

**Job Service North Dakota
Budget No. 380
House Bill No. 1016**

	FTE Positions	General Fund	Other Funds	Total
2019-21 legislative appropriation	172.61	\$430,624	\$65,255,570	\$65,686,194
2017-19 legislative appropriation	<u>181.61</u>	<u>545,793</u>	<u>54,899,156</u>	<u>55,444,949</u>
2019-21 appropriation increase (decrease) to 2017-19 appropriation	(9.00)	(\$115,169)	\$10,356,414	\$10,241,245

Item Description

FTE position changes - The Legislative Assembly approved 172.61 FTE positions for JSND for the 2019-21 biennium, a decrease of 9 FTE positions from the 2017-19 biennium authorized level of 181.61.

One-time funding - In Section 2 of House Bill No. 1016, the Legislative Assembly identified \$611,852 of one-time funding from federal funds for the unemployment insurance system modernization project.

Unemployment insurance computer modernization project - In Section 3 of House Bill No. 1016, the Legislative Assembly identified \$11,086,966 of other funds appropriated from federal Reed Act distributions received in federal fiscal years 1957, 1958, 1999, and 2002 for developing a modernized unemployment insurance computer system.

The Legislative Assembly provided total federal funding of \$17,562,746 for the unemployment insurance computer modernization project for the 2019-21 biennium, of which \$11,086,966 is in the Reed Act - Unemployment insurance computer modernization line item and \$6,475,780 is in the operating expenses line item. Of the \$6,475,780 in the operating expenses line item, \$1,069,980 relates to an unemployment insurance registration project component of the modernization project.

Status/Result

All 9 FTE positions have been removed.

Through March 2020, JSND has spent \$79,672 of one-time funding for the unemployment insurance system modernization project. See the **Unemployment insurance computer modernization project** section below.

Job Service North Dakota was participating in a four-state consortium with Colorado, Wyoming, and Arizona to develop a modernized unemployment insurance system with the vendor HCL Technologies Limited. Job Service North Dakota withdrew from the consortium in April 2015 due to a lack of progress made by HCL Technologies Limited and reduced certainty of the new unemployment insurance system meeting the needs of JSND. The remaining three states continued with the consortium until the fall of 2015. These three states pursued litigation against HCL Technologies Limited and settled in 2017. Job Service North Dakota was not associated with any lawsuit with HCL Technologies Limited, as JSND exited the consortium prior to the final cancellation of the agreement.

In October 2017, JSND entered into a three-state consortium with Idaho and Vermont for an Internet unemployment system (IUS), which was developed by the State of Idaho and Microsoft, to replace the current unemployment insurance computer system. In addition to the Reed Act funding of \$11.5 million appropriated by the Legislative Assembly for the 2017-19 biennium, JSND was awarded \$6.7 million of federal funding from the United States Department of Labor in December 2017 for the implementation of the IUS. Through March 2020, JSND has spent approximately \$1.6 million of funding from the United States Department of Labor.

It was anticipated Vermont would implement the IUS in the spring of 2019 and that Idaho would then update from IUS version 1.0 to IUS version 2.0. Job Service North Dakota planned to implement IUS 2.0 after it was developed by Idaho but in January 2020, the consortium with Idaho and Vermont was dissolved due to Idaho no longer desiring to collaborate with North Dakota and

Federal funds appropriation - Section 4 of House Bill No. 1016 provides all federal funds received by JSND in excess of those funds appropriated in Section 1 are appropriated for the 2019-21 biennium.

New jobs training - Section 5 of House Bill No. 1016 provides that during the 2019-21 biennium, JSND may not award more than \$2.5 million for new agreements related to the new jobs training program under Chapter 52-02.1.

Leased facilities - Section 6 of Senate Bill No. 2016 (2017) identified \$750,000 of estimated rent revenue as a result of JSND potentially leasing the Minot regional office and a portion of the Bismarck central office to other state agencies. Any revenue collected must be deposited in the JSND operating fund.

Section 9 of Senate Bill No. 2016 (2017) provided for a Legislative Management study of office space cost and value of properties owned by JSND in Fargo, Rolla, Minot, and Bismarck during the 2017-18 interim, with input from OMB. If JSND sold or leased any of these properties before July 1, 2017, the property was not to be included in the study.

In Senate Bill No. 2085 (2019), the Legislative Assembly authorized JSND to sell the agency's regional office located in Rolla.

