

2009 HOUSE APPROPRIATIONS

HB 1006

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1006

House Appropriations Committee
Government Operations Division

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Hearing Date: 1/13/09

Recorder Job Number: 6936

Committee Clerk Signature *Tomya Vaegle*

Minutes:

Chairman Delzer opened the hearing on House Bill 1006. Roll call was taken at an earlier hearing today.

Attached Testimony

Budget Presentation- Attachment 1006.1.13.09A

Corey Fong, Tax Commissioner, presented his written testimony.

Commissioner Fong introduced the staff that attended the meeting and continued with the testimony.

Representative Kempenich: You have two biennia left of the payment for the Integrated Tax System?

Corey Fong, Tax Commissioner: In the 2005-07 biennium, that payment of \$5.4million would have represented the first lien payment. In this particular biennium payment of \$5.4million, that represents the third.

Cathie Forsch: That would be the third payment.

Chairman Delzer: Let's go through those numbers again. In 05-07 you were appropriated \$11million for that? Where did the special funds come from?

Corey Fong, Tax Commissioner: In 05-07, we were appropriating or authorizing the ability to borrow \$14million. That was in the 05-07 biennium.

Chairman Delzer: And in here on page two it shows \$11,650,000.

Corey Fong, Tax Commissioner: Right, the total cost of the project ended up to be \$11.6million. We were allowed to carry forward the remainder of that \$2.8million into the next biennium. It was used to cover \$1.1million for property tax relief as well as a \$1.5million for our two years of onsite support as well as \$550,000 for our maintenance agreement with GenTax. That brings us to the next biennium where we will be making the remainder of the payments.

Chairman Delzer: So there are five total payments?

Corey Fong, Tax Commissioner: There will actually be six. Two in 07-09, two in 09-11

Chairman Delzer: So there will be one in the next biennium.

Corey Fong, Tax Commissioner: That is correct.

Chairman Delzer: On your second line on this graph, the \$1.1million is part of the \$2.8million for property tax relief?

Corey Fong, Tax Commissioner: Yes, for the current biennium, we were authorized to carry over \$2.8million. That \$2.8million represents savings from our project. We were able to use that \$2.8million carry over for three primary things. First of all, to cover two years of onsite support for our integrated tax system, one year of maintenance at \$550,000, and \$1.1million to implement the property tax relief program. So the last payment as I mentioned will be made in the 09-11 biennium for our integrated tax system.

Chairman Delzer: So it is going to cost a total of \$16million?

Corey Fong, Tax Commissioner: The total loan authorized was \$14million. We spent \$11.6million for the actual payment of the system. With the savings we were able to carry forward the \$2.8million to cover the onsite support, maintenance of the system and the implementation of the property tax relief program. You are correct the last payment of the loan will be in the 11-13 biennium. So we will make two payments in the current biennium, two in the next biennium and the last payment in the 11-13 biennium.

Chairman Delzer: We would like that on paper.

Commissioner Fong continued with his explanation of the budget overview.

Chairman Delzer: The turn back is just the case that it will not be taken out of the Permanent Oil Trust Fund

Corey Fong, Tax Commissioner: Keep in mind that the funds for the property tax relief implementation were from the savings of our overall project. Those dollars have nothing to do with the Permanent Oil Trust Fund.

Chairman Delzer: Where are they going back to?

Corey Fong, Tax Commissioner: We are requesting a \$100,000 carry over for the next biennium.

Chairman Delzer: If we would not allow that where would it go?

Sandy Deis, OMB: It would go to repay the loan.

Chairman Delzer: Was that done in your budget or in 2032?

Corey Fong, Tax Commissioner: 2032.

Chairman Delzer: Why did they do that?

Corey Fong, Tax Commissioner: In the closing hours of the session recognizing that 2032 would take resources to implement, and we identified that we had savings from our Integrated Tax System program, that we would be able to use that money for that purpose.

Chairman Delzer: That was borrowed money.

Commissioner Fong continued explaining the budget.

Chairman Delzer: How many vacant positions do you have? We will need an organizational chart.

Corey Fong, Tax Commissioner: We have had a request of our vacant positions and I believe that represents six vacant positions.

Chairman Delzer: And you are going to turn that back, you don't plan to use that?

Corey Fong, Tax Commissioner: The \$557,000 is projected turn back in our salaries and wages line item.

Chairman Delzer: And that is all vacant FTEs?

Corey Fong, Tax Commissioner: Yes.

Commissioner Fong continued explaining the turn back.

Chairman Delzer: You are going to be able to give us a current organizational and a proposed organizational chart.

Corey Fong, Tax Commissioner: We have a current one with us but we can get you a proposed chart.

Commissioner Fong continued explaining the turn back.

Chairman Delzer: Was the Homestead Tax credit General Fund money or from the Permanent Oil Trust Fund?

Corey Fong, Tax Commissioner: The Homestead Tax credit program is imbedded in our budget from General Fund money. The only part of the Permanent Oil Trust Fund that is used was the \$115million of property tax relief that was drawn over.

Commissioner Fong continued explaining the 2009-2011 recommendation.

Representative Berg: What does the 4.5% refer to?

Corey Fong, Tax Commissioner: The increase over the previous biennium.

Representative Berg: I am kind of new to the committee but it looks like you spent \$32million but you requested \$37million. Isn't that a 15% increase.

Corey Fong, Tax Commissioner: The 4.5% represents an increase of the overall appropriation.

Representative Berg: If you are looking at what you spent versus what you are asking for, I think it is approximately 15.9%.

Corey Fong, Tax Commissioner: We wanted to make sure you could see our biennium to biennium increases.

Commissioner Fong continued on page five of his testimony explaining the enhancements breakdown.

Chairman Delzer: That \$2.2million is all operating?

Corey Fong, Tax Commissioner: Part of the \$2.2million is in temporary salaries.

Testimony continued with the enhancements.

Chairman Delzer: Is the \$1.2million of onsite GenTax support going to be on going?

Corey Fong, Tax Commissioner: I am going to refer that question to Cathie Forsch our Director of Operations.

Cathie Forsch: We evaluate that onsite support as we go. It is ranges from five people to ten people that are actually onsite that will do upgrades on the GenTax system. Two examples that I can think of over and above modifications and configuration changes that we need for the property tax credit administration. They have also been working with the Streamline Sales Tax group to enhance that. They in fact will be here this week when they are changing that Streamline Sales Tax to keep up with the standards that the other states are using. They were also out here to work with the top collections and some of the discovery modules. We have looked at replacing them with IT staff which would be a long term goal. The issues before us are finding IT staff that has the skills and abilities. I don't know if ITD still has all of those open positions or not but it is very hard to find IT staff that will come. The second part of it is the GenTax system and the way it is written. We don't have the source code for the core product. Every once in a while they have to get into the source code for updates or the new version.

Chairman Delzer: This is a contract with GenTax itself?

Cathie Forsch: It is a contract with Fast Enterprises. Fast Enterprises is the developer of the GenTax System. GenTax is the only system that Fast Enterprises markets or develops. We

obviously have the source code in escrow but they would have to go out of business in order to get our hands on it.

Chairman Delzer: Can you give us a breakdown of that contract.

Cathie Forsch: It is just a monthly fee that specifies that they have to have so many people but yes I can provide you with that.

Chairman Delzer: Can you also show us what they are doing?

Cathie Forsch: Can you give me an example of what you would like to see?

Chairman Delzer: Are they just there as support for when you have problems? Are they upgrading? Do they change programming for you to match when legislation changes?

Cathie Forsch: They behave and act just as the Tax Department needs them. So when there is work that needs to be done on the system whether it is for a legislative change or a business rule change or a best practice change.

Chairman Delzer: The contract for the number of people was set by them or was it set by you?

Cathie Forsch: It was set by us based on how much money you approve for us.

Chairman Delzer: Then the obvious question, why five? Could you get by with three?

Cathie Forsch: They are all busy. They don't have five people here all of the time. It has basically been four. They would bring in more as the projects require. Their fees are in line with the state contract that we have out for IT professionals. I think ITD negotiates a contract or contracts every two years where agencies can go out so their hourly fees and rates are comparable to any of the other state contracts. This provides people that can actually get into the proprietary part of GenTax.

Chairman Delzer: How much do you expect this to carry forward?

Cathie Forsch: I believe for the carry forward portion it would just be \$100,000.

Chairman Delzer: I don't mean that I mean what is this going to cost in the future bienniums?

Cathie Forsch: I am not certain if this is going to be the last biennium or it might be safer to say this and the next.

Commissioner Fong continued discussing the Integrated Tax System and the Long Term Plan of the ND Tax Department.

Chairman Delzer: I would have to take exception that the Tax Department is the revenue generator. I would say the laws of the state of North Dakota are the ones that generate the revenue. You are the ones that administer it. We can't do it without you. But it is the laws of North Dakota that create that. Having said that, Sandy the equity funding that is proposed to go out the first day of the biennium?

Sandy Deis, OMB: I believe the way we looked at it is that if an agency prefers to spread their equity payments under their plan and then they would apply the increase after that.

Chairman Delzer: Maybe I am doing the math incorrect but when I do the math, you have 133 FTEs that is an average equity payment of \$5000?

Corey Fong, Tax Commissioner: We have not calculated it. I have Glenda Anderson here who can talk about our equity package. We anticipated that would be a question and will be prepared to provide the committee with additional information about that. If you want a very high level overview at this point of the equity package I would invite Glenda to discuss that.

Chairman Delzer: Before Glenda does, Sandy, how did you come up with how much each agency gets?

Sandy Deis, OMB: I am trying to recall the original request.

Corey Fong, Tax Commissioner: Sandy is recalling our original request which was \$750,000 for a tailor made equity package for the Department. Through the process of making that request to the Governor, it was scaled back to \$675,000. That is where we are at. We developed it in a way that it could be scalable depending on how much would be appropriated for an equity package.

Sandy Deis, OMB: We didn't go by employee it was a lump sum.

Chairman Delzer: Were all agencies created the same or did you create each agency by their request?

Sandy Deis, OMB: I am speaking for myself for the budgets that I worked with and I think in most cases they would have put in a lump sum and then what we did was we applied what we call the Salary Increase Indicator on that. So there would have been an application.

Chairman Delzer: Can you get us the formula you use for that.

Sandy Deis, OMB: Yes.

Glenda Anderson explained the equity package for the Tax Department.

Glenda Anderson: I will just explain a very brief overview of what we looked at for the equity package. One of the things that we did was look at rates with other state wide. We have an average of 17.9 years of service and an average age of 48. State wide average is 13.2 years of service so we defiantly have a long tenure staff compared to other state agencies. We also have an average age of 48.5 so we are an older group as well. We looked at where we are in comparison to the rest and we had some statistics provided to us by HRMS. We saw there that we have 92 of 124 employees, at the time that this study was done, where our compo-ratio was less that the state average.

Chairman Delzer: What was it?

Glenda Anderson: The ratio, we had 92 out of 124. What we did was we looked at per years of service and what the average was for all years of service in the state. So what HRMS provided was how many employees were in three years of service and what their compo-ratio was and then we compared how many employees we have with three years of service.

Chairman Delzer: What was the state's average and what was your average?

Glenda Anderson: It was different for each years of service. Out of all of those 74 out of the 124 we were lower than what the state average was. I have a listing of that and can provide that for you. What we did was look at the information that HRMS provided state wide. All of the state employee salaries are below market and when we have 74 out of 124 out of our own agency showing the same thing we are below statewide average. So we looked at how we could address that both in terms of if you provide salary increases to some then those that are existing employees get compressed and so we needed to look at everything as a whole. What we did was look at first identifying those employees within the agency that were with 15 years or more service and had a compo-ratio of less than one. So they were at less than the midpoint.

Chairman Delzer: One is the mid-point?

Glenda Anderson: Yes. And we had 23 employees in our agency that had significantly more than 15 years of service that were also midpoint. That was our first step is to bring those individuals up to midpoint.

Chairman Delzer: Can you put together a presentation on this. How you come up with that and the numbers you use, the range they are below midpoint and if you have it now I would like to know, if you got this \$675,000 all of the bumps that everybody is going to get in wages. I don't care about names. I just want the numbers of where they are at for current salary, where it fits in those and where it would go.

Glenda Anderson: We have a plan and we have it set out by employee however one thing I would question or caution is that if HRMS goes in and adjusts the pay rates our numbers can change.

Chairman Delzer: That is fine. You had to build it somehow and we want to see how you built it.

Commissioner Fong clarified the loan.

Corey Fong, Tax Commissioner: One thing that I have sorted out in my mind is the way the loan works on our Integrated Tax System project. I just want to clarify. We were authorized the ability to borrow that during the 2005-07 biennium. That is when I started as Tax Commissioner. 2007-09 that is the current biennium, we were authorized the first payments, two separate payments to the tune of that \$5.4million. The second set of payments will come in the 2009-11 biennium to the tune of another \$5.47million. And in 2011-13 will be the fifth and sixth payment. I just wanted to follow up. We will put together on how the loan was structured. I think there is some interest among the committee members on how that works.

Chairman Delzer: Was it always a six year payback? If I remember it was five when we were in the Appropriations committee.

Cathie Forsch: It has always been a six year payback. I think where the five years is coming from is we presented to you that it would pay for itself in five years. I think that if you look at the back page of your hand out, this is where we are at already. We have realized conservatively the \$9.57million revenue list that I can directly attribute to practices and revenues we have collected through GenTax that we were not getting before. For example oil and gas is not in here. I tried to take out any of the codes on sales tax that would have been impacted with energy. The Treasury Offset Program, the next to the last one that is something that we are

not capable of doing in the mainframe that has realized a half a million in 2007. It would be higher had we been able to get it in earlier for that tax season. The things that we can do with the system certainly do and we can measure and prove that it pays for itself. It will have less than a five year payback actually. I started these measurements when the tax was rolled out. For example sales tax was the first tax we rolled out six months into last biennium. We actually started realizing some of the benefits right after the roll out. I wanted to clarify the onsite support. What I neglected to tell you is that before we had the GenTax system we had a comparable amount of money that we paid but it was within state government. So when we were on the mainframe we had an allocation in our budget to pay for ITD programmers. When we had a project we did have in our budget to have four ITD programmers that would be part of the project so that we would have some external people to support. Two of them however worked on conversion and the other didn't stay on the project the whole time and the fourth one has resigned from state government. So the \$1.1million that we pay to GenTax it looks bigger because we can put our arms around it in the check that we write to Fast Enterprises but really that is pretty much offset with some of the programming costs where we would take it from one state agency and give it to another. The thing that the Fast employees do for GenTax could not be done by ITD or Tax Department employees because we cannot get into their proprietary code. Some of the savings we would have realized coming from the mainframe would have been eaten up by increased fees by ITD. Part of that would have been eaten up by rate increases for ITD. For example the disk costs. We do everything with image systems now. Of course some of the decreases that we would have had in the salaries are eaten up with the increase, for example temporary salaries, because of the efficiencies that we have gained you cannot hire someone for very much. You would have to have a good hourly salary for temporary people because they are all working at Wal-Mart or McDonalds for more money. At

any rate that onsite support that we pay for GenTax part of that would have been in the budget under the data processing line item but it is pulled out now in fact so I do believe it is critical for our continued revenue list.

Chairman Delzer: Is the ITD data processing all just ITD connection fees, phone fees and stuff like that?

Cathie Forsch: We do have some applications where we have to pay for server fees. There is some programming in there for the web file pieces that we have that we will hopefully replace if you give us everything that we want, I guess that is the long and short of it.

Representative Berg: The GenTax is going to cost about \$15.9million. It appears that maybe less than three years probably about two years you can identify \$9.5million if not more in savings. That is just tremendous. My gripe is that you should have borrowed the money and done the whole thing three years ago we would have another \$27million. I really appreciate the way you practice and I think from my perspective, we tend to push so many things in government that we just do it in little chunks and if your ideas are going to impact our General Fund budget this dramatically, we want to hear about it.

Cathie Forsch: I believe that when we went for the \$14million our whole business case was to get those taxes that were going to start on the mainframe out. We accomplished that a year to 15 months faster than any other state. We have been highly successful. I attribute that to the work that you all did for us and the tax department employees. All together with the interest in there that loan will be about \$16,070,000. \$2.8million of that we spent for other things.

Representative Kaldor: I have a question about the proprietary code. At the end of the term lease period when we still are able to use this will we still retain a licensing fee or a have a service contract?

Cathie Forsch: It is a licensing fee that we would pay and we negotiated that with the contract to go out ten years. We know exactly what we have to pay every year for a licensing fee.

Chairman Delzer: Can you get us a copy of that part of the contract?

Cathie Forsch: Yes. For that fee Fast agrees to give us product updates. They do that when they update their product it is based on best practices in other states. The other thing that they promised to do is keep that infrastructure up to date for the IT world. Supposedly we refresh it as the technology changes. We can continue to use the software without the licensing fee but we will not retain the source code. They turn it into object code.

Representative Kaldor: That makes sense. So you can use the system even though you may not need to pay the licensing fee even though you are going to want to. Is there a liquidated damages provision if for example in the IT world contracting with these kinds of vendors they get bought out, traded and discarded and all kinds of things. What happens if they decide in two years if they decided they have better fish to fry somewhere else?

Cathie Forsch: We do have those clearly stated in the contract. They are a private company. The only product they provide is state revenue. They are in so many states and getting to be in even more, it has been highly successful. Their source code is written in programming language that is a state standard is in escrow. They are required to keep it in escrow. So if they ever did drop off the face of the earth, we would grab that source code.

Chairman Delzer: Let's hope that never happens you would be in line as every other state that is using them to go after that escrow.

Cathie Forsch: Yes, I would imagine that if each state structured their contract correctly they would have an escrow agreement.

Chairman Delzer: So the escrow is agreement is separate in each state there is not one escrow for all of the licenses.

Cathie Forsch: That is correct. If they are smart and they structured their contracts properly like we do in North Dakota, each state would get their own copy of the source code.

Chairman Delzer: Thank You. Commissioner Fong, Section three of the bill can you answer to the \$1.28million from the Motor Vehicle Fuel Tax revenue, is that something that has happened every year? Did the Governor make any changes to that account?

Corey Fong, Tax Commissioner: I am going to have Glenda answer that.

Glenda Anderson: That number is calculated by our department. What we do is we look at the actual cost of operating the motor fuels unit and then we project what it is going to cost in the future biennium. That where that \$1.28million comes in. That money will be transferred to the General Fund on a quarterly basis.

Representative Meyer: Does the Tax Department have a database that tracks the property tax certificates that were sent out but have not been utilized?

