaluation every biennium. The most recent evaluation was completed in September 2000 by The Hays Group of Minneapolis, Minnesota, which specializes in workers compensation consulting. One of their recommendations was that "the payroll cap be eliminated over time" because you could "obtain a more accurate picture of payroll by class of business and gain efficiency in processing."

In addition, some employers have indicated inequities or problems with the current method would be eliminated or greatly reduced by changing to gross payroll. Some of these are explained below:

1. Eliminating the payroll cap would also help to reduce the level of confusion that often accompanies rate adjustments. Proposed rates could be expressed as a percentage of payroll without the need to split the rate change between a manual rate change and the annual increase in the payroll cap. This greater understanding would help employers to budget more accurately for their workers compensation costs.

2. Significant differences now exist among similar employers in the amount of employee turnover experienced. Employers with higher than average turnover often end up paying significantly more per full-time equivalent (FTE) than other employers that pay comparable wages. As shown in the chart below, the "turnover gap" is eliminated because premiums would be charged on the total wages paid without considering the number of employees in the position. NOTE: The premium rate per \$100 in payroll is reduced proportionately under Gross Payroll to charge the equivalent in annual premium as is currently charged.

**Comparison of Premium per Full-Time Equivalent  
Current Method v. Gross Payroll**

*This is for illustrative purposes only and does not reflect the actual premium for any particular rate class*

	Current Payroll Cap		Proposed Gross Payroll	
	<i>Employer A</i>	<i>Employer B</i>	<i>Employer A</i>	<i>Employer B</i>
<b>Premium Rate per \$100 Payroll</b>	\$12.00	\$12.00	\$6.44	\$6.44
<b>Average Salary</b>	\$30,000	\$30,000	\$30,000	\$30,000
<b>Payroll Cap</b>	\$16,100	\$16,100	\$92,000	\$92,000
<b>Average Employee Tenure</b>	1 Year	3 Months	1 Year	3 Months
<b>Capped Wages per Employee</b>	\$16,100	\$7,500	\$30,000	\$30,000
<b>Premium per Employee</b>	\$1,932	\$900	\$1,932	\$483
<b>Premium per FTE</b>	\$1,932	\$3,600	\$1,932	\$1,932