Vermont. The governors of each state attempted to reconcile differences and save the consortium, but those efforts were not successful.

Through March 2020, JSND has spent a total of \$1,332,296 on the unemployment insurance computer modernization project during the 2019-21 biennium, including \$715,606 to enhance the unemployment insurance claimant portal and business user registration, which were done instead of the unemployment insurance registration project due to the failing consortium with Idaho and Vermont.

Due to the failed consortium with Idaho and Vermont and the COVID-19 pandemic, it is unknown how much will be spent on the unemployment insurance computer modernization project during the 2019-21 biennium. Job Service North Dakota anticipates continuing federal Reed Act funding into the 2021-23 biennium, but an estimated completion date for the project will not be available until a new approach is selected to modernize the unemployment insurance system.

In April 2020, JSND received \$2,411,008 from the United States Department of Labor for emergency unemployment insurance administration for additional workload resulting from the COVID-19 pandemic. The United States Department of Labor also awarded \$509,615 to JSND for a national dislocated worker grant program to provide disaster relief employment opportunities and employment and training services to eligible individuals in communities significantly affected by the COVID-19 pandemic.

Through March 2020 JSND has entered into two new jobs training agreements totaling \$229,182 and is reviewing an additional six requests. The total amount that will be spent during the 2019-21 biennium is unknown.

Job Service North Dakota began leasing a portion of the Minot regional office to BCI in September 2017 at a rate of \$6.56 per square foot. A new agreement was signed in July 2019 at a rate of \$8.00 per square foot.

Job Service North Dakota determined the agency is able to conduct normal business operations by utilizing only two of the four floors of its central office building in Bismarck. In October 2017 JSND began leasing space on the ground floor of the central office to DOCR at a rate of \$7.78 per square foot. A new agreement was signed in July 2019 for DOCR to lease space from JSND at a rate of \$11.00 per square foot; however, DOCR vacated JSND facilities in September 2019.

In September 2018, JSND began leasing space on the second floor of its central office building to the Department of Human Services Division of Vocational Rehabilitation at a rate of \$10.19 per square foot. In April 2020, JSND began leasing the entire second floor of its central office building to the Department of Human Services Division of Vocational Rehabilitation and the Economic Assistance Policy Division at a rate of \$15.00 per square foot.

In July 2019 JSND leased 100 square feet of space in the Bismarck regional office to Cankdeska Cikana Community College at a rate of \$29.00 per square foot.

The Government Administration Committee studied JSND office space cost and value during the 2017-18 interim but did not make any recommendations.

Job Service North Dakota did not sell any properties during the 2017-19 biennium but received \$77,843 of rent revenue from state agencies leasing JSND facilities.

In December 2019, JSND sold the Rolla regional office to Gibbens Title Company for \$197,000. The proceeds from the sale were deposited in JSND's federal funds for unemployment insurance administration (\$136,580) and the Wagner Peyser program (\$60,420), which were the two federal programs used in JSND's original purchase of the Rolla regional office.

Through March 2020, JSND has received \$72,498 of rent revenue from state agencies leasing JSND facilities and anticipates receiving \$356,060 during the 2019-21 biennium.

The COVID-19 pandemic has had a substantial impact on the unemployment insurance trust fund. From March 16, 2020, through May 7, 2020, JSND filed more than 72,000 unemployment insurance claims, equivalent to an average of approximately 3 years of claims.

In May 2020, the Emergency Commission and Budget Section approved a JSND request to transfer \$110 million of the state's allocation from the federal Coronavirus Relief Fund to the state unemployment insurance trust fund. Job Service North Dakota estimates an additional \$390 million of funding from the state's allocation from the Coronavirus Relief Fund will be needed to pay for unemployment insurance claims during 2020, resulting in a total of \$500 million used for state unemployment insurance payments.

The unemployment insurance trust fund reserve was \$215 million as of December 31, 2019, and \$129.4 million as of April 30, 2020, prior to any transfers from the state's allocation from the Coronavirus Relief Fund.

The projected unemployment insurance trust fund balance for the next 3 years is unavailable due to the COVID-19 pandemic.

Unemployment insurance trust fund balance - Section 52-02-17 requires JSND to report to the Legislative Council before March 1 of each year on the actual trust fund balance and the projected trust fund balance for the next 3 years.