Corey Fong, Tax Commissioner: Yes, the tools that we have been able to leverage with our new integrated tax system have allowed us to do significant and comprehensive tracking of the property tax relief program. I believe we would be able to provide you with a number of folks that have not redeemed those certificates if that is the question you are asking.

Representative Meyer: Can we get that?

Corey Fong, Tax Commissioner: Yes.

Chairman Delzer: The question on that though is the only cost to us in the future that if somebody should apply that to their future tax liabilities, which in essence would reduce our revenues.

Corey Fong, Tax Commissioner: One thing you must realize when talking about the certificates that folks would issue and authorize to us that property tax is at their local treasurer's office. . Those Certificates have a lifespan and some of those may have expired. We can get you a detail of how that program works that will allow you to understand how those particular certificates will expire and we will also be able to let you know how many certificates were issued and how many are still out there.

Chairman Delzer: Can you also give us the amount that will be carried forward and not sent as a certificate.

Corey Fong, Tax Commissioner: I will visit with staff about how we can put that together. Keep in mind we are in the second year of the program and we don't know how much is going to be claimed. But for the first year of the program we can give you a pretty good sense of how those, if people didn't get a certificate but received a benefit by either getting a larger refund or we can give you a report.

Chairman Delzer: I am more worried about people that are carrying forward the possibilities of reducing their taxes. What kind of an amount of money we are talking about.

Representative Kempenich: I believe one of the first is June 29, 2009 for it to expire.

Corey Fong, Tax Commissioner: I think they have one year from the date of issuance. So if they got their certificate February of last year, it will expire February of this year.

Chairman Delzer: Section four of the bill, is that the \$100,000 or is it more than \$100,000?

Sandy Deis, OMB: What that is the \$100,000 that the Governor's recommendation allows them to carry over for the integrated tax income money.

Chairman Delzer: The \$86,000 that you are not carrying forward is going to go back.

Sandy Deis, OMB: At the time of preparing the bill it was estimated that \$100,000 would be available. I believe that this is the new updated \$186,000.

Chairman Delzer: So this language should be \$186,000 and not \$100,000. We need to find that out.

Corey Fong, Tax Commissioner: Our savings from our project was used in two different areas. One was the integrated tax system and the maintenance agreement and plus fund the implementation of property tax relief. Those come together to make that \$2.8million. There is a remaining amount in that \$1.1million, \$100,000 of that is what we are asking for carry forward into the next biennium.

Chairman Delzer: I think the language the way it is worded might well carry forward that whole \$186,000.

Corey Fong, Tax Commissioner: We will follow up on that.

Representative Berg: I really like the first sheet I think this is what we are all about. We are all about trying to lower the cost of tax collecting so I just really commend you for tracking this. I would like to see any other agency match up with what you done as far as catching the errors. I know Bob Christman has been involved. I really admire that. That is really what we should be looking at. The other thing is that I would really to publically thank the department for all of its work last session and I recall being at the Tax Department at midnight during the Seine Die party trying to get this complicated thing where we were trying to get a property tax back and we credited it against income and what about the people that had no income but have property tax. There will probably fifty different loose ends that came up in the last 24 hours. One of the loose ends quite frankly I give credit to the department. They pitched in and tried to figure out how to make this work. At the end of the day they say that this is going to take a lot of work for us. How are we going to cover that cost? That was after John Walstad had probably been through thirty drafts of the bill and numbers were fudging the budget and that is when we said well do you have any revenue coming in. That is really again, is it right? No it's not right but I

think that next day the property tax bill passed unanimously in the Senate and almost unanimously in the House. Republican and Democrat. I truly have not heard major problems that the public had with implementing what was the messiest pieces of legislation that we probably had all session. I would really like to thank the Tax Department for all of their work last session.

Corey Fong, Tax Commissioner: We appreciate your comments very much. We also appreciate the work of all of you at the end in making sure that we the resources to do it because this deal would have been very difficult to implement without the \$1.1million. I know it was not the ideal situation to attach that appropriation to the bill itself for us but it was the only method available in the eleventh hour. We are just glad we had the savings in our project to do that. If it is ok I would just like to recap the expectations of what we need to come back to you with.

Chairman Delzer: OK.

Corey Fong, Tax Commissioner: Organizational charts, current and previous, we will make sure to have the vacant FTEs on there. You would like a little bit better description Representative Meyer of the property tax relief credits, how they work, the certificates remaining, unredeemed certificates and those kinds of things.

Representative Meyer: I do know how they work. I just need a number available of how many have not been redeemed if you are tracking that in the data base.

Corey Fong, Tax Commissioner: We will get that information to you. Glenda I believe is going to do a presentation at some point of the equity package breaking that down per employee. It won't account for any adjustments in the brackets by HRMS. I think there are a number of requests for Cathie Forsch. The contracts, how that works, the GenTax contract, the

licensing contract for ten years and so we will put all of that information together and get back to you.

Chairman Delzer: We also need your most current month spend downs out of PeopleSoft.

Sandy, you had something that you wanted to add.

Sandy Deis, OMB: Just to answer your question on how the equity increases were handled.

The Governor's budget included a base equity adjustment of \$675,000. That was put in to the budget system and then a 5 and 5% salary increase was calculated on that amount.

Chairman Delzer: Are you the \$675,000 for this one?

Sandy Deis, OMB: \$675,000 is the base.

Chairman Delzer: For the Tax Commissioner. I guess I was thinking more along the lines of did you create all agencies the same?

Sandy Deis, OMB: I do believe we used a consistent formula. The other thing I was going to add is there was a question on the bill. That does form an exemption for them so if they did carry over \$180,000 they actually could carry over that total amount. It was our intent, we recognized the \$100,000 and put it in the bill.

Corey Fong, Tax Commissioner: When we put forward our budget to the Governor we thought we would have \$100,000. Now it is going to \$180,000 I understand. The other question that I think remains out there is just a little bit better understanding of the loan schedule and we will get that to you as well.

Representative Glasheim: I may be wrong but you have the equity being about \$5000 per person. That would be \$2500 per year.

Chairman Delzer: My understanding and that is why I asked Sandy. It would be \$2500 a year but my understanding on the equity is you are going to put it out at the first of the biennium; the whole package and then you are going to do the five and five after that.

Representative Glassheim: It would amount to roughly half of it each year.

Chairman Delzer: You get it plus the 5% at the beginning of the biennium.

Chairman Delzer closed the overview hearing on House Bill 1006.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1006

House Appropriations Committee
Government Operations Division

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Hearing Date: 1/22/09

Recorder Job Number: 7532

Committee Clerk Signature



Minutes:

Chairman Delzer opened the detail hearing on House Bill 1006. Roll was taken with all members present.

Corey Fong, Tax Commissioner presented the materials that were requested from the committee at the overview hearing.

Cathie Forsch, director of operations, Tax Department, explained the loan payment. See attachment 1006.1.22.09A.

Chairman Delzer: Was this set on a fixed rate?

Cathie Forsch: That is correct.

Representative Berg: Is there any repayment or prepayment on this loan?

Cathie Forsch: There is not.

Representative Berg: If we paid this off at the end of this biennium, what would that amount be? It would be good for us to know.

Cathie Forsch: I believe there are four payments left, so it would four times the \$2.6 million.

Chairman Delzer: We would have to pay the interest out as if we had not paid it? Would we not save the interest if we paid that out?

Cathie Forsch: To the best of my knowledge we would save the interest payment.

Chairman Delzer:

Representative Kempenich: We would not only save that (inaudible).....

Chairman Delzer: We put 1.1 in there. Did you borrow?

Cathie Forsch: We borrowed \$14 million and it sat in an account and accrued about \$600.0 in interest. At the end of the project there was \$2.8million left in the account that would have been used to make the first payment because we under budget. With the property tax legislation, you gave us the authority to use that money to fund the administration of the property tax plus the on-site support. We called the Bank of America and they agreed to turn that money over to us and put it in a special fund. So, according to the bank we borrowed \$14 million.

Chairman Delzer: That is all scheduled to be repaid here. If we wanted to pay it at the end of the biennium. . .

Cathie Forsch: Less the interest.

Chairman Delzer: If we look at that, it would save almost \$600,000 in interest.

Representative Glassheim: Would you not also have to add the interest for the current year.

Chairman Delzer: Would you get the number for us if we were to pay that off on the 1st of July.

Cathie Forsch: So, I should get from the Bank of America a payoff amount as if we were to pay this loan off on July 1, 2009. I will do that. If you gave us the money, we would get it done.

Chairman Delzer:

Representative Glassheim: Is the \$2.6 for the payment already in the budget?

Chairman Delzer: Yes, it is—for both years.

Representative Dosch: Why did we borrow from Bank of America versus BND?

Cathie Forsch: When we got the borrowing authority we put up an RFP and the BND had representatives on that team. I cannot remember why the BND didn't loan it to us. We received a dozen or more proposals for this and the least expensive with the lowest interest rate and best conditions were in the Bank of America. It was the first time they had done a loan like this.

Ms. Forsch explained the escrow for the source code of the GenTax system. See Attachment 1006.1.22.09B. and Attachment 1006.1.22.09C. If they don't perform the obligations as identified, we can get the software from Lincoln Perry.

Chairman Delzer: And the software would be yours if this happens?

Cathie Forsch: It would be the State of North Dakota's.

Chairman Delzer: What is the annual licensing fee?

Cathie Forsch: We negotiated it out to June 30, 2014. (\$668,000 on the handout)

Chairman Delzer: Is that in your operating budget. In what program?

Cathie Forsch: It is in our budget, probably in operations.

Representative Dosch: As part of their maintenance agreement, do they check the integrity of the system as far as the security of it?

Cathie Forsch: They do check the security. They work with the IRS to ensure the security and integrity of the system. The maintenance agreement includes any upgrades they do. They will keep it up to an industry standard so we don't fall in to the trap of the technology being so old you can't find anyone to support it. It is continually refreshed. They recently put in the modernized E-file with the federal and state government partnership. It is well worth its money.

Representative Dosch: The primary reason for asking that is that the Auditor's office is asking for two FTEs for IDT security. I was wondering if this were a part of it.

Cathie Forsch: There are two sides of the coin. We always look at the security and as part of the maintenance agreement they would look for security holes. What the auditor's department does is come in and test and make sure we are doing our job. They did do a computer security and integrity check on GenTax right after we implemented it.

Chairman Delzer: At the end of 2014, do your licensing costs stop or does it continue?

Cathie Forsch: It does not stop; we will just not have a fixed price. We will have to negotiate with them again in 2014. The maintenance agreement should always be in place.

Chairman Delzer: Why is it not a flat payment all of the way through?

Cathie Forsch: Most maintenance goes up with some type of inflationary costs. Some goes up as much as 20% per year. By negotiating up front we have protected ourselves from too large of jumps in to the future.

Chairman Delzer: Before you did this did you check with any other states?

Cathie Forsch: We continue to be in touch with the other states that use GenTax. They could make their maintenance agreement very unpalatable to the states. I also believe it would be like shooting themselves in the foot. The only thing they do is the tax system.

Vice Chairman Thoreson: How many other states are using GenTax?

Cathie Forsch: I think it is getting close to a dozen.

Vice Chairman Thoreson: Do these other states have similar agreements such as ours?

Cathie Forsch: Every state has the same set up. ND has probably gotten a better deal than most of the other states.

Corey Fong, Tax Commissioner: You had also asked for an organizational chart as well as the equity package.

Bob Christman, deputy tax commissioner, discussed the organizational chart. See attachments 1006.1.22.09D, E and F. When Mr. Fong came on board he set up a strategic

planning committee and we spend some time on organizing for the future. This was on the heels of the new GenTax and we looked at how that would fit in with our organizational charts. We wanted to be organized more by function instead of tax type. The July 2008 chart shows our organization today. As of December 31, we have 127 of the 133 positions filled.

Chairman Delzer: How long have those positions been vacant?

Bob Christman: In the tax administration division, one was vacated at the end of December by the retirement of the incumbent. (He went through positions and when they were vacated.)

Chairman Delzer: Are these all funded

Bob Christman: Yes.

Chairman Delzer: Do you have any number of how many of your staff uses the health insurance benefits.

Bob Christman: I don't have that number but can get it for you. I would say virtually all of them use it with the exception of some staff that has a spouse who works at another agency.

Chairman Delzer: What do you do with roll up dollars there?

Bob Christman: That will be better answered by our accounting person and she will be up next.

Chairman Delzer: Corey, do you plan to hire someone for position 751? It is the Audit Technician under you.

Corey Fong, Tax Commissioner: Yes, we do have plans to fill that position. We are trying to find the right job description for that particular post. We are looking for someone who can be involved in a lot of the discussions with the Commerce Department and other agencies related to how the tax incentives work; someone who would be the Department's education point person. We get involved in a lot of those discussions. We need someone with a higher level of expertise. We plan to fill that position relatively soon.

Chairman Delzer: What grade is 751?

Corey Fong, Tax Commissioner: It is a seven. We are in the process of getting it reclassified.

Glenda Anderson, director of fiscal management, presented testimony regarding the equity package. See attachment 1006.1.22.09G

Chairman Delzer: What have you done with the roll up with the vacant FTE money?

Glenda Anderson: If they are not filled by the end biennium it is turned back. We have gone through our budget process and followed the guidelines established by the Legislature: 4% for equity and performance. We may have given some individuals a higher percent.

Ms. Anderson continued explaining the equity/compression package. The compression problem goes through every pay range in the department. We have 74% of our employees that for the same years of service their compa-ratio is much lower than their counterparts for the same years of service across the state. We are behind in the market and our counterparts in the state government.

Chairman Delzer: On the back two pages of your handout, are your compa-ratios. Wasn't there guidelines from the executive office on what levels you could go to give equity to people that are 1.14 and raise them up from that. I thought there was a high and low that we were supposed to be working at.

Sandy Deis, OMB: No there were not guidelines specific agencies.

Representative Kempenich: We got this chart. Is that where we are starting at today?

Sandy Deis, OMB: That would be the start at that class. Some agencies start out at the minimum.

Chairman Delzer: It should be up to date right now. My question is if you get a new FTE at what level do you fund it at?

Sandy Deis, OMB: We usually allow them to go up to 5% over the starting salary if the demand for higher.

Chairman Delzer: There is nothing in guidelines about getting way above?

Representative Kempenich: How long does it take to move up a grade?

Glenda Anderson: Depending on the classification. We evaluate the training process and generally we should be able to the next level within 2-3 years and the next level in the same time provided they are training and learning what they are supposed to be learning and doing what they are supposed to be doing.

Chairman Delzer: We keep hearing this compression for years. If you are in for several years, you get more benefits such as vacation, etc. There is an opportunity to jump grades.

Representative Kempenich: That is where it gets confusing. It depends on what part of the grade you are in.

Glenda Anderson: What you are talking about is what we are facing. Even though we move employees from I, to II, to III, what we are finding is that their salary, because we have had to bring people in at higher, we have people that are here 38 years and they are just over midpoint and they are right next to someone that's only been here two years. That's where the compression is. We expect more from those people that are here longer. They have additional responsibilities that don't necessarily make their classification different. It's just they are relied on more because they have the expertise and experience. We addressed everybody because we wanted to make this equitable and fair.

Representative Kempenich: What are your requirements for Auditor I in a Grade 9? Any experience?

Glenda Anderson: We have taken applicants right out of college with no experience?

Representative Kempenich: What are their attitudes when they come in as far as salary goes?

Bob Christman: When we hire new auditors, we advertise. Our biggest competition is the Auditor's Office. They recently went to \$2700. We have lost people to that office for as little as \$50 per month. We don't pay what the private industry or the university system pays and we don't get the quality of applicants that they do. One thing we talk about is the health benefit which is huge. In talking to beginning 22 – 23 year olds, they are not so interested in the health benefits. They are more interested in the dollars to pay off student loans.

Representative Kempenich: in the past we have seen jobs coming out of their final year of college..... (Inaudible) We have the same reports from the auditor's office and we have to figure out where we are going with this. . .

Chairman Delzer: I think the equity issue is something that will have to be dealt with in all agencies. The information here is laid out very good. It is what is needed.

Representative Kaldor: How are the quartile numbers arrived at?

Glenda Anderson: We looked at a range compression and used it based on years of service. What we are doing with this plan is providing more income or more salary increase to those that are the further away from their midpoint and have the most years of service.

Representative Kaldor: So the quartile is based on where they are compared to the midpoint?

Glenda Anderson: Correct, and the years of service.

Representative Dosch: The comment was made that when you bring new hires in to the system, sometimes kids out of college do not view the health insurance benefit the same. Is there any thought on an option to not take the health plan, you can get a \$200 bonus in your pay? Or if a spouse has full health insurance where they are the state employee be given an

option of a couple of hundred of bucks for not taking the health insurance. Have you ever looked at that when looking at compensation?

Bob Christman: I don't know that we have the authority to do that.

Representative Dosch: I'm just trying to get a feel of if that would be a good thing or not.

Bob Christman: We have not had that discussion. I would say it may not be something we would want to start. It would have to be a statewide thing.

Chairman Delzer: Would that help recruitment?

Bob Christman: I guess it is all speculation. If we can't be competitive salary wise, there are people who place based. A lot of the people we hire want to be close to home whether it is Bismarck or Minot. They are like to take a commensurate salary.

Representative Berg: Maybe we have an opportunity for a pilot project where we take the Tax Department out of the classification system and allow them some flexibility. We should be creative.

Corey Fong, Tax Commissioner: I think that you ask a very important and valuable question. HRMS and OMB would have to be involved with this process. The new generation of workers is very different than my or your generation. They have different needs and what motivates them is different than what motives some of the other generations. I don't want Bob Christman's comments to be misunderstood. He is saying that when we are bringing them in those young folks are mainly concerned about the salary options. Once they get in they understand that the benefits package is significant. What Bob alluded to is that we need to make that an important part of our recruiting efforts.

Representative Kaldor: One of the thoughts that occurred to me. One of the comments you made was about new hires worried about repaying their student loans. Have we ever

investigated the opportunity to provide some sort of student loan payback as an incentive for employment? I understand there are other agencies in state government that are using this.

Corey Fong, Tax Commissioner: We have not explored that but I think DOT has. It is certainly an interesting idea because they are concerned about that.

Chairman Delzer: I have heard some discussions that the national economy is really changing rapidly. Are the numbers we you are getting now any different than they were a year ago?

Corey Fong, Tax Commissioner: I will ask our human resource person to chime in. I will say we advertised just before the end of the year for two sales tax auditors. We did fill one of those positions but we did not get the quality of applicants to fill the second.

Chairman Delzer: What was the difference in the positions?

Corey Fong, Tax Commissioner: They were exactly the same. One was in Minot and one was in Bismarck. We did not fill the Bismarck position.

