

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

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ROLL NUMBER

DESCRIPTION

1341

2001 HOUSE FINANCE AND TAXATION

HB 1341

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1341

House Finance and Taxation Committee

Conference Committee

Hearing Date February 6, 2001

Tape Number	Side A	Side B	Meter #
1	x		5,865
		x	0- 1129
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. DROYDAL, VICE- CHAIRMAN Opened the hearing and read the fiscal note.

REP. FRANK WALD, DIST. 37, DICKINSON Introduced the bill as the prime sponsor.

This bill moves the oil and gas tax collections, all of them, from the State Treasurer's Office to the State Tax Commissioner. As you heard the fiscal note, there would be no FTE's hired in the Tax Commissioner's office, and I think it makes more sense, rather than having more fingers in the cookie jar, to have one organization, in this case, the Tax Department, not only collect the taxes, but also, disburse them. That is, basically, all the bill does.

REP. HERBEL Asked what prompted this?

REP. WALD I think it is a matter of efficiency, rather than having two agencies deal with the same money. Should have one agency deal with those monies. The Tax Department already

collects the tax, gives it to the Treasurer's Office, they disburse it out to the cities and counties.

It is a matter of efficiency and a matter of saving money.

REP. DROYDAL Asked whether the Treasurer's Office will have any other activities or duties, as far as the oil and gas impact funds?

REP. WALD It is my understanding that they would not.

REP. KROEBER Asked if this meant there would be FTE's switched to the Tax Commissioner or a reduction in the Treasurer's Office, what will the effect be of this, within the two departments?

REP. WALD I talked to the Tax Commissioner and he assured me that they are not requesting any additional FTE's because as I said, the line share of this work is being done in the Tax Department already. I am not sure what the reduction will be in the Treasurer's Office, in terms of FTE's. I heard it would be two FTE's less in the Treasurer's Office.

REP. KROEBER Because of this bill?

REP. WALD This bill would reduce the FTE's in the Treasurer's Office and not create any new ones in the Tax Commissioner's Office. So it is a Win Win situation.

REP. WINRICH Did I understand correctly, that this fund currently occupies the time of two FTE's in the Treasurer's Office?

REP. WALD It is overlapping duties, obviously, in the Treasurer's Office, I can't tell you exactly whether it is eighty percent of the time for two FTE's or forty percent of the time for three or whatever. All I do know, that by moving this to the Tax Department, it will not require any additional FTE's in the Tax Commissioner's Office, and a reduction in the Treasurer's Office. The fiscal note is five thousand dollars, I am sure that would be for operating expenses.

There would be some mailing costs, because these checks have to be mailed out to the cities and counties and school districts, now receiving oil and gas tax money.

REP. KROEBER You served a long time on the committee that goes through all of this, the Treasurer's Office is an extremely important part of their office, if I remember correctly, on the division of powers. It is like the same people never have anything to do with money coming in that has to do with money going out. When you take the FTE number down in the Treasurer's Office, does that effect their ability to take and do this division of powers correctly?

REP. WALD I am not sure how the division of powers can relate to this bill. If I understand your question.

REP. KROEBER My question is, by this bill, you said that you thought that this would probably reduce two FTE's, in a department, if I remember correctly, has approximately seven FTE's now. And, you said they don't just do this, they do some other things too. My question is, at what number are we going to run into a problem with having the Treasurer's Office, which we have to have, because of the vote of the people, at what point are we going to hamstring the office, so that they may have a problem with the actual division of powers. I know this was something the audit fiscal review is always concerned about, that we do not have the same people involved with money coming in as well as with money going out. Is there some point we cause a problem in this area?

REP. WALD I don't foresee any problem with this division of powers and responsibility. I frankly, don't think we need a State Treasurer any longer in the state of North Dakota. Other states have gone that direction and gotten rid of them. I think you might see another bill this session, putting it back on the ballot. If you look at the big picture of state government, you have

OMB, the Bank of North Dakota, the State Treasurer's Office is an obsolete object in state government.

REP. DROYDAL Interrupted stating he didn't want to get into a discussion on the Treasurer's Office. This deals, basically, with the oil and gas revenues. I know you did mention the fact that this may end up with the two FTE reduction, but it certainly is not in the fiscal note, and we are not dealing with that here today. I think it deserves further investigation, but I am not sure this is the place.

REP. KROEBER That office is going to be here for four years, and we do not want to do something to impede them from doing the things they are suppose to do, and do correctly. If it comes back on the ballot and the people vote it out, great, if that's what the people want. I have no problem with that. I think for us to do things to make that office not be able to perform the duties they should perform correctly, I think we need to be very concerned about that, as a committee.

