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ROLL NUMBER

DESCRIPTION

1085

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1085

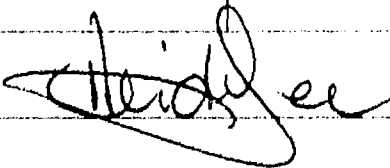
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1085

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Jan 10, 2001

Tape Number	Side A	Side B	Meter #
1	X	X	27.44
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: (2744) We'll now open the hearing on HB 1085

Ray Gudaites: *Job Service ND* Written testimony.

Chairman Berg: (3040) Why do we not need that?

Gudaites: There is a lot of additional documentation recording that the employers have to do.

Continue written testimony.

Chairman Berg: How many employers fit this category?

Gudaites: This provision has not been applied by Job Service, we've gone through our records and I will find documentation as to why there was no implementation of this.

Chairman Berg: But now there are some employers that would fit these perimeters?

Gudajtes: We did some research in the summer of 1999 across the state trying to find out how many projects are out there they may meet these conditions and what we found out is there were about seven or eight projects back then that we at the \$25 million mark or more. We don't know for sure if they would have met the other conditions. We feel that if we really got into and got notification out to the public we'd be guesstimate because they were thin back then. We figure seven to ten a year possibly.

Chairman Berg: What protection do we have now to anticipate an occurrence and protect the fund now?

Gudajtes: There is no protection. Employers will pay the tax rate that's based on their situation.

Chairman Berg: How do we prevent something like the Coal Gassification Plant? We should probably have some protection and statue if something like that comes along. Basically, what options do we have?

Gudajtes: Perhaps Surety Bonds, we may be able to place some sort of tool in there available to us that we would be able to perhaps collect a surety bond on a project like that.

Chairman Berg: What do other states do in this situation?

Gudajtes: There is only one other state that has a provision like this and that's Wyoming. This was partially copied from the Wyoming statue.

Rep Ekstrom: (3656) I would hate to put an impediment on larger projects coming this way. It may persuade these projects to be taken to Minnesota or South Dakota.

Rep Froelich: I think that each board member should have the Century Code directly in front of them before the bill is acted on.

Chairman Berg: I don't believe we will be acting on this yet.

Rep Keiser: What you are proposing is transferring the liability to all the other employers and eventually the employees with in the state because if we pass this and there is a deficit from a major project that will be accommodated by the fund, those unemployment premiums will be paid and if it's a deficit then it has to be spread over those people remaining behind. The legislation currently has the four criteria in it, did you look at these criteria and say maybe \$25 million is a little bit too low, or 250 people isn't the right combination?

Gudaites: We did look into considerations but there would be quite a few. In this legislation, when you get down to the very end there may not be any bond money left because of these credits, and an employer could actually have all the money they paid in because they have hired ND workers and they could be eligible for 100% credit at the time they finish the project or if they have a larger project they could be eligible for 50% so the bond payment is actually shrinking when it comes down to it.

Chairman Berg: Could you explain to me the credit?

Gudaites: When the contractor finishes work on the project they can apply for a credit. How they qualify for a credit is to determine the percent of wages paid to ND workers versus the total payroll that was paid on a project. Using an example of 50%, if they have a contract of \$250,000 or less they would be eligible for 50%. They get 10% back for every 10% of the wages that are ND wages.

Chairman Berg: Then what happens if every employee goes on to unemployment benefits immediately following the completion of the project? Would they still be entitled to the credit?

Gudaites: Yes, they would. There's no condition or history of that credit.

Chairman Berg: Is it a wash for the fund?

Gudajtes: No, basically what they've paid in they're going to get back, the bond payment plus the interest.

Rep Keiser: Last session we worked very hard as a committee to come up with the new formula for the reserve fund. Did Job Service take into consideration the desire of the legislature to keep that reserve fund operating the way we programed it last session?

Gudajtes: When the rates are determined there is an estimation of what the benefit charges will be that year and that's past on a model that I'm not familiar with.

Chairman Berg: I'd like to reexamine this. I'm concerned about if we had a company from out of state land a contract, hires people, and then when the project is over those people are here in ND and they draw down the fund. That cost is then shifted to all the other employers in the state. I would like to give Job Service the flexibility to adjust according to the employer or the business to make sure we don't have a huge draw on that fund. I would like Job Service to look into ways to do this.

Gudajtes: Yes, we will be sure to look into that.

Chairman Berg: Maybe we can do that and then later take a look at that.

Rep Severson: You said that in 1999 you discovered this portion of law that has never been used. Any ideas why?

Gudajtes: We became aware of it from a call from the US Defense Dept. They were doing some carpentry work for potential contracts. They noticed the law and asked us what to do and none of us could answer the question. We have no resources to go to for our questions.

Rep Severson: Is that the soul reason for wanting to delete it?