Nancy Sailer, human resource officer: Those two positions have minimum qualifications to meet. For the Bismarck office we did have two strong candidates. One had a problem with a conflict of interest and the other we lost to UNISYS. Lately the number of applicants has been low. Recently for one we got only 6 applicants.

Chairman Delzer: The minimum requirements

Nancy Sailer: For auditor positions we ask for the accounting degree. We will accept a business administration degree if they have 18 credit hours in accounting.

Representative Glassheim: If I understand this, looking at what you are doing is really rewarding years of service versus entry level positions. Your chart seems to be over heavy on rewarding years of service.

Glenda Anderson: Compression is dealing with all employees. A person with more years of service should be higher up in their range than someone coming in. This does not address the

problem we are having of recruiting. This is addressing that gap between those new ones coming in and those that are experienced and training the ones coming and yet their salary is very close to the new ones. That's the compression factor.

Chairman Delzer: I think one of the problems as the legislature... (Inaudible)...

Representative Glassheim: I am confused. If you are at 1.0 and been there 30 years, isn't that where you are supposed to be?

Glenda Anderson: The state average at 1.0 for midpoint is fourteen years. We are at .98 overall. As you raise them up for the more years of service, you have to look at those that have more years of service and make sure the gap between salaries expands rather than compresses.

Representative Kaldor: The range is based on the lowest paid and the highest paid in a position? Is the midpoint the average?

Glenda Anderson: That is correct. The midpoint is not an average. It is just center of that pay range. It has nothing to do with averages.

Chairman Delzer: (inaudible)

Corey Fong, Tax Commissioner: We might be talking about two different things. We have a challenge without a doubt because of competing with external forces and other agencies to recruit new folks in. That creates compression because we have to start at a higher entry level salary in that position and soon they are surpassing other folks that we have had on for a year. That is compression. That is a recruitment issue. We also have an equity problem. That is what this particular plan is trying to deal with—getting those people closer to the midpoint. My point is that we are trying to accomplish two things here. We are dealing with equity but we also have compression issues.

Chairman Delzer: To me it is more important to bring them to market rather than midpoint. I'm not sure this should all be called equity.

Representative Kaldor: In this discussion about these compa-ratio, it is still my understanding that when OMB built this, that you make comparison within the state for certain positions. You tried to make those salary comparisons within the state to similar jobs.

Sandy Deis, OMB: They take in to consideration external businesses and a lot of different things when they come up with these class ranges.

Representative Kaldor: Are you using their numbers or are you using their numbers or within the state, within the region. Are we comparing that entry level position in the auditor's office (inaudible).....

Sandy Deis, OMB: The Tax Department brought it forward and made it a priority within their budget. They felt this was enough of an issue to make it a priority above other projects.

Chairman Delzer: Do you have a list of the OARs

Sandy Deis, OMB: I'm not done yet, but I'm working on it.

Representative Kaldor: One of the things that I am learning from this is that not all agencies have done it like this in exactly the same way so when we are talking about equity, we are talking about different things from different departments or agencies in state government. I appreciate what you have done as this is the most thorough explanation I've seen yet as to how you got to the numbers. I agree that it is dangerous for us to look at the midpoint and think of that as a goal.

Corey Fong, Tax Commissioner: The one question we also had is the property tax certificates. See attachment 1006.1.22.09H. We believe a lot of the unredeemed certificates will be used to pay this year's property taxes.

Chairman Delzer: Do we have any idea how many of those are commercial properties carry forwards?

Corey Fong, Tax Commissioner: I can find that out. With the commercial credit on commercial property there was no certificated option, but they could carry forward.

Chairman Delzer: The reason I asked that was it was one of the few complaints I had gotten during the interim was (inaudible)

Corey Fong, Tax Commissioner: That was a frustration expressed by some that didn't have the carry forward option for commercial credit. That was just the way the program was designed.

Representative Meyer: Was there any indication from the county auditors that there was confusion with the certificates?

Corey Fong, Tax Commissioner: There was some confusion by taxpayers on what to do with the certificate. We issued the certificate that they could use against property taxes or they could go to the county treasurer and get that paid out. A lot of them did that. It will be interesting to see how many of these unredeemed certificates do end up getting redeemed in the next several months. The intent of the legislation was to use that certificate to offset their future taxes.

Vice Chairman Thoreson: Several days ago in testimony Treasurer Schmidt told us that checks issued by the State of ND never expires regardless of the date. Would that apply to these?

Corey Fong, Tax Commissioner: I don't think it would hold true. We set an expiration date of one year from issuance. I don't know what provision Treasurer Schmidt is speaking of that provides for that lifetime value of that check. Keep in mind that this was not a check. It was a certificate

Vice Chairman Thoreson: On the homestead tax credit (inaudible)

Corey Fong, Tax Commissioner: Our state supervisor of assessments will be available to address that.

Chairman Delzer: (inaudible)

Corey Fong, Tax Commissioner: The primary reason we haven't distributed all those homestead tax credit dollars is because folks were having problems meeting the asset tests. With the expanded programs the income levels were increased and the values of the homes were increased. The intent was to expand the program but the asset test was not altered. It is still \$50.0 in assets other than the home itself. That is probably the primary reason most folks weren't able to qualify.

Representative Glassheim: What discretion do you have to set the starting salary? Do you have discretion to raise the wages for people who are below the maximum?

Corey Fong, Tax Commissioner: Yes, but we are always fighting against the others in that particular grade.

Chairman Delzer: One of the issues of the last two sessions has been merit pay. If you have someone who has been doing an exceptional job, why can't they make more than someone who isn't? That's what merit pay is all about. You have the discretion to do that.

Committee took a break until 10:45.

Committee came back to order.

Glenda Anderson, director of fiscal management, handed out a monthly Budget Variance Report. See attachment 1006.1.22.09I. It provides a monthly report and a yearly cumulative. This shows we have spent \$10.4 in our salary line in the biennium compared to \$10.9

budgeted. We are currently at an under run of \$540.0. This will tell you what we had appropriated for the entire biennium.

Chairman Delzer: I don't know if you had any or not but on this particular report, would you have the salary added from the Emergency Commission?

Glenda Anderson: This is the appropriation from the last biennium. We did not have any additional FTE added.

Chairman Delzer: If there were any, would it show here?

Joe Morrissette, OMB: I believe it would. It would be part of their budgeted authority for salaries.

Representative Glassheim: On salaries and wages you spent 69.88% through 75% of the biennium?

Glenda Anderson: Yes.

Ms. Anderson continued explaining the department's budget.

Chairman Delzer: Do you pay the ITD communications, how often do you pay that?

Glenda Anderson: It is a monthly fee. It is based on how many phones you have, how many have voicemail, and long distance charges.

Chairman Delzer: You must have paid 3 months' bill in one month.

Glenda Anderson: We went through our budget and evaluated for those items that we could allocate to the property tax relief program. We were able to charge our phone against the property tax relief line. It is an adjustment. I did only one adjustment for that.

Chairman Delzer: So you took \$25,000. Did you charge \$16.0 or \$25.0 to property tax?

Glenda Anderson: We charged \$25,000 to the property tax relief.

Chairman Delzer: Why does it show negative?

Glenda Anderson: It will show up positive in the property tax relief line.

Chairman Delzer: (inaudible)

Glenda Anderson: There is a possibility that we will have an under run in that line.

Chairman Delzer: What we are looking at now is the overall for your department?

Glenda Anderson: That will be the GF. It will not include the property tax relief, the homestead credit, or our integrated tax. Those are special funds.

Chairman Delzer: (inaudible)

Joe Morrissette, OMB: It should.

Glenda Anderson: The \$10.4million is just the General Fund expenditure. We did have salary costs in our property tax relief and that will show up on the 12774 line. It is not included in these totals.

Chairman Delzer: I am looking at here on your detail page 1; you have IT communications at \$192 for the upcoming biennium?

Glenda Anderson: For a total allocation, yes.

Chairman Delzer: In here you budget \$136.0

Glenda Anderson: That budget amount is only through December. I have six more months of budget amounts. This reflects only through December 2008. You add the actual spent and the amount that is remaining, that will add up to \$192.0

Chairman Delzer: How did you build that for next time?

Glenda Anderson: When we built the budget for the next biennium we look at everything. We look at if we need to continue need the services we are getting at the level we are getting. Do we still need the same number of phones? We then take the new rates that IT proposes. We do not know from one year to the next what long distance charges will be.

Chairman Delzer: It shouldn't change

Glenda Anderson: The reason it would change is if we have more people traveling that need to make phone calls off their credit cards. We try to build in for that and it's pretty consistent but we do analyze it every time. We don't just assume.

Chairman Delzer: I don't see hardly any changes. I am kind of surprised by that.

Glenda Anderson: What we did in our request we did ask for an additional \$556.0 in operating and that was to deal with usage increases. We have more bills, letters being sent to taxpayers and obviously we have increased costs in envelopes, postage, etc.

Chairman Delzer: Was that an OAR?

Glenda Anderson: It was part of the optional package. In the Governor's recommendation, OMB did include \$487.0 of that request.

Chairman Delzer: Where is that residing because I don't see that here?

Glenda Anderson: It was all operating in the different object.

Chairman Delzer: That is \$487,000.

Glenda Anderson: We do not expect any turn back at all from the operating line items. Something we need to consider that you may not notice in this report is that some of our expenses are more yearly or every 6 months type things. Tax forms we only do those once a year and that is how we have that budgeted.

Chairman Delzer: (inaudible)

Glenda Anderson: I budget by the way it is spent. We do not split by 24 for that reason. We need to keep track of those one-time expenses.

Chairman Delzer: The operating budget adjustment of \$321. (?) Some of that must be on the green sheet.

Glenda Anderson: I can explain what we have added to our appropriation. Specifically in the operating expense category, we had special funding of \$1.15 million in the current biennium. That was considered a one-time expense we had to remove.

Chairman Delzer: That was other funds correct?

Glenda Anderson: Yes, that was special funds. We received the \$487.0 portion of the operating expenses that we had asked for. We also included in here \$1.234 million for on-site support, \$18.0 for additional laptops and PCs so we can maintain our replacement schedule. We have \$1.5 million for the oil and gas Gen-Tax enhancement. We added \$10.0 for general grant money that will be used for tax evasion meetings and training.

Chairman Delzer: In this you are asking for the \$186 carry over.

Glenda Anderson: In special funds we are proposing \$186.0 carry over.

Chairman Delzer: We want to increase the other fund line and decrease the general fund line. That is number five on the green sheet. That's all the carry forward you have?

Glenda Anderson: That is correct.

Chairman Delzer: One time payments of \$5356. Where do they reside in the detail report?

Glenda Anderson: I believe they would be under the operating under the GenTax system. The loans would not show up there. They show up in loan interest repayment and loan principal payments—expenditure code 621. We do keep those one-time expenses separate.

(There was unstructured discussion on budget detail.)

Chairman Delzer: On the overall number, how many computers are you buying for the upcoming biennium?

Cathie Forsch: I believe we are buying 115 desktop computers and 26 laptops.

Chairman Delzer: What kind of dollar figure did you put in there?

Cathie Forsch: For the desktops we averaged \$784 each, and for laptops we averaged \$1600 for each machine. Those are the state contract amounts.

Chairman Delzer: For the laptops are you buying insurance as well?

Glenda Anderson: We do have insurance on laptops.

Chairman Delzer: We have heard that it is \$80 per year. Is it part of the purchase price or do you have a separate insurance policy that you carry.

Glenda Anderson: We have a separate policy. I believe we are looking at \$250 per year for 20 laptops. We have had in the past some issues with stolen or damaged laptops.

Chairman Delzer: We need to somehow find out how many agencies are doing this and find out if we as a state can do it. It might be a whole lot cheaper if the state did it than if each individual agency did it.

Representative Dosch: How old are the units that you are replacing?

Cathie Forsch: The desktop machines are replaced every four years and the lap tops are replaced every three years. We have a replacement cycle on them.

Chairman Delzer: Almost any place you can buy a really good laptop for less than \$1600.

Cathie Forsch: The current biennium we did have some money for computer replacement.

Chairman Delzer: How many computers do you have there? You have 133 staff.

Cathie Forsch: We have 157 desktop computers and 43 laptop computers. The reason we have so many more than staff is that we have to have them when the temporary people come in or during tax processing season this time of year. Most everything we do now is automated. Rather than PC assigned to an individual, they are assigned to a work function standing station.

Chairman Delzer: What is the total dollar figure for you computers?

Glenda Anderson: We did put in for 20 laptop computers this biennium so we will have 26 in the next biennium. There will be no desktops.

Chairman Delzer: This would be under IT equipment under \$5000?

Cathie Forsch: That is correct. That would be the laptops and scanning equipment.

Glenda Anderson: Our printers are all owned but the copier is leased. We also lease a large printer that we use for the mainframe. It is the network printer and that's where we print all of our tax bills, correction notices and that kind of thing for mailing.

Chairman Delzer: What is the legal division?

Glenda Anderson: The legal division consists of five employees. We have two attorneys, a paralegal, and two administrative type persons. They are tax attorneys and are considered special assistant attorneys general. Their salary is paid out of the Tax Department and in our FTE.

Representative Kempenich: (inaudible)

Chairman Delzer: What do they do?

Corey Fong, Tax Commissioner: Our legal division attorneys carry a special appointment. They have to have that particular designation but they are employees of the Tax Department. That particular division over the years has actually been decreased. They work on cases of litigations. Right now they are critical in drafting amendments and legislation. They track many requirements that we have to follow. They are involved in policy research.

Chairman Delzer: Doesn't all legislation have to be redrafted by Legal Council?

Corey Fong, Tax Commissioner: We draft it but it does have to be put in place by Legislative Council. Given the volume of legislation related to taxes, we have some arrangement where we can introduce legislation right in to the system to help reduce the timeline for getting that legislation completed and ready for presentation.

Chairman Delzer: If they are considered special assistants to the Attorney General. Would it be better for them to be under the AG office?

Representative Kempenich: So they are specialized Tax attorneys?

Corey Fong, Tax Commissioner: Yes, they are very specialized. They have a very specialized function.

Chairman Delzer: (inaudible) do you ever get someone from the AG office to help them?

Corey Fong, Tax Commissioner: Depending on the issue, we would probably consult with the AG office regardless. We are going to have a close relationship with them.

Chairman Delzer: That money resides in operating.

Glenda Anderson: That is in the salary line item.

Chairman Delzer: If you pay the AG, the money for that is in operating.

Representative Kempenich: (inaudible)

Bob Christman: Because of the exacting nature of tax law if you were going to call on someone from the AG office on a periodic basis, they probably would not know in detail what our two attorneys need to know. They have different portfolios. One works with corporate and individual tax and the other one works mainly with property and sales tax.

Chairman Delzer: The fiscal management division is all General Fund?

Glenda Anderson: Yes.

Chairman Delzer: What is the IT software for the Tax Administration division?

Glenda Anderson: I believe that the auditors have special software for auditing in order to select random samples on their test data.

Chairman Delzer: When you replace your desktops and desktops like this, do you have to buy the software or does that come with them?

Cathie Forsch: We have already purchased the software. We can move it from one PC to another.

Chairman Delzer: For your travel how much is in state and how much is out of state.

Glenda Anderson: When it comes to instate mileage there is probably not much of a difference there. Our difference is mostly in the cost of air travel. We see tickets going up as much as 45%.

Chairman Delzer: The fees and professional services line in the tax admin line what do they go for?

Glenda Anderson: It covers participation in the multi-state tax commission and we there is a NEXUS program that we pay fees for as well.

Chairman Delzer: Is there a National Tax Commissioners Association.

Corey Fong, Tax Commissioner: We are members of three national organizations. Glenda just spoke of one already. That one is very compliance driven. The Federation of Tax Administrators is a national association of revenue directors—my colleagues and counterparts across the country. We also pay dues to that particular organization. The third we have become involved with by law is the streamline sales tax organization. That is a group of about 19 states and industry.

Chairman Delzer: The middle one is voluntary?

Corey Fong, Tax Commissioner: Yes, we have no statutory requirement to be involved in that. They focus on best practices, technology because of E-file and are more involved corroborating with the IRS than the others.

Chairman Delzer: Are you seeing anything, and I know it is early in the year, any states in trouble?

Corey Fong, Tax Commissioner: Yes, it is a major challenge for states across the country that are faced with budget reductions and crisis. One of the items they obviously look at is travel. We have seen one group get together cancelled because of some of the travel restrictions.

Chairman Delzer: Have they tried to raise the dues?

Corey Fong, Tax Commissioner: No, I don't think any are inflating dues as a result of less participation

Chairman Delzer: Brady, The MCSL (inaudible)

Brady Larson, Legislative Council: I will check on that.

Chairman Delzer: I think what we will do is go ahead and break and come back around 2:30.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1006

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/22/09 (Afternoon)

Recorder Job Number: 7586

Committee Clerk Signature



Minutes:

Chairman Delzer called the committee back to order.

Sandy Deis, OMB passed out the requested optional request list. See Attachment 1006.1.22.09J.

Glenda Anderson passed out the analysis of the travel expenses for the 09-11 executive budget. See attachment 1006.1.22.09K. The primary reason for travel out of state is for audits and training.

Chairman Delzer: Very little motor pool?

Glenda Anderson: That is for in state travel. Our auditors in the field offices and in Bismarck will generally use a fleet vehicle.

Chairman Delzer: What dollar figure did you use for fleet? I think we would like to see that to assure that every agency is getting the same rate. We have request in from motor pool to see how they built it in.

Glenda Anderson: I can pull that out.

The committee moved on to the property tax page of attachment 1006.1.22.09I from this morning's meeting.

Chairman Delzer: How may FTE in this division?

Answer: 5

Marcy Dickerson, state supervisor of assessments, explained the Homestead Tax Credit. See attachment 1006.1.22.09L (Homestead Tax Credit Payments) 1006.1.22.09M (Schedules Used for Determining Homeowners Credits), 1006.1.22.09N (Brochure: Homestead Tax Credit for Senior Citizens or Disabled Persons), 1006.1.22.09O (History of Property Tax Credits for North Dakota Senior Citizens) We think the asset limitation of \$50.0 is the reason we didn't have more people apply.

Chairman Delzer: Did they shift from where they work? Did it move from rural to urban?

Marcy Dickerson: We have that in computer. I didn't provide it here. There was a 17% increase in the amount paid. That could be due to that people were eligible were larger deductions/

Representative Meyer: Did the Legislature adjust the asset level last session?

Marcy Dickerson: You adjusted only the income level. I don't think the asset level has ever been adjusted since it was originally applied. We have no way of knowing what people's assets are to estimate how many people are being precluded because of that. We get abstracts from each county and they are audited before we make payment to county. We don't know how many people may have just not even applied believing they had too much in assets or did apply and were told they have too much in assets. We have no information on that.