REP. WALD The State Tax Department, as you all know, disburse tobacco tax back to political subdivisions, gasoline tax based on population and registration numbers to political subdivisions, and in this instance, in this bill, that is all we are addressing, since they are levying the tax, then give it to another agency to send the checks out on a quarterly basis to the cities, counties and school districts, to me just doesn't make any business sense. It seems to me the agency that is collecting the tax, should just as well, write the check and send it out to all of the counties where there is oil production. That is all we are talking about. I am not undermining the constitutional authority of the Treasurer's Office, what the fiscal impact will be in terms of FTE's, will be taken up in the Treasurer's budget, not in this budget. The Tax Commissioner has assured me there

will be no additional FTE's doing this because they are already doing about eighty percent of the workload. It would seem to me it is just good business practice to continue with the oil and gas tax revenues and mail out the checks.

REP. RENNER The money is coming into the Tax Commissioner's Office, the Tax Commissioner instead of writing a check out, under our present scenario, is writing a check out to the treasurer, so that the Treasurer's Office can distribute the money back?

REP. WALD I don't know how the transfer takes place, it is probably not by check, it is probably some kind of an in-house transfer from the Tax Commissioner's Office to the Treasurer's Office. There is another bill, as you all know, where the alcohol tax is being transferred to the State Tax Department for similar reasons. I understand that bill has passed the Senate.

KEVIN SCHATZ, SUPERVISOR OF OIL & GAS SECTION, STATE TAX

DEPARTMENT, Appeared in a neutral position to explain how the collection and disbursement of funds works. He stated each of the collections are put on a data base system. It is divided between the gas and oil counties. At the end of the month, they do a certification report which lays out the distribution of monies. When that money is collected, it goes into a central fund for the month. At the end of the month, we notify the treasurer of those amounts. We also send a certification report to the treasurer's office, which advises them the amount of money that is allocated to each county. They apply the formulas to it and request the check to be sent out to the counties.

REP. DROVDAL With this bill, instead of sending it to the treasurer's office, you would send it to the commissioners?

KEVIN SCHATZ Our section would send that to our controller's division, who would do the request to OMB to send out the check to the counties. That is a completely different division of the tax department. It would not be the same people that do the collecting.

REP. KROEBER That answers my question I had on the division of powers. You are telling me the same people will not be (was interrupted by Mr. Schatz)

KEVIN SCHATZ Actually, in our section, the person that records the money coming in, isn't the person that does the certification at the end of the month. I already have that done by two separate people. The distribution of powers is done in our section as well as it would be done between our section and the petroleum division.

REP. KROEBER You talked about data, then it went into one fund, then another fund, now you would be notifying OMB to send the checks?.

KEVIN SCHATZ Actually, I believe OMB does all of the checks for the state of North Dakota. They don't do checks for the counties, they do bank transfers.

REP. KROEBER What does the treasurer's office do, are they verifying some numbers?

KEVIN SCHATZ All the treasurer's office does is take the numbers we give them that go to each county and they apply the formulas, under the statute. Each county gets a certain distribution up to a certain amount, then the formula changes for distribution between the counties and the state general fund.

REP. DROVDAL You listened to the previous testimony stating there will be no additional FTE's required in the commissioner's office, and you also heard about the five thousand dollar fiscal note, are you comfortable with those figures at this time?

KEVIN SCHATZ Yes.

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With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-7-01 Tape #2, Side A, Meter #800

During committee discussion, Rep. Kroeber felt the bill was an attack on the treasurer's office. He was concerned about the division of powers if two FTE's would not be required should this bill pass. Rep. Winrich stated he felt the same as Rep. Kroeber. He felt the treasurer's role was to verify the function, that is why we have this office.

REP. RENNER Made a motion for a **DO PASS**.

REP. LLOYD Second the motion. **MOTION CARRIED**

11 yes 4 no 0 absent

REP. GROSZ Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council

01/18/2001

Bill/Resolution No.: HB 1341

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			\$5,000			
Appropriations			\$5,000			

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.*

HB 1341 expands the duties of the Tax Commissioner to include allocation of oil and gas gross production tax revenues to political subdivisions.

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.*

HB 1341 would increase programming expenses of the Tax Department by an estimated \$5000.

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.*

HB 1341, if enacted, would require an increase in the appropriation for the Tax Department of \$5,000 for the 01-03 biennium.

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