Gudaites: The reason we're looking at this for all the paper shuffling, for the employers and for the additional administrative activities, we see very minimal benefit from it because of the credits and the refunds and all those other things. A lot of that money is going to go back to them that we had submitted. We go through all this for a very little return and it does not affect any eligibility for benefits or duration of benefits.

Rep Koppang: Are there any states that have this on their books?

Gudaites: One state, Wyoming, and it's not the same provision.

Chairman Berg: (5307) We don't want a barrier for a contractor, it seems to be a collection concern rather than a pre-qualification. What if we have a company that has 300 employees that are all laid off at the end of the period, what's our question procedure for that?

Gudaites: Do you mean collection of contributions due? I don't think it's a problem with collections, it's not that they owe us the money. They pay what they owe. The contributions that they pay fall short of what the benefits they receive.

Chairman Berg: Then that's the issue that needs to be addressed. Part of what happened here is part of a reaction to what happened in the eighties, when rates went up 45%. If we have a project like this that happens I would like to feel that the Trust Fund is going to be held countless for the premiums and benefits collected on that project. We should have the ability to collect a deficit from an employer. Can we be shown who qualifies for a credit and how it's been used in the last few years?

Gudaites: I will come up with a scenario, but I can't say how it's been used since it's never been incorporated before. Credit only applies to this bond legislation.

Chairman Berg: If we're providing a credit, it is being provided by the whole state of North Dakota because we want that construction project. That credit should not be a burden or be paid for if it's a deficit project by the other business owners who may have been competing for that project and didn't get it.

Gudjates: I believe that was put in the bill to try and encourage those companies that are coming into state for any employer or contractor that's on a project to hire a ND worker versus an out-of-state worker.

Chairman Berg: If we look at this and make a change, we should look at the credit as well if we don't delete this section. Our decision is to delete this section but to modify this section the end result should be mutual effect from the trust fund and if we're giving a credit, I don't think that credit should be paid by other employers, it should be paid by a general fund credit or one the state participates in.

Rep Froseth: How do other states protect themselves, protect their funds from being depleted?

Gudjates: We will look into that and find out.

Chairman Berg: Is there anyone else to testify this bill?

David L. Kemnitz: *NDAFI-CIO* We signed in as opposed to the proposed bill and we would like to entertain the idea that there can be an amendment that would salvage most if not all of it. Employees gave up a lot of benefits to try in rebuild the trust fund in the late eighties, *provided graphics*. We agree the limits should be changed, \$25 million doesn't cover a lot. \$35-100 Million might be another threshold that gives this legislative session an opportunity to say we can hold it there somewhere and not eliminate everything. How an Increment bond would be set up

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House Industry, Business and Labor Committee

Bill/Resolution Number HB 1085

Hearing Date Jan 10,2001

and how it would work still have not been addressed in this bill. We'd like to work with the committee and Job Service to change the bill and make it work.

Chairman Berg: Any more questions on HB 1085? Then we'll close the hearing on HB 1085.

Rep Kelsner would you be the point person on HB 1085? We will come back to this bill again.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1085(B)

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Feb. 5, 2001

Type Number	Side A	Side B	Meter #
2	X		27.15-49.4
		X	37.01-42.2
Committee Clerk Signature <i>Steve Lee</i>			

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 George Keiser & Ray Gudaites: Written testimony with proposed amendments.

Rep Ekstrom: What is the base rate for a new employer?

Gudaites: 10.09%. This will not cover current projects and essentially the amount of bond requirement.

Rep M. Klein: I move the amendments.

Rep Severson: I second.

Rep Ekstrom: These create no extra burden on large projects.

Rep Lemieux: I recommend a do pass as amended.

Rep Ekstrom: I second.

14 yea, 0 nay, 1 absent Carrier Rep Keiser

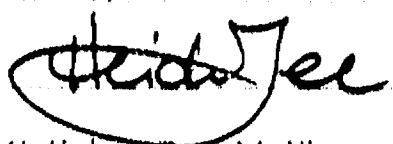
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1085(C)

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Feb. 13, 2001

Tape Number	Side A	Side B	Meter #
2	X		51.34
		X	-2.99
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: I move to bring back HB 1085.

Rep Ekstrom: I second.

Rep Keiser: I move to reconsider the amendments.

Rep Froseth: I second.

Rep Keiser: I move amendments 18102.0102.0300

Rep Severson: I second.

Rep Keiser: I move a do pass as amended.

Rep Lemieux: I second.

12 yea, 0 nay, 3 absent Carrier Rep Keiser

FISCAL NOTE
 Requested by Legislative Council
 12/18/2000

Bill/Resolution No.: HB 1085

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 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
Phone Number: 328-3033

Agency: Job Service North Dakota
Date Prepared: 12/18/2000