Chairman Delzer: Do you have any outreach on this program.

Marcy Dickerson: We have always had a brochure every biennium which we send out to the counties and it's on our website. The counties mail the brochure or something they generate

to every individual who got a homestead credit in the previous year. That doesn't necessarily reach potential new clients. The counties do advertise the homestead credit and how to apply for it in the papers.

You will see that we had an increase in the number of renters and the amount paid. There is no asset test for renters. The Tax Commissioner did do a real strong advertising campaign to the renters. This year he extended the filing period from June 1 to September and you can see we had a 53% increase in applicants and the amount paid.

Chairman Delzer: For the renters, what are they eligible for?

Marcy Dickerson: They are eligible to a refund of part of the rent that is deemed to be property tax. It is basically 20% of the rent paid out of their own pocket not including any subsidy. If 20% of the rent paid exceeds 4% of their income after deduction of medical expenses that they personally paid. The difference is their refund up to a maximum of \$240.

Chairman Delzer: These are all elderly.

Marcy Dickerson: Elderly or totally disabled. There is no age requirement if they are disabled.

Chairman Delzer: Do we have numbers of how many are elderly and how many are disabled?

Marcy Dickerson: No, we do not.

Chairman Delzer: That sounds like quite a form.

Marcy Dickerson: It's not too difficult but a lot of them ask for help.

Representative Meyer: Is the asset test described in this brochure?

Marcy Dickerson: Yes. There is no asset test for the renters.

Representative Kaldor: In the brochure in point number seven, "unencumbered \$100.0 of market value." Is that would exceed like a mortgage loan.

Marcy Dickerson: Yes, that is correct.

Representative Glasheim: So if your house is valued over at \$100,000 that goes in to the \$50,000.

Marcy Dickerson: That is correct.—the unencumbered portion. If you have a \$200,000 house that you do not have a mortgage, \$100,000 would be counted as an asset. It is based on the value placed on it by the assessment official.

The committee returned to looking at the spend down for each department beginning with the Operations Department.

Chairman Delzer: The employees of Operations are all general funded.

Glenda Anderson: That is correct.

Chairman Delzer: This is where you put the \$1.167 million.

Glenda Anderson: It represents maintenance for the GenTax system for two years. \$550.0 of that cost was funded this biennium under the special line item. It is special funding, the balance is not. What we are doing going forward is putting the full amount of the maintenance in the GF.

Chairman Delzer: That is all of your borrowing authority?

Glenda Anderson: That is correct.

Chairman Delzer: What does the other \$67.0 represent?

Cathie Forsch: That was including the Microsoft software. It represents software renewal fees that we pay for GIS data that we need to keep up to date for the Streamline Sales Tax and Great Plains financial accounting is there. It is all essential.

Chairman Delzer: Most of the operating budget adjustment was under Operation?

Sandy Deis, OMB: Yes.

Representative Dosch: What are you looking at?

Chairman Delzer: It is number five on the green sheet. Page 15.

Glenda Anderson: The current budget as of the end of December states that we have \$370.0 left in that fund for property tax relief.

Chairman Delzer: Why would you have that much to do on that with that next biennium? It's basically all over.

Glenda Anderson: We have some contractual service fees that will continue through the rest of the biennium.

Representative Kempenich: Who did you contract with?

Glenda Anderson: It was Fast Enterprises because they are the ones that do the GenTax system.

Chairman Delzer: Integrated Tax System—that's just your payment?

Glenda Anderson: Yes that will be just our two loan payments.

Chairman Delzer: How long do you think it will take to get the information we asked for this morning.

Cathie Forsch: I did contact the Bank of America and for privacy reasons they will not give me the information on the phone so I have sent them an email. Hopefully, they will not be long in responding. I asked for a payout as of July 1, 2009 with an approximate of the interest that we would accrue each day after.

Representative Kempenich: The Homestead Act—we have taken from that this year. Where are we going with that?

Chairman Delzer: We need to have a discussion with leadership. What is the expected use of it this year? Did you leave enough in there for what you were expecting this year?

Marcy Dickerson: Yes,

Chairman Delzer: Which bill drafts are out there? When we tried to do a fix on this it was just fixing the numbers to get the appropriated amount used. The bill came in to appropriate more money, but if you can't get it used it doesn't do any good to appropriate more money.

Marcy Dickerson: Last biennium we used it. This time we estimated the number we anticipated would be newly eligible, it might be advertising but I think it's more likely the asset test is keeping the homeowners out. There are a couple of bill drafts to change it. If there are changes they will likely appropriate to take care of the changes. Kasper's bill is one of them. Carolyn Nelson also has one.

Representative Kempenich: If homes do start devaluating in this state, we could get more people.

Chairman Delzer: In the rural areas I don't think that this is much of a problem.

Marcy Dickerson: Even in the bigger city areas we do have people living in less expensive homes compared to what is being built today. Most of your people with a limited income don't have a really expensive home.

Representative Glassheim: Your hypothesis was that the reason people didn't take advantage was the \$50,000 asset limit. I was thinking we should go to \$75,000 but I'm hearing that wouldn't make a difference.

Marcy Dickerson: There is more to the assets than the house. It wouldn't be that hard to have assets in excess of \$50,000. It includes any kind of savings account, any kind of property, income from a 401K, social security counts.

Representative Kaldor: The \$100,000 home exclusion, has that changed recently?

Marcy Dickerson: Two sessions ago it went from \$50,000 to \$100,000.

Representative Glassheim: Could you do an estimate of raising the asset level to \$75,000

Marcy Dickerson: We have been asked to do that but we have absolutely no way of knowing who has how much in assets. It would strictly be a guess.

Chairman Delzer: What do you have in the budget for that this year?

Marcy Dickerson: \$5,964,000 for the biennium. That assumes all the provisions remain exactly the same.

Chairman Delzer: Over all how much turn back is the department expecting?

Glenda Anderson: We were looking at \$557.0. All of that comes out of our salary line. We would turn back the Homestead Credit \$2.694 million in GF and \$186.0 we are estimating to be left in property tax relief. Our total turn back will be \$3.4 million. We are asking for carryover.

Representative Meyer: On your integration of the Oil and Gas tax collection system into the Gen Tax—how far along is that project? Will that be included in that software?

Corey Fong, Tax Commissioner: We are not started on that project yet. We will start on it with the appropriation. We would like the resources to add oil and gas to Gen Tax. With all the revenue coming in from oil and gas related especially with the agreement with Fort Berthold, we want to be more nimble on our feet to change our system. That was one we did not integrate when we did our \$14 million project, but we now think because of all of our activity and the reliance of the state on that tax it is time to have the most up to date revenue, accounting and collection system for those tax types. It will help us to respond to changes in the law and to address the kinds we are able to negotiate. That project is very important to us and we do hope you will give it strong consideration.

Representative Meyer: And the Tax Department is 100% responsible for the tax collection of the agreement with Ft Berthold.

Corey Fong: On the tax agreement we are the administrator—it is all up to us.

Representative Kempenich: On property tax relief, can you tell us what you paid out? Are we going to have to make adjustments?

Corey Fong, Tax Commissioner: Aside from our budget, I do have a sheet prepared but I didn't bring it down. It was prepared Cathy Strombach and it talks about that. The property tax relief share is \$112 million. OMB made the \$115 transfer in October of 2007. We have expended for the first year of the program through January 9 a total of \$42 million in tax relief and credits for the first year of the program. There is \$70.5 million left. Because the income tax revenue forecasts have been reduced that entire amount that is anticipated by property relief granted in 2032 the amount of revenue or unused property tax funding still available is not part of the estimated ending fund balance for 2007-09. Any unexpended portion is and will continue to become part of the positive individual and corporation income tax variances shown by OMB until the second year of the program.

Chairman Delzer: So that is why individual and corporate taxes show so high?

Corey Fong, Tax Commissioner: That is correct. All of that has been shifted over and is now residing there and we have only used \$42 million of it. We suspect for the second year we will give more money. Part of that is through an escalator.

Chairman Delzer: Do you expect that many more people to use it? If there is money in that I suggest you bring that up to the Committee dealing with the bills on it.

Corey Fong, Tax Commissioner: A bill that is trying to fix some of the challenges with the program. There were entities that did not have a chance for the credit. We will have extra money from the property tax program—how much, we don't know yet.

Representative Kaldor: Is that also going to take in to pass through like partnerships?

Corey Fong, Tax Commissioner: There is a major, major problem in the first program in that those folks were not brought in to the program. There is a lot of Ag land in some kind of a business entity

Chairman Delzer: I would guess that the value of this is in the fiscal note.

Corey Fong, Tax Commissioner: Yes, it was. The intent clearly was to cover those folks, but we couldn't give it out because the law didn't allow us to do so.

Representative Glassheim: The money would stay in the General Fund?

Chairman Delzer: I would guess it would.

Corey Fong, Tax Commissioner: You would have to ask OMB how . . .

Chairman Delzer: It should already

Sandy Deis, OMB: I will talk to Pam about that.

Chairman Delzer: Committee members if you have notes of things that you want to adjust, when we get to the point of making motions and working on these bills it's going to be pretty hectic and pretty quick. We are not going to have a whole lot of time at that time.

Corey Fong, Tax Commissioner: Just a synopsis of what we still owe you: The information from the Bank of America about the payoff, Representative Thoreson asked about the issue of the checks and we are having these certificates expire—we will get back to you with an explanation that.

Chairman Delzer closed the discussion of HB 1006.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1006

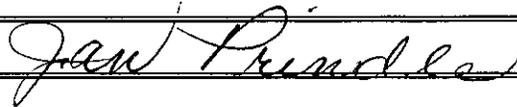
House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: **6 February 2009**

Recorder Job Number: 8924 (42:30)

Committee Clerk Signature



Minutes:

Discussion of 1006:

Chairman Delzer: It's priority 6, AD 11, change #, you funded it all—\$100.0 with the special funds. Where are those funds from? Which one had the insurance on the computers?

Wasn't that the Tax Commissioner?

Lori Laschkewitsch, OMB: The \$100,000 is from the borrowed money and is carry over. That's special fund authority.

Chairman Delzer: That is going to be carried over at the end of this biennium?

Lori Laschkewitsch, OMB: That is correct.

Chairman Delzer: It looks like on their priority list the oil and gas integration was the lowest priority of their three GenTax systems: the taxpayer access point, financial institutions. Do you remember any discussion on that anybody? It's \$1.25 million but its part of the \$2.6 million.

Representative Kempenich: That was the last module on that.

Chairman Delzer: I don't know if it is the last one or not. Apparently that taxpayer access point is module II. They are granted as optional budget request. They both have to be new money.

Representative Kempenich: This is where I am having trouble. They had enough money borrowed to put these modules on. I don't know what the reason . . .

Chairman Delzer: They had to run out of their borrowed money because the \$100.0 is the only borrowed money they left.

Representative Kempenich: Out of that \$14.0 million they started up that property tax.

Chairman Delzer: They may have used some of that borrowed money for starting the property tax, but they were paid that back.

Representative Kempenich: I don't think they were.

Chairman Delzer: We have taken the \$115.0 million and as far as I know, that is all paid back.

My understanding is that their expenses for the property tax were covered by the property tax.

Lori Laschkewitsch, OMB: I believe so but I will double check

Chairman Delzer: This taxpayer access point for the financial institutions I don't remember anything being said about it and it's not on the green sheet at all. Temporary salaries: \$223.0. Brady, I would like a reduction on their operating of 50,000.

Representative Kempenich: Here they are using .30 for fleet services. They used the May 1 figure. Most of them have been coming in at the .42 number.

Chairman Delzer: Glenda, I know that we discussed your oil and gas tax integration system. Is that something that you can phase in? Or is it one module that you have to do the whole thing?

Glenda Anderson: My understanding with that is its one module so it is all of it.

Chairman Delzer: So it's all or none. Is that the building of the whole module? Or, is the module bought and you can put it in whenever it fits?

Glenda Anderson: The module is in place. We already have the integrated tax system GenTax in place. This would be the process of putting the oil and gas taxes on to GenTax. It isn't a separate module that we have but it's getting all of oil and gas into the GenTax system.

Chairman Delzer: How many more systems do we have out there that you are going to want to do?

Glenda Anderson: There is that and the financial institution tax. That was another piece that we had asked for that was not included in the Governor's recommendation.

Chairman Delzer: Were these not included in the original one?

Glenda Anderson: No.

Chairman Delzer: Why not? Were they talked about that there was going to be this added cost on top of it when you came with the original program.

Glenda Anderson: I'm not sure.

Chairman Delzer: Is that the only other one that you have left and then all of GenTax would be done?

Glenda Anderson: I'm not positive on that. I am guessing that is the only two large pieces are left.

Chairman Delzer: Then, how much does doing that add to your onsite support costs?

Glenda Anderson: The onsite support piece would be there regardless.

Chairman Delzer: But it did go up this time and you did some work last time to expand GenTax. Was that related to what you did to expand GenTax or is that just the contract going up?

Glenda Anderson: I believe that is just the contract going up.

Chairman Delzer: Brady, I would like an amendment just take the oil and gas GenTax out. Any discussion about whether we should pay off the payments on the integrated tax system

Representative Kempenich: I think that the way that it is structured it probably doesn't pay.

Vice Chairman Thoreson: What would be the savings?

Chairman Delzer: There will be one more biennium of about one half million.

Representative Kempenich: I don't know if it matters.

Chairman Delzer: If we pay it off it looks like we are spending more this biennium but then we don't have to raise that next biennium.

Vice Chairman Thoreson: I would make a request to have an amendment to pay it off.

Chairman Delzer: Okay that will do for the tax department. Let's move on. . .

End of discussion of tax department.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1006

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 2/10/09

Recorder Job Number: 9070

Committee Clerk Signature

Kanya Vaegeli

Minutes:

Chairman Delzer opened discussion of the amendments on HB 1006.

Chairman Delzer: Section five of the bill, it is supposed to reference June 30th 2010 instead of 2008. Then the next one on the list is the other funds by \$86,000 and reduces the General Funds by \$86,000 to use the carryover of the onsite support. That was a situation where OMB was told that they thought that they would have \$100,000 carryover but when they came before us they said they would actually have \$186,000 out of the loan money that was done for the NextGen Tax system. Are there any comments on that? That would be increasing the special funds by \$86,000 and reducing the General Fund by \$86,000. The next one up on the list is to reduce operating by \$50,000. I think we had issues with some of the computers on the costs. I have IT equipment numbers on my list. This one looks like they had a pretty large General Fund turnback. Is there any discussion on that item? The other two I think we are going to have some discussion on. Does somebody want to move these three that we kind of discussed?

Representative Glassheim: I will move.

Representative Berg: Second.

A motion was made by Representative Glassheim, seconded by Representative Berg to reduce the operating line by \$50,000, increase other funds and reduce General Fund by \$86,000 for the onsite support and to correct an error in the bill. Amendment was adopted by voice vote.

Chairman Delzer: Then we have the one time funding for the integration of the Oil & Gas Tax system. It seemed to me that what they did with the OARs, they had two of them. I think the one that was allowed by OMB was the NextGen on Oil & Tax. The cost on that is \$1.5million. Tammy they have actually requested \$1.5million of that and \$1.1million or \$1.2million for something else had they not?

Tammy Dolan, OMB: This is not my budget but if you give me a couple of seconds I could look that up.

Representative Berg: The \$1.2million was for the onsite support and the \$1.5million was integration, I think the two are linked.

Chairman Delzer: I think the support you don't have any choice about. I think that is something that we have to do.

Representative Berg: It is number five on our green sheet.

Chairman Delzer: On the optional request budgets here they have the priority list of their optional requests and what was funded by the Governor's office. The last one was the Oil & Gas integration for \$1.5million and then their number seven priority is the Tax Payer Access Point for the financial institutions and that was \$1.25million and that was not put in the budget by OMB. Number six was the onsite support for the GenTax at \$1.234million. They put in \$1.134million. So how come we have \$1.234million in number five here, Brady? Oh that is

where they are using the special funds. That is the line that we would actually decrease by the \$86,000.

Representative Berg: Maybe I do not understand, you are talking about an enhanced budget which would be over and above the Governor's budget?

Chairman Delzer: No this is what is in the Governor's Budget but they were OARS over and above the base budget.

Representative Berg: So the \$1.5million is included in their budget right now.

Chairman Delzer: It is included in their budget right now.

Representative Berg: What would be the purpose for removing that?

Chairman Delzer: That is the discussion of whether or not we want them to do that module of the GenTax System. There is this module and then the financial institution module left. It is my understanding that there is those two modules that are still left to be done.

Representative Meyer: I have concerns with taking out the Oil and Gas module. That is something we needed yesterday.

Chairman Delzer: That is the discussion. Obviously it is not in there right now and we are collecting oil and gas taxes. I don't know what difference this makes?

Representative Meyer: But how much of it is accurate?

Chairman Delzer: That is the discussion.

Representative Meyer: You could find enough errors. I believe that they are out there to more than pay for this system. If it gets integrated, there is a huge amount of dollars that factor into this and I think that it is difficult for them the way it is currently being done. I think this system maybe would pay for itself. I believe.

Chairman Delzer: That is obviously what they believe about the rest of the system.

Representative Kempenich: I am just looking at the stimulus and it has a budget stabilization component in this thing too. This is going to be the whole problem with this one time money. I think it is justified on the activity that is going on.

Chairman Delzer: This goes into Representative Berg's discussion from before about possible use of administrative dollars that would not be salary. The question begs itself then if we leave it in have we made it so we can't use those monies for it? I don't know that we have that answer. Some of them we will certainly take out for that reason. I don't know that this is one of them.

Representative Kempenich: This one time stuff is not all that hard. There is going to be a list of what was onetime money. If we do take it out, in the final days of this session it is not that hard just to have one bill to put all of this one time money back in because it is not a big budgeting process to do that.

Chairman Delzer: I think this is listed as one time.

Representative Meyer: Then we should seriously consider removing the entire \$2.634million.

Representative Berg: I don't think this is a question for our committee to decide. I think this is a question that Republicans and Democrats and the House and the Senate need to figure out what we are going to do. If we are going to pull the one time spending of so it doesn't get approved at crossover, then that needs to be done laterally. Separate from that if we are just talking to this issue, I think we want to help the Tax Department be more efficient and more advanced in their technology.

Chairman Delzer: The issue on the \$1.234million I would have to disagree with Representative Meyer on that issue because that it flat should not be in the onetime expenditures because that is something that is going to continue on. I think that this project should go forward. I am a little worried that if we leave it in there we may stand a chance of not

being able to cover that later. . At the same token that if we take it out there is a possibility that it might get missed somewhere. I don't have heartburn over that one way or another.

Representative Meyer: When are we going to make the decision on one-time funding?

Everything is hinging. We either need to make that decision now or not make it.

Chairman Delzer: I would guess that will be made when we start meeting as a full committee because it really is a full committee issue.

Representative Kaldor: The one thing that I have a question on is that support for GenTax. I would have liked to see the Tax Department make a determination or some kind of estimate of how much of that support will continue to be an ongoing expenditure in the future and how much is related to the integration that is going to take place today. They are always going to need some level of support. It might be a small amount.

Chairman Delzer: What I remember them saying when we asked them that was that the \$1.234million was the scheduled support cost whether we do this or not. They said that this would not add anymore support costs. That was part of the contract that they have signed.

Representative Kaldor: What about after it is integrated and it is operating.

Chairman Delzer: I think the \$1.2million will probably increase in the next biennium. Now I don't know how many years that goes out that that is part of the contract but that is part of the contract is to have them have the onsite so that they can just call and get this done. That is what I remember them saying. I am afraid that whole section is not going to go away or decrease very much. But I don't think the \$1.5million makes a whole lot of difference in that from what they claim. It certainly will probably add a little bit because it is going to be part of that afterwards.

Representative Dosch: On this list of one time spending, if we take it out of here are we going to have a master list that says this was taken out but the subsection recommends approval of this item?

Chairman Delzer: I would say we probably would but that would have to be decided in full committee. This is one if we decide in full committee to remove a lot of these for that purpose. I know there are some that are actual, this one is more iffy on whether or not the stimulus money could ever be used for it. Some of the physical stuff in the Adjutant General's budget I think very likely would fall under the stimulus package.

Representative Dosch: It could fall under the administrative end of it if that in fact is going to be part of it.

Chairman Delzer: Let's move on and discuss the payment end of the loan. It seems to me that that would cost us money out of this particular General Fund this next biennium if we did not do this it would be the \$5,265,000 for the next biennium again.

Representative Kempenich: What would it save us if we pay it off?

Chairman Delzer: My math shows \$483,157. We have in the bill for that payment of 5,356,000 and I think that is the same for next biennium. If we paid it off it would cost us 4,873,000. It is a 3% loan the only difference is whether we want it on this time's General Fund expenditures or next times. It has to be paid either way.

Representative Kempenich: I will make the motion to pay it off.

Chairman Delzer: We have a motion to include that in the set of amendments.

Representative Dosch: Second.

Representative Glassheim: Are we paying off 07-09 by this motion?

Chairman Delzer: No we would be paying off 11-13. 09-11 is already in the bill so we would be paying off the final payment.

Representative Berg: I think this is an important thing to look at though. This is onetime money. We have got \$800million of one time money. Again as we shake this out I think that it is really critical that we keep these two different silos a little bit separate. In fact what we are doing by this is rather than having it set in some account losing money or getting 1% we are saving the General Fund \$480,000. Again had we done this a biennium ago or two bienniums ago, we may have saved the General Fund well over a million dollars.

Chairman Delzer: One of the differences is when this first came in, I am sure nobody felt the General Fund had the money. The question is this time we may feel that we have it.

Representative Meyer: Do any of these have prepayment penalties?

Chairman Delzer: We asked that question and she said no.

Representative Berg: The other question might even be for Corey or somebody from the Tax Department to call and see if they would take a discount for cash. These companies are desperate for cash right now they might do something beyond what they are suggesting.

Chairman Delzer: I guess we have the motion in front of us. We could adopt the motion, we could call Corey and ask him to make that request to them and see if they could get the answer by the time we go to full committee with it.

Representative Glassheim: Is this General Fund money?

Chairman Delzer: It is as it stands right now.

Representative Berg: I think we should leave it as General Fund money right now and as this progresses, we will figure out how we sort those things out.

A motion was made by Representative Kempenich, seconded by Representative Dosch to adopt an amendment paying off the loan for the GenTax system. Amendment adopted by voice vote.

Chairman Delzer: Is there anything further on the Tax Commissioner's bill?

Representative Glassheim: I have an amendment.

Chairman Delzer: Do you have any kind of estimate on the fiscal effect of this?

Representative Glassheim: No I don't. Last session we appropriated \$8million which meant we were willing to spend \$8million. We are reducing that for next session by \$2.1million because it did not expand the way they anticipated it to. I see on their listing of the number of qualifying there has been a steady decline from 1978 in the number of people qualifying. They testified that one of the reasons that the increase was not used was this asset test of \$50,000. I just sought to increase it. I don't believe it has been increased in some time. I imagine the impact would be under the \$2million that was turned back or not included in the next appropriation.

Chairman Delzer: We would have to increase that line item to cover that. We would have to figure that out somewhere along the line.

Representative Glassheim: They would have to make an estimate. It probably would increase \$500,000 to \$2million. I don't know what the amount would be. We said last session that we were willing to spend the \$8million on homestead so we saved \$22million in spending. We are down now to the number of qualifying to 3466. In the late seventies and early eighties we were at 10,000 people qualifying.

Chairman Delzer: Are you aware of any other bills that deal with the Homestead Tax Credit?

Representative Glassheim: I am not.

Chairman Delzer: I believe there is at least one that does it. I think Kasper has one that actually ups it to \$100,000. This amendment has not been moved yet.

Representative Glassheim: I will move.

Representative Meyer: Second.

Representative Dosch: Do we know when the last time it was that it was increased?

Chairman Delzer: I am not sure. We have affected the Homestead Tax Credit and we even had Marci Dickerson down here. We have attempted to deal with that the last two or three sessions but I don't know if the asset level has been changed.

Representative Berg: We changed it last session. We increased the number of dollars that was going into it. I want to say it was \$4million.

Chairman Delzer: I don't know that we adjusted the asset level.

Representative Meyer: We didn't adjust the asset level.

Chairman Delzer: We adjusted the income level. We adjusted the level of the value of the home but I don't know if we had adjusted the asset level outside of the value of the home. Is there any more discussion on the motion to amend?

A motion was made by Representative Glassheim, seconded by Representative Meyer to adopt an amendment amending subdivision G of subsection 1 of Section 57-02-08.1 to increase the maximum asset level eligible for the homestead tax credit from \$50,000 to \$75,000. MOTION FAILED.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1006

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 2/13/09

Recorder Job Number: 9436

Committee Clerk Signature *Tonya Vaegeli*

Minutes:

Chairman Delzer opened the discussion of amendments on House Bill 1006.

Chairman Delzer reviewed the amendment.

A motion was made by Vice Chairman Thoreson, seconded by Representative Kempenich to adopt amendment 98007.0102 to House Bill 1006. The amendment was adopted by voice vote.

A motion was made by Representative Kempenich, seconded by Representative Glasheim for a DO PASS AS AMENDED recommendation for House Bill 1001 to the House Appropriations Full Committee. The vote was 8 yeas, 0 nays and 0 absent and not voting. The carrier will be Representative Dosch.

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1006

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 16, 2009

Recorder Job Number: 9587, 9588

Committee Clerk Signature



Minutes:

Chm. Svedjan turned the Committee's attention to HB 1006.

Rep. Dosch distributed and explained amendment .0102. Page 1, line 17, deals with the operating expenses. We made an across the board \$50,000 decrease in the operating expenses. Those numbers reflect that decrease. Page 1, line 21, deals with the integrated tax system. The tax department installed new software for the tax processing. The \$5.3 million would have been the payment for this next biennium on that computer system. However, there would have been one additional payment due next biennium. We elected to pay that off this biennium and save the interest \$480,000. Page 1, line 22 adjusts the totals and also Line 23. I would move the amendments.

Rep. Dosch moved amendment .0102. **Rep. Delzer** seconded the motion.

Rep. Wald: What is the reason for the homestead tax credit being reduced?

Rep. Dosch: Less anticipated use of the system. They set aside \$8.1 million. They felt comfortable in reducing it.

Rep. Delzer: They told us that the adjustments last biennium in the homestead tax credit ended up in one more household getting the tax credit. The renters were up quite a bit but the

households were only one. Instead of needing the \$8 million, they will need \$6 million. The asset level may be stopping the expansion of usage.

Rep. Glassheim: I tried to move the asset level up in Committee and it failed. There is a bill in the Senate. Currently, if you have assets over \$50,000 you don't qualify. As part of those assets, anything in your house over \$100,000 becomes part of assets. There are probably a lot of older people with houses that they bought for \$15,000 to \$40,000 that are worth \$120,000. Some of that money over \$100k is going into that asset level and preventing them from qualifying based on assets. Last session we raised the income level. They didn't get any new people to apply and they think it is because of assets. I hope we raise the asset level.

Rep. Delzer: In our discussion, they had \$100,000 left over from the (recording stops) original borrowing. . .

The motion to adopt amendment .0102 carried by voice vote and the amendment was adopted.

Rep. Kempenich distributed Amendment .0103 (Attachment B).

Rep. Kempenich looks at how we are dealing with the tax forms. We went to the Tax Department and we have a number of these bills that deal with income tax. This gets language in here that we can look at in the second half on the Senate side. We have the long form and the short form and very few people use the long form. What we are looking at doing with this amendment is trying to keep the conversation going.

Rep. Berg moved amendment .0103. **Rep. Wald** seconded the motion. **The motion carried by a voice vote and the amendment was adopted.**

Rep. Dosch continued his discussion of the bill.

Rep. Dosch moved a **Do Pass as Amended** to HB 1006. **Rep. Berg** seconded the motion.

Rep. Delzer: The loan is with the Bank of America so it does save us \$483,155.

The Do Pass as Amended motion carried by a roll call vote of 23 yeas, nay and 1 absent and not voting. **Rep. Dosch** will carry the bill.

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1006

House House Appropriations- Government Operations Committee

Check here for Conference Committee

Legislative Council Amendment Number "Click here to type Amendment Number"

Action Taken Adopt amendment

Voice Vote

Roll Call Vote

Motion Made By Representative Glassheim: Seconded By Representative Berg:

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Glassheim		
Vice Chairman Thoreson			Representative Meyer		
Representative Kempenich			Representative Kaldor		
Representative Berg					
Representative Dosch					

Total (Yes) "Click here to type Yes Vote" No "Click here to type No Vote"

Absent _____

Floor Assignment "Click here to type Floor Assignment"

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

Reduce operating by \$50,000

Increase other funds and reduce General Fund by \$86,000 for the onsite support.

Correct an error in the bill.

Amendment Adopted

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1006**

House House Appropriations- Government Operations Committee

Check here for Conference Committee

Legislative Council Amendment Number 98007.0101

Action Taken Adopt Amendment

Voice Vote

Roll Call Vote

Motion Made By Representative Glassheim: Seconded By Representative Meyer:

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Representative Glassheim	X	
Vice Chairman Thoreson		X	Representative Meyer	X	
Representative Kempenich	X		Representative Kaldor	X	
Representative Berg		X			
Representative Dosch		X			

Total (Yes) 4 No 4

Absent _____

Floor Assignment "Click here to type Floor Assignment"

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

--This amendment amends subdivision g of subsection 1 of Section 57-02-08.1 to increase the maximum asset level eligible for the homestead tax credit from \$50,000 to \$75,000.

AMENDMENT FAILED

February 10, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1006

Page 1, line 17, replace "2,099,000" with "2,049,000" and replace "8,129,814" with "8,079,814"

Page 1, line 21, replace "5,356,702" with "10,230,247" and replace "5,356,702" with "10,230,247"

Page 1, line 22, replace "7,146,340" with "11,969,885" and replace "37,127,791" with "41,951,336"

Page 1, line 23, replace "(2,690,000)" with "(2,604,000)" and replace "110,000" with "196,000"

Page 2, line 1, replace "9,836,340" with "14,573,885" and replace "37,017,791" with "41,755,336"

Page 2, line 8, replace "5,356,702" with "10,230,247"

Page 2, line 11, replace "8,090,702" with "12,964,247"

Page 2, line 13, replace "7,990,702" with "12,864,247"

Page 2, line 30, overstrike "2008" and insert immediately thereafter "2010"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0102 FN 1

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1006 - State Tax Commissioner - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$17,619,275		\$17,619,275
Operating expenses	8,129,814	(50,000)	8,079,814
Capital assets	58,000		58,000
Homestead tax credit	5,964,000		5,964,000
Integrated tax system repayment	5,356,702	4,873,545	10,230,247
Total all funds	\$37,127,791	\$4,823,545	\$41,951,336
Less estimated income	110,000	86,000	196,000
General fund	\$37,017,791	\$4,737,545	\$41,755,336
FTE	133.00	0.00	133.00

Department No. 127 - State Tax Commissioner - Detail of House Changes

	Changes Funding Source for Operating Expenses ¹	GenTax Loan Payment ²	Reduces Funding for Operating Expenses ³	Total House Changes
Salaries and wages				
Operating expenses			(50,000)	(50,000)
Capital assets				
Homestead tax credit				
Integrated tax system repayment		4,873,545		4,873,545
Total all funds	\$0	\$4,873,545	(\$50,000)	\$4,823,545
Less estimated income	86,000	0	0	86,000
General fund	(\$86,000)	\$4,873,545	(\$50,000)	\$4,737,545
FTE	0.00	0.00	0.00	0.00

¹ The funding source for a portion of operating expenses is changed from the general fund to unexpended loan funds relating to the GenTax integrated tax system.

² This amendment provides additional funding for a total of \$10,230,247 to repay the remaining balance of the loan for the GenTax integrated tax system.

³ Funding for operating expenses is reduced by \$50,000 from the general fund.

Date: 2/14/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1006

Day 30

Full House Appropriations Committee

Conference Committee

Legislative Council amendment Number 98007.0102 *adopt*

Action Taken: Do Pass Do Not Pass As Amended

Motion Made By: Dosch Seconded By: Delzer

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total Yes _____ No _____

Absent _____

Floor Assignment: _____

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

Vote carries.

98007.0103
Title.

Attachment B
2/16/09
Prepared by the Legislative Council staff for
Representative Kempenich
February 11, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1006

Page 1, line 5, after the semicolon insert "to provide legislative intent;"

Page 2, after line 22, insert:

"SECTION 4. LEGISLATIVE INTENT - INDIVIDUAL INCOME TAX SIMPLIFICATION. It is the intent of the sixty-first legislative assembly, as it considers proposals to offer individual income tax relief through tax rate reductions, that it work toward restoring the simplicity originally intended for tax form ND-1 by eliminating or reducing the number of tax deductions and credits in a way that minimizes any negative impact for those individuals who currently claim those tax deductions and credits."

Renumber accordingly

Date: 2/16/09
 Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1006

Full House Appropriations Committee

Conference Committee

Adopt

Legislative Council amendment Number 98007.0103

Action Taken: Do Pass Do Not Pass As Amended

Motion Made By: *Berg* *Berg* Seconded By: Wald

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total Yes _____ No _____

Absent _____

Floor Assignment: _____

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

Voices Vote - Carried

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1006

Page 1, line 5, after the semicolon insert "to provide legislative intent;"

Page 1, line 16, replace "2,890,638" with "1,674,572" and replace "17,619,275" with "16,403,209"

Page 1, line 17, replace "2,099,000" with "2,049,000" and replace "8,129,814" with "8,079,814"

Page 1, line 21, replace "5,356,702" with "10,230,247" and replace "5,356,702" with "10,230,247"

Page 1, line 22, replace "7,146,340" with "10,753,819" and replace "37,127,791" with "40,735,270"

Page 1, line 23, replace "(2,690,000)" with "(2,604,000)" and replace "110,000" with "196,000"

Page 2, line 1, replace "9,836,340" with "13,357,819" and replace "37,017,791" with "40,539,270"

Page 2, line 8, replace "5,356,702" with "10,230,247"

Page 2, line 11, replace "8,090,702" with "12,964,247"

Page 2, line 13, replace "7,990,702" with "12,864,247"

Page 2, after line 22, insert:

"SECTION 4. LEGISLATIVE INTENT - INDIVIDUAL INCOME TAX SIMPLIFICATION. It is the intent of the sixty-first legislative assembly, as it considers proposals to offer individual income tax relief through tax rate reductions, that it work toward restoring the simplicity originally intended for tax form ND-1 by eliminating or reducing the number of tax deductions and credits in a way that minimizes any negative impact for those individuals who currently claim those tax deductions and credits."

Page 2, line 30, overstrike "2008" and insert immediately thereafter "2010"

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0104 FN 2

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1006 - State Tax Commissioner - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$17,619,275	(\$1,216,066)	\$16,403,209
Operating expenses	8,129,814	(50,000)	8,079,814
Capital assets	58,000		58,000
Homestead tax credit	5,964,000		5,964,000
Integrated tax system repayment	5,356,702	4,873,545	10,230,247
Total all funds	\$37,127,791	\$3,607,479	\$40,735,270
Less estimated income	110,000	86,000	196,000
General fund	\$37,017,791	\$3,521,479	\$40,539,270
FTE	133.00	0.00	133.00

Department No. 127 - State Tax Commissioner - Detail of House Changes

	Changes Funding Source for Operating Expenses ¹	GenTax Loan Payment ²	Reduces Funding for Operating Expenses ³	Reduces Funding for Anticipated Salary Savings ⁴	Removes Salary Equity Funding ⁵	Total House Changes
Salaries and wages				(\$507,316)	(\$708,750)	(\$1,216,066)
Operating expenses			(50,000)			(50,000)
Capital assets						
Homestead tax credit						
Integrated tax system repayment		4,873,545				4,873,545
Total all funds	\$0	\$4,873,545	(\$50,000)	(\$507,316)	(\$708,750)	\$3,607,479
Less estimated income	86,000	0	0	0	0	86,000
General fund	(\$86,000)	\$4,873,545	(\$50,000)	(\$507,316)	(\$708,750)	\$3,521,479
FTE	0.00	0.00	0.00	0.00	0.00	0.00

¹ The funding source for a portion of operating expenses is changed from the general fund to unexpended loan funds relating to the GenTax integrated tax system.

² This amendment provides additional funding for a total of \$10,230,247 to repay the remaining balance of the loan for the GenTax integrated tax system.

³ Funding for operating expenses is reduced by \$50,000 from the general fund.

⁴ This amendment reduces salaries and wages funding to recognize anticipated savings from vacant positions and employee turnover.

⁵ This amendment removes funding added in the executive budget for state employee salary equity adjustments.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1006

Page 1, line 5, after the semicolon insert "to provide legislative intent;"

Page 1, line 16, replace "2,890,638" with "1,674,572" and replace "17,619,275" with "16,403,209"

Page 1, line 17, replace "2,099,000" with "2,049,000" and replace "8,129,814" with "8,079,814"

Page 1, line 21, replace the first "5,356,702" with "10,230,247" and replace the second "5,356,702" with "10,230,247"

Page 1, line 22, replace "7,146,340" with "10,753,819" and replace "37,127,791" with "40,735,270"

Page 1, line 23, replace "(2,690,000)" with "(2,604,000)" and replace "110,000" with "196,000"

Page 2, line 1, replace "9,836,340" with "13,357,819" and replace "37,017,791" with "40,539,270"

Page 2, line 8, replace the second "5,356,702" with "10,230,247"

Page 2, line 11, replace "8,090,702" with "12,964,247"

Page 2, line 13, replace "7,990,702" with "12,864,247"

Page 2, after line 22, insert:

"SECTION 4. LEGISLATIVE INTENT - INDIVIDUAL INCOME TAX SIMPLIFICATION. It is the intent of the sixty-first legislative assembly, as it considers proposals to offer individual income tax relief through tax rate reductions, that it work toward restoring the simplicity originally intended for tax form ND-1 by eliminating or reducing the number of tax deductions and credits in a way that minimizes any negative impact for those individuals who currently claim those tax deductions and credits."

Page 2, line 30, overstrike "2008" and insert immediately thereafter "2010"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0105 FN 2

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1006 - State Tax Commissioner - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$17,619,275	(\$1,216,066)	\$16,403,209
Operating expenses	8,129,814	(50,000)	8,079,814
Capital assets	58,000		58,000
Homestead tax credit	5,964,000		5,964,000
Integrated tax system repayment	5,356,702	4,873,545	10,230,247
Total all funds	\$37,127,791	\$3,607,479	\$40,735,270
Less estimated income	110,000	86,000	196,000
General fund	\$37,017,791	\$3,521,479	\$40,539,270
FTE	133.00	0.00	133.00

Department No. 127 - State Tax Commissioner - Detail of House Changes

	Changes Funding Source for Operating Expenses¹	GenTax Loan Payment²	Reduces Funding for Operating Expenses³	Reduces Funding for Anticipated Salary Savings⁴	Removes Salary Equity Funding⁵	Total House Changes
Salaries and wages				(\$507,316)	(\$708,750)	(\$1,216,066)
Operating expenses			(50,000)			(50,000)
Capital assets						
Homestead tax credit						
Integrated tax system repayment		4,873,545				4,873,545
Total all funds	\$0	\$4,873,545	(\$50,000)	(\$507,316)	(\$708,750)	\$3,607,479
Less estimated income	86,000	0	0	0	0	86,000
General fund	(\$86,000)	\$4,873,545	(\$50,000)	(\$507,316)	(\$708,750)	\$3,521,479
FTE	0.00	0.00	0.00	0.00	0.00	0.00

¹ The funding source for a portion of operating expenses is changed from the general fund to unexpended loan funds relating to the GenTax integrated tax system.

² This amendment provides additional funding for a total of \$10,230,247 to repay the remaining balance of the loan for the GenTax integrated tax system.

³ Funding for operating expenses is reduced by \$50,000 from the general fund.

⁴ This amendment reduces salaries and wages funding to recognize anticipated savings from vacant positions and employee turnover.

⁵ This amendment removes funding added in the executive budget for state employee salary equity adjustments.

Date: Aug 30
2/16/09
 Roll Call Vote #: 3

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1006

Full House Appropriations Committee

Conference Committee

Legislative Council amendment Number .0102 and .0103

Action Taken: Do Pass Do Not Pass As Amended

Motion Made By: Dosch Seconded By: Burg

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber	✓	
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim	✓	
Rep. Thoreson	✓		Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew		✓	Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland	✓				

Total Yes 23 No 1

Absent 1

Floor Assignment: Dosch

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

REPORT OF STANDING COMMITTEE

HB 1006: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (23 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1006 was placed on the Sixth order on the calendar.

Page 1, line 5, after the semicolon insert "to provide legislative intent;"

Page 1, line 16, replace "2,890,638" with "1,674,572" and replace "17,619,275" with "16,403,209"

Page 1, line 17, replace "2,099,000" with "2,049,000" and replace "8,129,814" with "8,079,814"

Page 1, line 21, replace the first "5,356,702" with "10,230,247" and replace the second "5,356,702" with "10,230,247"

Page 1, line 22, replace "7,146,340" with "10,753,819" and replace "37,127,791" with "40,735,270"

Page 1, line 23, replace "(2,690,000)" with "(2,604,000)" and replace "110,000" with "196,000"

Page 2, line 1, replace "9,836,340" with "13,357,819" and replace "37,017,791" with "40,539,270"

Page 2, line 8, replace the second "5,356,702" with "10,230,247"

Page 2, line 11, replace "8,090,702" with "12,964,247"

Page 2, line 13, replace "7,990,702" with "12,864,247"

Page 2, after line 22, insert:

"SECTION 4. LEGISLATIVE INTENT - INDIVIDUAL INCOME TAX SIMPLIFICATION. It is the intent of the sixty-first legislative assembly, as it considers proposals to offer individual income tax relief through tax rate reductions, that it work toward restoring the simplicity originally intended for tax form ND-1 by eliminating or reducing the number of tax deductions and credits in a way that minimizes any negative impact for those individuals who currently claim those tax deductions and credits."

Page 2, line 30, overstrike "2008" and insert immediately thereafter "2010"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0105 FN 2

A copy of the statement of purpose of amendment is on file in the Legislative Council Office.

2009 SENATE APPROPRIATIONS

HB 1006

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1006

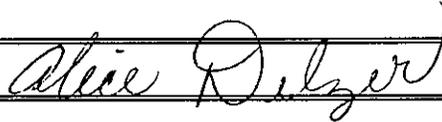
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-25-09

Recorder Job Number: 9699

Committee Clerk Signature



Minutes:

V. Chair Bowman called the committee hearing to order on SB 1006 in regards to State Tax Commissioner appropriation and payment of state reimbursement under the homestead tax credit.

Cory Fong, State Tax Commissioner, testified in favor of HB 1006 and provided written testimony # 1.

Senator Robinson We received a report a couple of months ago that \$160,000,000 ear mark for 2032. There was a pool of taxpayers that would be accessing that late in the calendar year. Where did we end up in terms of total allocations for that 2032 in the last session?

Cory Fong In the first year of the program, we are anticipating about \$42,000,000. We think that will increase in the second year of the program because we have greater awareness and property taxes would be built into that figure. We do expect there to be some additional resources available. The \$557,000 in our salary line, we believe, is due to our choice to delay in replacing some of our vacancies. We thought it was important to allow some time to analyze and evaluate in trained existing staff. We do anticipate filling all of them by the end of the biennium. Operating expenses were treated at zero. The reason for that is that is the area where we are so tight. That's the area where we are spending a dollar to save a dime,

because increased costs. The Homestead Tax credit probably stands out as the largest amount of our turn back.

Senator Robinson Just so we know, and I am assuming that this package was part of your original request is this the same package you brought to the house?

Cory Fong yes, maintaining current service levels were a part of our request before

Senator Linda as how does the governors' 5 and 5 recommendation stack up against what you are looking at?

Cory Fond the 5 and 5 would be on top of the equity package that we have requested. We support the 5 and 5. We think it is essential and the right thing to do. It is different and separate in a part from our need to address equity depression through this particular package. The 5 and 5 is on top of the equity package that we requested.

Senator Robinson In your agency, if we come through with the 5 and 5 is the 5 and 5 assessed on all the salaries and then you address equity? Or do you address equity up front and do the 5 and 5 after the equity package is administered? Is there a policy for state government? What are other agencies going to do?

Cory Fong as I understand 5 and 5 comes first and equity is on top of that. When you look at what the House pulled out of our budget for the equity package, it is \$708,000. Our package is \$675,000 so the 5 and 5 is on top of that.

Senator Robinson is the issue of 5 and 5 first and then equity; is that a policy that will be consistent throughout all state agencies or is that subject to interpretation?

Sandy Deis when OMB put the equity package in, that is how we put it in. To first take the 5 and 5 and then the equity, and that is the way we handled all the agencies.

Senator Robinson Is this package so drafted so there is no room for interpretation?

Sandy Deis I am not familiar with any language that would restrict them to do it that way. That is how we base the dollar amount into the budget so they would be restricted by that.

Senator Robinson What about the special agencies that has a bit of an edge when it comes to salary administrations. Could they not do the equity, and then the 5 and 5 on top of that?

Sandy Deis They still would be limited based upon the appropriation, even if they have more special funds. Their appropriation is based on the 5 and 5 and then any equity increase.

Senator Robinson special fund agencies have the flexibility to go away from the dollars. My concern is with the consistency of fairness, I want people to move up, and yet I don't want to see us create a situation where one or two agencies have a competitive edge, so they are stealing employees because of it.

Cory Fong you are talking about an issue that affects us. If they are able to hire at a higher starting salary than we can, then we run into problems with employee's who have been here for a while. It is critical for us to address. Another issue that is at play here is that the new tools associated with the integrated tax system. Our employees that we are recruiting are required to have higher skill sets. So to attract and retain those employees costs us more money also.

Senator Warner Can you break down your integrated tax enhancements into software, hardware, etc. Relative to identification of NEXAS incorporate income taxes what kind of process do you use to audit them?

Cory Fong I will get that to you in the next discussion on long term plans is this concept of a discovery unit. We have the beginnings of that and what you are seeing with revenue associated with corporate income tax is our ability to do a better job or seeing out of state companies that are doing business here and there for have a tax obligation. With the discovery unit we will be able to better identify tax payers. Our long term goal is to provide a central

portal for North Dakota citizens to manage their tax accounts, file and pay online, and review their past returns. This simple portal is intended for all tax types.

Senator Krauter the final payment of the integrated tax system is that money set aside or is it a general fund or savings?

Cory Fong just general fund dollars as I understand. We had equal payments set up for each biennium. The House initially dedicated funds from the general fund to pay it all. As I conclude let me address the reductions to our salary line. I am requesting that the appropriation committee restore the 3% in our dollar line.

Senator Seymour I need a clarification on the House salary decrease. I have heard that it is from 5 to 3, but I heard you mention something about the size of the agency.

Cory Fong as I understand, agencies with 0 to 9 employees were left alone, agencies with 10 to 99 were decreased by 2%, and agency with 100 up to 250 employees were decreased by 3% and that is where we fit. Agencies with over 250 employees were decreased by 4%. I understand that human services were not affected by this change.

Senator Christmann my question is for Roxanne or Sandy, do we know what the total of all the agencies in terms of equity funding and the changes is cumulatively and also the adjustment in the salary system?

Sandy Deis, Roxanne may have the total on the adjustments that were made. I do have the total on what the governor's recommendation for equity was, but not with me.

Roxanne I can get that information to you.

V. Chair Bowman announced there will be a subcommittee meeting concerning your budget.

V. Chair Bowman closed the hearing HB 1006.

Further testimony was submitted by the Tax Commissioner after the hearing. Written testimony # 3 Gen Tax Costs and Loan Repayment Schedule.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1006

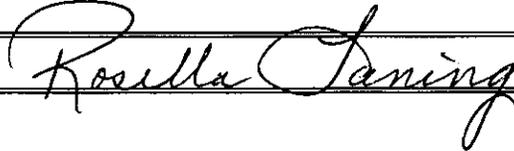
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: March 13, 2009

Recorder Job Number: 10893

Committee Clerk Signature



Minutes:

Chairman Holmberg opened discussion on HB 1006.

Senator Wardner gave overview of bill and presented amendment .0201.

Senator Wardner moved **Do Pass** on amendment .0201.

Senator Krauter seconded the motion.

Voice vote – passed.

Senator Krauter said there have been two vacancies in the Tax Department, one for 38 months and the other for 22 months and suggested removing two FTEs and then work it out in conference.

Senator Krauter moved to remove two FTEs.

Senator Fischer seconded.

Voice vote passed.

Senator Wardner **MOVED DO PASS AS AMENDED.**

Senator Krauter seconded.

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 1

Senator Krauter will carry the bill.

98007.0201
Title.
Fiscal No. 1

Prepared by the Legislative Council staff for
Senator Wardner
March 12, 2009

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1006

Page 1, line 16, replace "1,674,572" with "2,890,638" and replace "16,403,209" with
"17,619,275"

Page 1, line 22, replace "10,753,819" with "11,969,885" and replace "40,735,270" with
"41,951,336"

Page 2, line 1, replace "13,357,819" with "14,573,885" and replace "40,539,270" with
"41,755,336"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0201 FN 1

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1006 - State Tax Commissioner - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$17,619,275	\$16,403,209	\$1,216,066	\$17,619,275
Operating expenses	8,129,814	8,079,814		8,079,814
Capital assets	58,000	58,000		58,000
Homestead tax credit	5,964,000	5,964,000		5,964,000
Integrated tax system repayment	5,356,702	10,230,247		10,230,247
Total all funds	\$37,127,791	\$40,735,270	\$1,216,066	\$41,951,336
Less estimated income	110,000	196,000	0	196,000
General fund	\$37,017,791	\$40,539,270	\$1,216,066	\$41,755,336
FTE	133.00	133.00	0.00	133.00

Department No. 127 - State Tax Commissioner - Detail of Senate Changes

	Restores Funding for Salaries¹	Restores Salary Equity Funding²	Total Senate Changes
Salaries and wages	\$507,316	\$708,750	\$1,216,066
Operating expenses			
Capital assets			
Homestead tax credit			
Integrated tax system repayment			
Total all funds	\$507,316	\$708,750	\$1,216,066
Less estimated income	0	0	0
General fund	\$507,316	\$708,750	\$1,216,066
FTE	0.00	0.00	0.00

¹ This amendment restores salaries and wages funding removed by the House.

² This amendment restores salary equity funding removed by the House.

Date: 3-13-09

Roll Call Vote # 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1006

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number

*.0201 amendment
voice vote
passed*

Action Taken Do Pass Do Not Pass Amended

Motion Made By Wardner Seconded By Krauter

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Chairman			Sen. Aaron Krauter		
Sen. Bill Bowman, VCh			Sen. Elroy N. Lindaas		
Sen. Tony S. Grindberg, VCh			Sen. Tim Mathern		
Sen. Randel Christmann			Sen. Larry J. Robinson		
Sen. Tom Fischer			Sen. Tom Seymour		
Sen. Ralph Kilzer			Sen. John Warner		
Sen. Karen K. Krebsbach					
Sen. Rich Wardner					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Date: 3-13-09

Roll Call Vote # 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1006

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number remove 2 FTEs

Action Taken Do Pass Do Not Pass Amended

Motion Made By Krauter Seconded By Fischer

*voice
vote
passed*

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Chairman			Sen. Aaron Krauter		
Sen. Bill Bowman, VCh			Sen. Elroy N. Lindaas		
Sen. Tony S. Grindberg, VCh			Sen. Tim Mathern		
Sen. Randel Christmann			Sen. Larry J. Robinson		
Sen. Tom Fischer			Sen. Tom Seymour		
Sen. Ralph Kilzer			Sen. John Warner		
Sen. Karen K. Krebsbach					
Sen. Rich Wardner					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1006

Page 1, line 16, replace "1,674,572" with "2,675,758" and replace "16,403,209" with
"17,404,395"

Page 1, line 22, replace "10,753,819" with "11,755,005" and replace "40,735,270" with
"41,736,456"

Page 2, line 1, replace "13,357,819" with "14,359,005" and replace "40,539,270" with
"41,540,456"

Page 2, line 2, replace "0.00" with "(2.00)" and replace "133.00" with "131.00"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0202 FN 2

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1006 - State Tax Commissioner - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$17,619,275	\$16,403,209	\$1,001,186	\$17,404,395
Operating expenses	8,129,814	8,079,814		8,079,814
Capital assets	58,000	58,000		58,000
Homestead tax credit	5,964,000	5,964,000		5,964,000
Integrated tax system repayment	5,356,702	10,230,247		10,230,247
Total all funds	\$37,127,791	\$40,735,270	\$1,001,186	\$41,736,456
Less estimated income	110,000	196,000	0	196,000
General fund	\$37,017,791	\$40,539,270	\$1,001,186	\$41,540,456
FTE	133.00	133.00	(2.00)	131.00

Department No. 127 - State Tax Commissioner - Detail of Senate Changes

	Restores Funding for Salaries¹	Restores Salary Equity Funding²	Removes Vacant FTE Positions³	Total Senate Changes
Salaries and wages	\$507,316	\$708,750	(\$214,880)	\$1,001,186
Operating expenses				
Capital assets				
Homestead tax credit				
Integrated tax system repayment				
Total all funds	\$507,316	\$708,750	(\$214,880)	\$1,001,186
Less estimated income	0	0	0	0
General fund	\$507,316	\$708,750	(\$214,880)	\$1,001,186
FTE	0.00	0.00	(2.00)	(2.00)

¹ This amendment restores salaries and wages funding removed by the House.

² This amendment restores salary equity funding removed by the House.

³ This amendment removes 2 vacant FTE positions.

Date: 3-13-09

Roll Call Vote # 3

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1006

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Wardner Seconded By Krauter

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Chairman	✓		Sen. Aaron Krauter	✓	
Sen. Bill Bowman, VCh	✓		Sen. Elroy N. Lindaas	✓	
Sen. Tony S. Grindberg, VCh	✓		Sen. Tim Mathern	✓	
Sen. Randel Christmann	✓		Sen. Larry J. Robinson	✓	
Sen. Tom Fischer	✓		Sen. Tom Seymour	✓	
Sen. Ralph Kilzer	✓		Sen. John Warner	✓	
Sen. Karen K. Krebsbach	✓				
Sen. Rich Wardner	✓				

Total Yes 14 No 0

Absent 0

Floor Assignment Wardner Krauter

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

REPORT OF STANDING COMMITTEE

HB 1006, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1006 was placed on the Sixth order on the calendar.

Page 1, line 16, replace "1,674,572" with "2,675,758" and replace "16,403,209" with "17,404,395"

Page 1, line 22, replace "10,753,819" with "11,755,005" and replace "40,735,270" with "41,736,456"

Page 2, line 1, replace "13,357,819" with "14,359,005" and replace "40,539,270" with "41,540,456"

Page 2, line 2, replace "0.00" with "(2.00)" and replace "133.00" with "131.00"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0202 FN 2

A copy of the statement of purpose of amendment is on file in the Legislative Council Office.

2009 HOUSE APPROPRIATIONS

CONFERENCE COMMITTEE

HB 1006

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1006

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 4/17/09

Recorder Job Number: 11957

Committee Clerk Signature

Tonya Vaezle

Minutes:

Representative Dosch opened the discussion on House Bill 1006. All conferees were present.

Senator Krebsbach replaced Senator Bowman.

Representative Dosch: I would like to have one of the Senators go through the changes that they made and perhaps discuss those one at a time and go forward from there.

Senator Wardner: First of all the on the amendment we restored the salaries and wages and from what I am told that is not a real contentious issue anymore. Number two we restored the salary equity funding which I know is not resolved. The third thing, we removed two FTE positions. In all fairness to the Tax Department, it was done after the hearing and we were looking at some sheets where there had been vacant FTEs for a long period of time so they have not had an opportunity to defend themselves. If it is alright with you that is one issue that if we could get resolved shortly that would be great. I am not sure just what your feelings are on the other two but on the equity we are kind of locked in on that and I know that as our chairman says, someone at a higher level is going to have to break the ice loose here. I hope it is not dynamite liked they used on the Missouri River. With that if it is possible I would like to hear from the Tax Department.

Senator Krauter: Just to add some things to what Senator Wardner had said. We all received that report that listed all of the vacant FTEs within all state agencies. As we reviewed that we came across two vacant FTEs, an audit technician that had been vacant in the Tax Department for 38 months and then an office assistant three that had been vacant for 22 months. Those are the two that we removed. Our thought process there is that 38 months is a long period of time to have it open. The other thought process on the other one, on the office assistant was 22 months and that is right in that one biennium. That is the rationale behind that.

Representative Dosch: We did receive a memo from the Tax Commissioner with a little bit of an explanation of the two FTE positions and why they feel that it is critical. I guess when you look at the history of the Tax Department since Mr. Fong has taken over there; they have run that department very efficiently. They have turned back dollars virtually every session. They have increased their efficiencies very dramatically. I would ask the Tax Commissioner if you have anything else that you would like to say or just maybe a very brief comment on these two positions I would welcome you to come to the mic and make your plea.

Corey Fong, Tax Commissioner: I appreciate this opportunity and I will be brief. To just put it simply, yes, these two positions have been vacant for some time. 38 months for one of them and 22 months for the other. As our memo points out we have gone through quite a bit over the course of the last several years since I have been Tax Commissioner. We have been implementing our new integrated tax system that some of you know very well because of your time on appropriations. That was a significant project, a \$14million project, that was rolled out in a two year period of time. We felt that that was a very important time for us to take a parallel track with implementing it with a reorganization of our department. Instead of just filling vacancies for the sake of filling vacancies we chose to hold some of those open until we had

the technology completely implemented and working for the department to figure out what our needs were. Right now we believe with the GenTax being up and running with our reorg still in process, we will be able to fill those vacancies, all of our vacancies by the end of this biennium. The other thing that we were faced with during that period of time was of course 2032 implementation which was the property tax credit that we are operating under right now. That created quite a bit of additional workload, unanticipated workload that did not allow us to focus on some of those other areas of the department for that period of time. Also a bit of a challenge for us and distraction I guess is what I am saying so that was another reason why we were unable to fill some of those vacancies. To be brief again and I know that you have a lot of work ahead of you; we believe that we will need those positions. We are asked to do more, there are more things coming at us from this session that we plan to absorb with our current staffing. Again if you look at the memo we have cut back staffing over the years since a ten year period of time almost twenty FTEs. We feel that we are a lean mean fighting machine. We have been able to achieve that through good technology implementation, efficiencies and that is why we were not asking for more FTEs this legislative session but we need the ones that we have got. That is why we are very interested in having those two vacant FTEs restored.

Vice Chairman Thoreson: So these positions have been available for 38 and 22 months respectively. Were they ever advertised during that time period or did you make any attempt to fill them during that period of time?

Corey Fong, Tax Commissioner: I do not believe so. Glenda says no.

Vice Chairman Thoreson: I guess then so when became open say the one 38 months ago, was the thought at that point right away that we were going to wait and get this technology in place and use it for that then or is that something that involved during this time. Say they have

been open for 12 months and then maybe you identified that maybe it could be used for this spot.

Corey Fong, Tax Commissioner: As vacancies have come open over the years and on the same time line as our integrated tax system we have held off on filling some positions because of wanting to see where our organization is going to end up in terms of the various areas to match up with our new system. We have been holding some positions open for that time when we think we can fill them. One of the areas that we are trying to advance and pull together with existing FTEs in our department is a new discovery unit that we will be able to utilize our technology better. The list that we have from the feds from other organizations from the other agencies to help us pursue tax payers that we believe are not on the tax rolls so to speak. In other words it is a discovery unit that would allow us to pursue taxpayers that are not fulfilling their requirements. We have been wanting to and we even advanced the idea as we were putting our budget together whether we should ask for FTEs for that purpose. We chose not to because we felt we could absorb it with the vacancies that we have. If we aren't able to keep those two positions, that particular program is going to be at risk. We are going to have to look at scaling it back or doing something else or not doing it at all.

Senator Wardner: First of all do you plan on advertising for those jobs? What is your time table for that? Then the second question would be do you feel it is going to be tough to fill them?

Corey Fong, Tax Commissioner: We do plan to fill those vacancies by the end of this biennium. We are going through some of the other vacancies that we have are being filled as we speak. We have interviewed a number of corp auditors. We have a sales tax auditor that is coming on line but again our timeline is to fill those by the end of this biennium and begin training them up immediately. Will we have problems advertising or competing for them

because of the salaries? Well we think we will have enough resources to advertise and recruit the right kind of people for those jobs but again it goes back to some of the other issues that you have to decide about equity and the pay package because we have said to both houses that that is an important part of our operation in terms of recruiting the right kind of people and setting the right salary dollars to support that. That includes a strong pay package and equity.

Representative Dosch: The House reduced the salary and wage line by \$507,000. I guess if memory serves me correctly the reason why it was done is that typically there had been at least that amount if not more turned back each biennium on the salary line. Just your thoughts on that, which is different than the equity discussion but if you could just comment on what we did in the House.

Corey Fong, Tax Commissioner: As I understand that was part of the effort that was kind of a blanket provision where certain agencies up to I can't remember, I think it was 100 employees, their salary line was cut by 2% and anything between 100 and 150 it was 3% and I might not be getting those numbers exactly right but we fell into the category where you simply just took 3% out of our salary line. That would have been very difficult for us to deal with because we would have essentially still had the same number of employees and we would have been underfunded into the next biennium to fund those positions without a doubt. That would have created hard ship for us and I know the other agencies would have had the similar hard ships for those agencies as well. We would have essentially had the positions but not the salary to support those positions. That would have been very difficult but we did agree with the Senate's restoration of that. That I guess is my response to that. It would have been very difficult for us to deal with that. I think we are similar to all of the other agencies where we would have had the positions but not the salary dollars to support them.

Representative Dosch: Are there any other questions?

Representative Glasheim: Could you refresh my memory on repaying on the GenTax system loan payment and what were the gains to the state in doing that?

Representative Dosch: Correct me if I am wrong but I believe by repaying it a biennium earlier we saved something to the tune of \$480,000 in interest payments on that. Since we did have some available dollars we decided to do that and save the state.

Representative Glasheim: I am more and more concerned about the General Fund and I see \$4.8million going out and maybe it is worth \$480,000 for two years to have the \$4.8million in the bank or wherever we are going to have it but it was just a question.

Representative Dosch: Are there any other questions? If not like Senator Wardner had said the salary equity issues, that has not been resolved yet by the upper management. So we will go over that. I believe what we are going to do unless we had any other more specific questions regarding the vacant FTEs, I think perhaps rather than taking any action on any one of these particular things since we will have to meet again regarding the equity aspect of this that we will hold off on actions until that time and then hopefully take them all together. Unless any one has any objections to that?

Senator Wardner: The salaries and wages part which is the 5 & 5, I think we are ok on that.

Vice Chairman Thoreson: I am not certain. I don't know if we have reached a decision on that on the House side. You hear talk but perhaps we are but to support what the chairman has said I think it is best to wait and not take any action at this time.

Representative Dosch: I do believe we did vote and passed out the 5 & 5. I am not sure, did the Senate, and was there any other changes to that bill or anything? I guess I am not certain but that is how it came out of the House. I think we are on the same page on that.

Senator Wardner: The bill that came over to the Senate had the 5 & 5 in.

Vice Chairman Thoreson: I believe that may be the case. I am just saying that until we get the other issues resolved, I think we are ok.

Senator Wardner: The big issue is the equity.

Vice Chairman Thoreson: Exactly.

Representative Dosch: Right. So unless there are any more questions hopefully we can meet one more time and we will have the equity figured out and be able to wrap it all up at the next meeting. If the Senate feels more comfortable with the vacant FTE positions that we talked about I don't know.

Senator Wardner: I think we would restore one. If there is more information we will consider it but that is kind of a tentative thing but to let you know kind of where we sit on that.

Representative Dosch: We appreciate that. Are there any other comments?

Representative Dosch closed the conference committee on House Bill 1006.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1006

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 4/25/09

Recorder Job Number: #12261

Committee Clerk Signature

Markus Kienzle

Minutes:

Representative Dosch called the conference committee on House Bill 1006 to order. All conferees were present.

Representative Dosch: Just to kind of review from our last meeting there are two issues on this budget. One is the equity which is pretty much resolved. The other issue is for the tow FTE's that was taken out of the Tax Commissioner budget by the Senate. I guess I have visited with the Commissioner on this and his desire is to keep these two positions. Again as we look at all of the various budgets we have been trying to cut out as much as we could. This agency is one budget that the agency has reduced its staff by some twenty postions. I think one of the true agencies that have benefited from IT advancements and computerizing. This has been one where they have truly been frugal in what they have done always turned money back to the state. One of the new tools that their new software allows for is called the Gentext the Discovery Unit. It is one of those enhanced modules and one of the reasons that we didn't spend the money in the department to enhance some of these areas. And that is why we should allow them to keep those people to utilize those enhancements and collect the money. I think they are going to more than pay for themselves out of his budget.

Senator Wardner: I think you are right. The other two amendments that are on there are going to be taken care of. That is a done deal isn't it? The equity will also be taken care of in another bill. I would like to ask the Commissioner a couple of questions before we make a decision. The position has been open for 38 months and I read through the material and I understood you were going to hire the coming biennium. Now I understand that someone is to come aboard this June. My questions are this audit technician what do they do and why can we be assured that you are going to hire right away?

Corey Fong, Tax Commissioner: That audit technician that has been open for 38 months, we will have to reclassify that position and we planned to this by this biennium. That audit tech will be something different that we are going to reclassify in the form of the new discovery unit.

Senator Wardner: Now you did have seven other positions open, are there any more that could be reclassified?

Corey Fong, Tax Commissioner: Three of the positions that were on that list have been filled. We planned to fast track this to make sure we have them on board by the end of the biennium.

Senator Wardner: I need some comfort level here. Now I would like to talk about the Office Assistant III. You had that open for 22 months and that is the one we said we would return. Why was that open so long?

Corey Fong, Tax Commissioner: We have been doing a lot over the last several years. We have integrate a new tax system, trying to align a new organization and we thought it was important to hold off on some of these positions until we knew exactly what we were going to do with some of this organization. We have had many projects that we have e been assigned, the two year tax program that we have been assigned, the relief program that we have is something to deal with and we did not ask for additional FTEs staff. There is about four or five others that the legislature is asking us to absorb this legislative session.

I know that we have done a fine job in the Tax Department and have not asked for more FTE's.

Senator Krauter: I don't think that anybody here is saying that the Department has not done a good job they have done a great job. When there is an FTE vacant for over a biennium that draws a red flag.

Vice Chairman Thoreson: I guess I was going to make a lot of the same comments that the Department is doing a very good job. Last session I was not totally sold on the 14 million for the new software program but see that it has captured more taxes that were not being paid. If we want to go down the route of FTE positions that were not filled we would have to look at a lot of departments. Since the position is going to be filled in 60 days it does help my comfort level.

Representative Dosch: We did the same thing in the House too as looking for positions that were open for an extended time. The few extenuating circumstances that did come into play here, the conversion of the tax system, the restructuring of the Department the Tax Commissioner is trying to make it more efficient by putting the people where they are needed not just stay where they are at. I think he took a very reasonable approach and said let wait until we get the new system running and see where the needs are going to be and place then that way. I do have to compliment the Commissioner at this approach. That is something that we certainly scrutinized as we looked at the budget but this is a little bit different situation. This is why we elected to do nothing with the FTE's.

Vice Chairman Thoreson: We the Legislature did put some extra demands on the Commissioner Office in what we did three years ago with the property tax situation. I just want to thank you for the work you have done the people of North Dakota have appreciated that in a timely manner you got the money back to them.

Representative Glassheim: My take on this would be that we certainly should scrutinize any position that has been open for 18 month or perhaps 24 months and we should scrutinize it and it is a red flag. The department should make a case if the need the position or not. They have shown us that yes it was vacant and now they need it. I don't think they should be punished them for not filling it if they have a need for it we should allow it.

Senator Wardner: I will cave on this one. I think you did make your case and I do expect it to be filled or the process of it being filled because if it happens again I am not going to cave again. I will make a motion to recede.

Becky Keller, Legislative Council: You will recede from your amendments and amend as follows.

The amendments are as follows:

The salary equity will be removed.

Te vacant FTE's will not be removed.

The funding for salaries and wages that was removed by the House and restored by the Senate will remain.

Representative Glassheim: As I read the budget status sheets. I continue to feel somewhat uncomfortable with paying off the General Tax Loan upfront. I know you save interest money but it is 4.8 million dollars this session that we don't need to pay off and can pay off next session. This could be money that would be restored in the General Fund.

Representative Dosch: I think next session we are going to be very glad that we paid it off.

Senator Bowman: 2nd the motion

Senator Krauter: When you reclassify a job you give that job a different number, does that restart the clock as far as how long there has been a vacancy or does it just continue to count from the other job number?

Corey Fong, Tax Commissioner: The time continues to compound. When a job is reclassified it will show up as the number of months that was a vacancy. There won't be any way we can game that number.

Senator Krauter: If that stays that way I will go along with restoring these two because that way we do have the barometer as to how to check this.

Corey Fong, Tax Commissioner: We did get the message and will be working immediately to get these positions filled.

Vote was animus.

Representative Dosch: A question for Legislative Council is with these amendments can we complete this session now and then sign off on them when they come back?

Becky Keller, Legislative Council: I will draft the amendments and give a copy to whomever needs them and a copy will go to the Full House Clerk, Holly and she will draft the report.

Representative Dosch: Committee meeting is closed.

98007.0203
Title.0400
Fiscal No. 1

Prepared by the Legislative Council staff for
Conference Committee
April 25, 2009

VR
4/27/09
102

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1006

That the Senate recede from its amendments as printed on page 1115 of the House Journal and page 954 of the Senate Journal and that Engrossed House Bill No. 1006 be amended as follows:

Page 1, line 16, replace "1,674,572" with "2,181,888" and replace "16,403,209" with "16,910,525"

Page 1, line 22, replace "10,753,819" with "11,261,135" and replace "40,735,270" with "41,242,586"

Page 2, line 1, replace "13,357,819" with "13,865,135" and replace "40,539,270" with "41,046,586"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0203 FN 1

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1006 - State Tax Commissioner - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$17,619,275	\$16,403,209	\$507,316	\$16,910,525	\$17,404,395	(\$493,870)
Operating expenses	8,129,814	8,079,814		8,079,814	8,079,814	
Capital assets	58,000	58,000		58,000	58,000	
Homestead tax credit	5,964,000	5,964,000		5,964,000	5,964,000	
Integrated tax system repayment	5,356,702	10,230,247		10,230,247	10,230,247	
Total all funds	\$37,127,791	\$40,735,270	\$507,316	\$41,242,586	\$41,736,456	(\$493,870)
Less estimated income	110,000	196,000	0	196,000	196,000	0
General fund	\$37,017,791	\$40,539,270	\$507,316	\$41,046,586	\$41,540,456	(\$493,870)
FTE	133.00	133.00	0.00	133.00	131.00	2.00

Department No. 127 - State Tax Commissioner - Detail of Conference Committee Changes

	Restores Funding for Salaries ¹	Total Conference Committee Changes
Salaries and wages	\$507,316	\$507,316
Operating expenses		
Capital assets		
Homestead tax credit		
Integrated tax system repayment		
Total all funds	\$507,316	\$507,316
Less estimated income	0	0
General fund	\$507,316	\$507,316
FTE	0.00	0.00

¹ This amendment restores salaries and wages funding removed by the House to recognize anticipated savings from vacant positions and employee turnover. This funding was also restored by the Senate.

All present

Action

REPORT OF CONFERENCE COMMITTEE (ACCEDE/RECEDE)

Bill Number 1006 (, as (re)engrossed):

Date: 4/25/09

Your Conference Committee Gov Ops.

For the Senate:

For the House:

Table with columns for YES/NO for Senate and House, listing members: Wardner, Bowman, Krauter, Dorsch, Thoreson, Glassheim.

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) 1115 -

and place on the Seventh order.

X, adopt (further) amendments as follows, and place 0263 on the Seventh order:

having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) was placed on the Seventh order of business on the calendar.

DATE:

CARRIER:

Table with rows for LC NO. of amendment, LC NO. of engrossment, Emergency clause added or deleted, Statement of purpose of amendment.

MOTION MADE BY: Wardner

Salary - removed
Vacant PTE - not removed

SECONDED BY: Bowman

VOTE COUNT 11 YES 0 NO ABSENT

Revised 4/1/05

Senate carrier - Krauter

REPORT OF CONFERENCE COMMITTEE

HB 1006, as engrossed: Your conference committee (Sens. Wardner, Bowman, Krauter and Reps. Dosch, Thoreson, Glassheim) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1115, adopt amendments as follows, and place HB 1006 on the Seventh order:

That the Senate recede from its amendments as printed on page 1115 of the House Journal and page 954 of the Senate Journal and that Engrossed House Bill No. 1006 be amended as follows:

Page 1, line 16, replace "1,674,572" with "2,181,888" and replace "16,403,209" with "16,910,525"

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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98007.0203 FN 1

A copy of the statement of purpose of amendment is on file in the Legislative Council Office.

Engrossed HB 1006 was placed on the Seventh order of business on the calendar.

2009 TESTIMONY

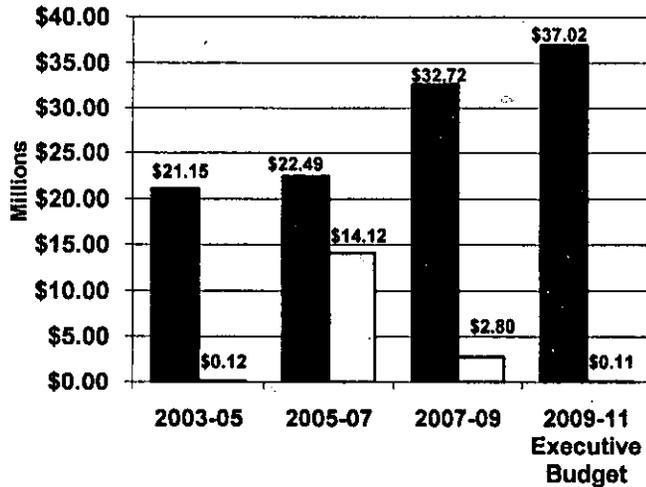
HB 1006

**Department 127 - Tax Commissioner
 House Bill No. 1006**

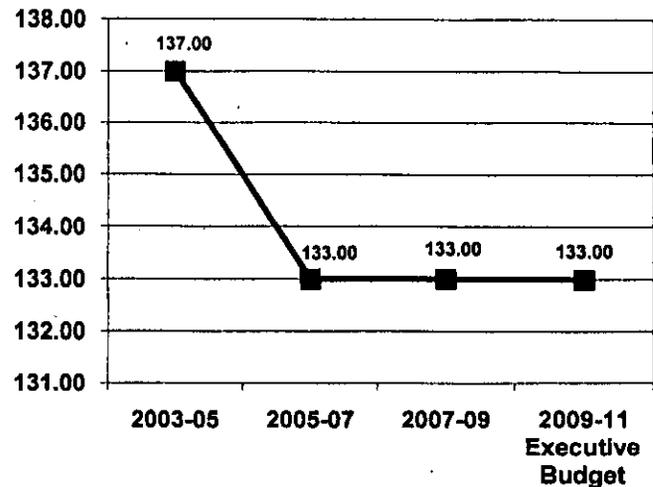
	FTE Positions	General Fund	Other Funds	Total
2009-11 Executive Budget	133.00	\$37,017,791	\$110,000	\$37,127,791
2007-09 Legislative Appropriations	133.00	32,716,810	2,800,000	35,516,810 ¹
Increase (Decrease)	0.00	\$4,300,981	(\$2,690,000)	\$1,610,981

¹The 2007-09 appropriation amounts include \$178,657 from the general fund for the agency's share of the \$10 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Agency Funding



FTE Positions



■ General Fund □ Other Funds

Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2009-11 Executive Budget	\$29,027,089	\$7,990,702	\$37,017,791
2007-09 Legislative Appropriations	27,360,108	5,356,702	32,716,810
Increase (Decrease)	\$1,666,981	\$2,634,000	\$4,300,981

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding to address salary equity issues (\$675,000) and related second-year salary increases (\$33,750)	\$708,750		\$708,750
2. Removes one-time funding for administration of the property tax income tax credit		(\$924,000)	(\$924,000)
3. Removes funding provided for the 2007-09 biennium for onsite support for the GenTax system		(\$1,150,000)	(\$1,150,000)
4. Decreases funding for the homestead tax credit program from \$8,104,000 to \$5,964,000	(\$2,140,000)		(\$2,140,000)
5. Provides one-time funding for information technology projects, including onsite support for the GenTax system (\$1,234,000) and the integration of the oil and gas tax collection system into the GenTax system (\$1,500,000)	\$2,634,000	\$100,000	\$2,734,000
6. Continues one-time funding for the second of three payments for the GenTax system loan	\$5,356,702		\$5,356,702
7. Provides funding for information technology equipment	\$58,000		\$58,000
8. Changes the funding source for the annual maintenance agreement for the integrated tax system from unexpended loan funds to the general fund for a total of \$1,100,000 from the general fund	\$550,000	(\$550,000)	\$0

Other Sections in Bill

Section 3 provides for a transfer of \$1,288,000 from motor vehicle fuel tax collections to the general fund relating to costs incurred by the Tax Department to collect motor vehicle fuel and special fuels taxes.

Section 4 authorizes the Tax Department to continue 2007-09 unspent appropriation authority for the integrated tax system to 2009-11 biennium.

Section 5 provides for the statutory changes necessary to increase the Tax Commissioner's salary as follows:

Annual salary authorized by the 2007 Legislative Assembly:

July 1, 2007	\$83,039
July 1, 2008	\$86,360

Proposed annual salary recommended in the 2009-11 executive budget:

July 1, 2009	\$90,678
July 1, 2010	\$95,212

The executive recommendation provides funding for elected officials' salary increases equal to 5 percent of salaries effective July 1, 2009, and 5 percent effective July 1, 2010.

Continuing Appropriations

No continuing appropriations for this agency.

Major Related Legislation

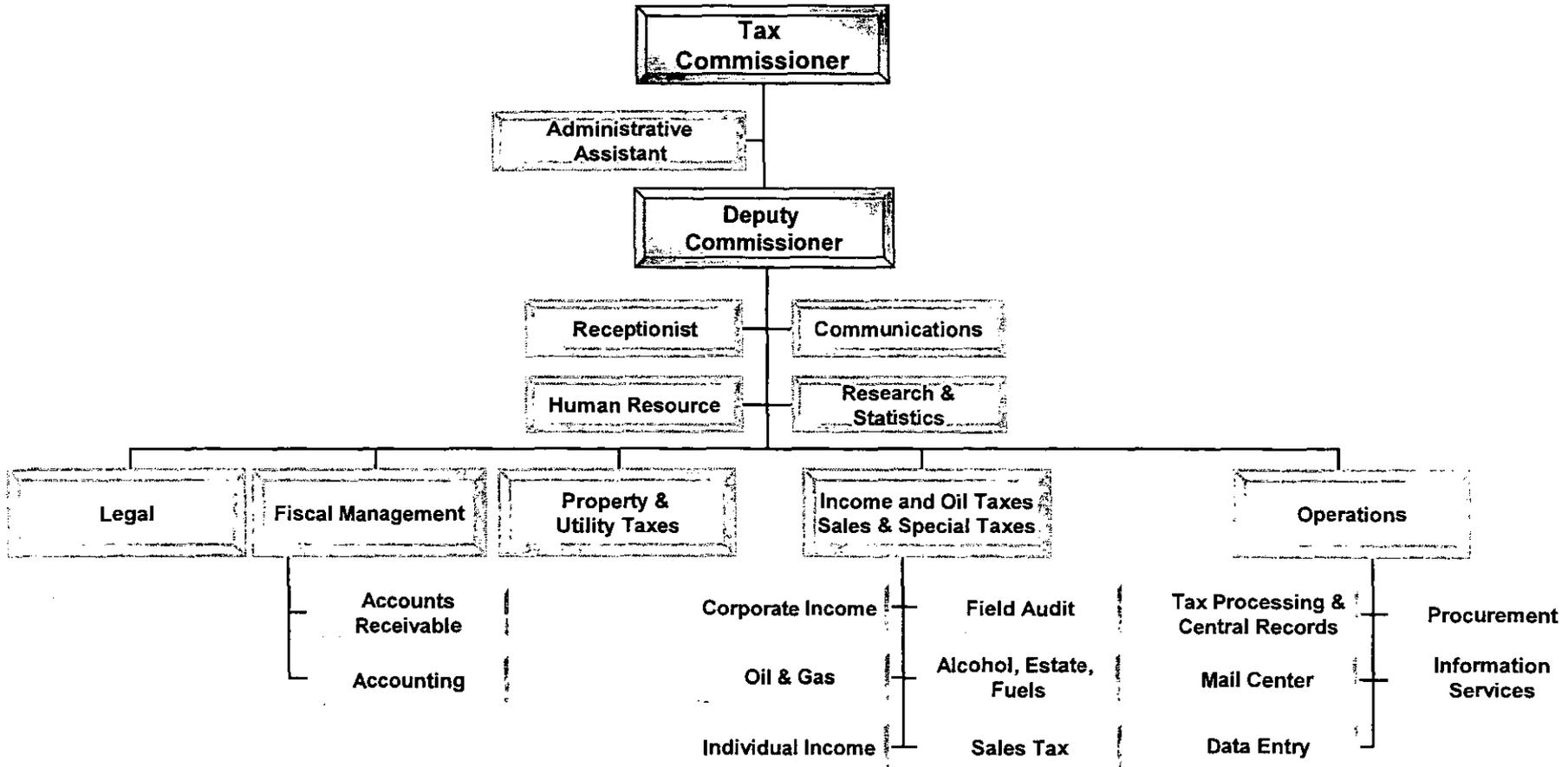
House Bill No. 1084 - This bill authorizes the Tax Department to request background checks for final applicants for a specified occupation with the Tax Commissioner as designated by the Tax Commissioner.

Significant Audit Findings

The operational audit for the Tax Department conducted by the State Auditor's office during the 2007-08 interim included the following significant finding:

- The Tax Commissioner does not perform background investigations for new hires that will have access to sensitive information such as tax returns, Social Security numbers, and bank account information.

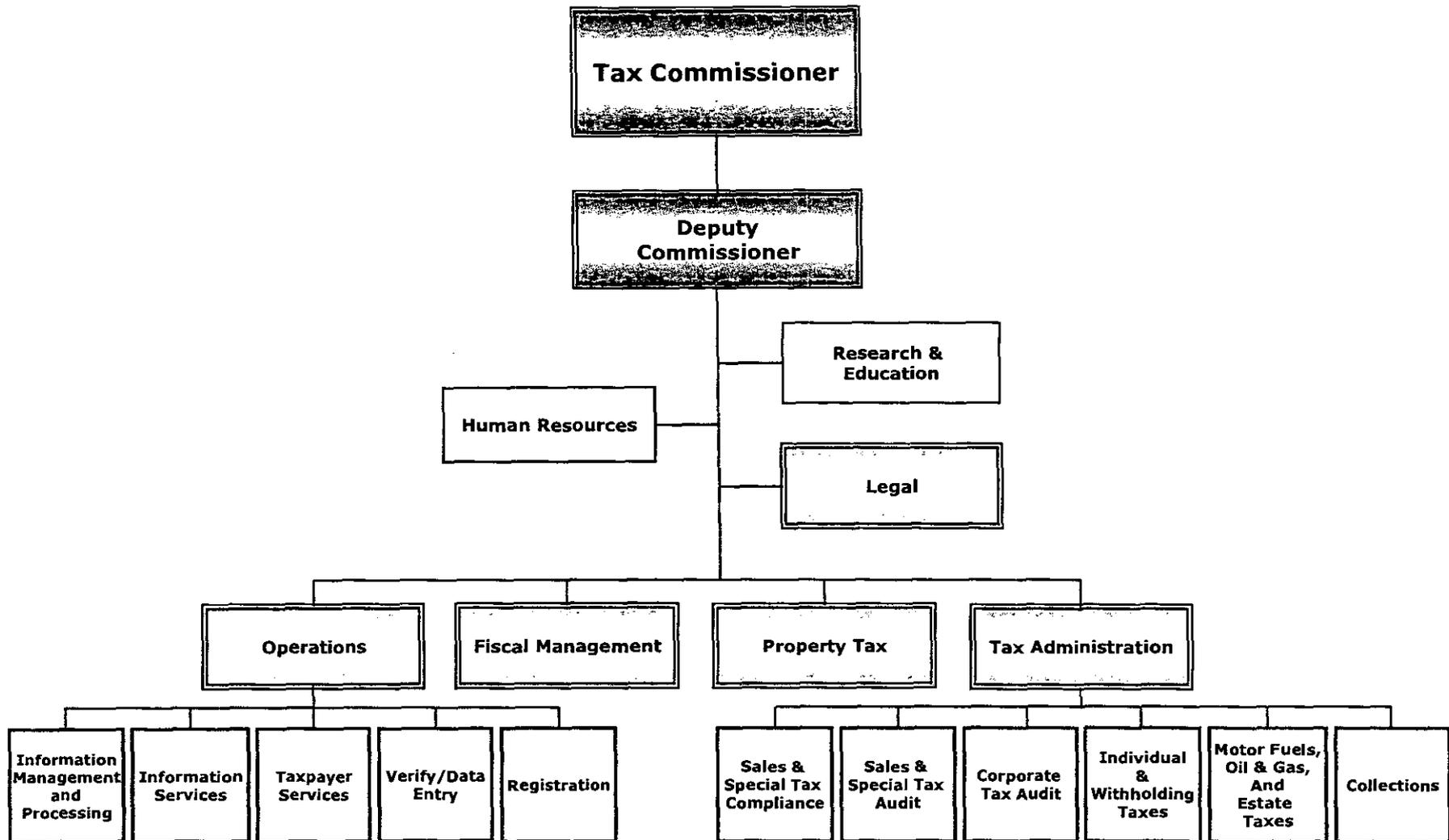
**Office of State Tax Commissioner
October 2003**



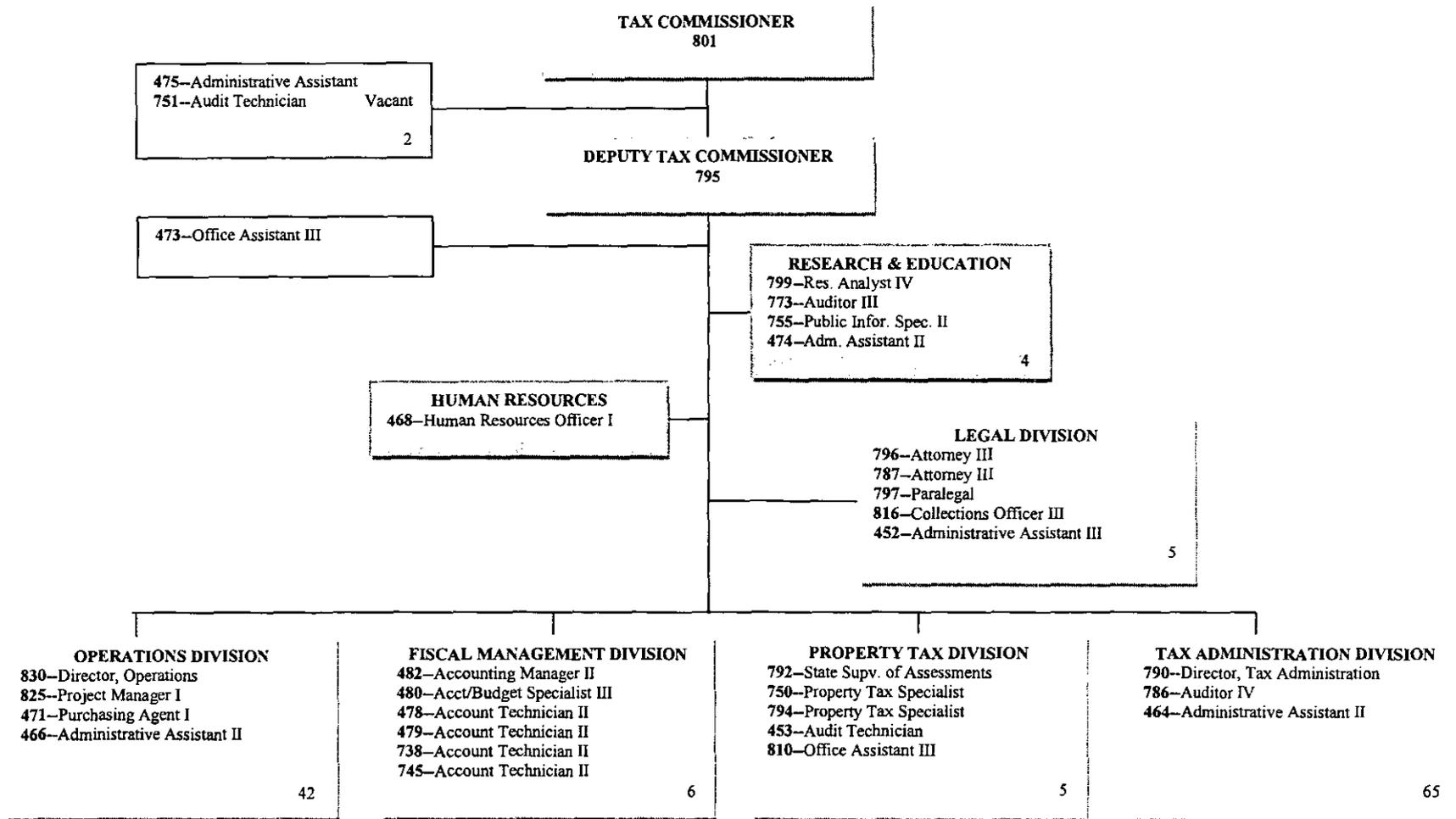
*Attachment
1006.1.22.0915*

Office of State Tax Commissioner

July 1, 2008



OFFICE OF STATE TAX COMMISSIONER



*Attachment
1006.1.22.09 F*

OFFICE OF STATE TAX COMMISSIONER

OPERATIONS DIVISION

830--Director, Operations
825--Project Manager I
471--Purchasing Agent I
466--Administrative Assistant II

4

INFORMATION MANAGEMENT & PROCESSING

459--Infor. Mgt. Officer
746--Administrative Officer I
472--Doc. Imaging Spec. II
743--Doc. Imaging Spec. II
444--Office Assistant III
445--Office Assistant III
739--Office Assistant III
741--Office Assistant III
744--Office Assistant III
449--Doc. Imaging Spec. I

10

INFORMATION SERVICES

793--Infor. Tech. Manager
477--Programmer Analyst III
476--Data Processing Coord. III
481--Programmer Analyst II
808--Programmer Analyst II
759--Data Processing Coord. II
791--Data Processing Coord. II

7

TAXPAYER SERVICES

789--Auditor IV
817--Auditor III
454--Auditor I
450--Audit Technician
455--Audit Technician
470--Audit Technician
749--Audit Technician
800--Audit Technician
835--Audit Technician

9

VERIFY/DATA ENTRY

803--Administrative Assistant III
804--Administrative Assistant I
805--Office Assistant III
806--Office Assistant III

4

REGISTRATION

824--Adm. Staff Officer II
467--Compliance Officer I
448--Audit Technician
463--Audit Technician
462--Adm. Assist. II
469--Adm. Assist. I
748--Adm. Assist. I Vacant
461--Office Assist. III Vacant

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OFFICE OF STATE TAX COMMISSIONER

TAX ADMINISTRATION DIVISION

790--Director, Tax Administration
786--Auditor IV
464--Administrative Assistant II

3

SALES & SPECIAL TAX COMPLIANCE

785--Auditor IV
826--Auditor III
465--Com Officer II
754--Com Officer II
769--Com Officer II
758--Com. Officer I
446--Acct. Tech. II

7

SALES & SPECIAL TAX AUDIT

771--Auditor IV
740--Auditor III
762--Auditor III
763--Auditor III Vacant
764--Auditor III Vacant
765--Auditor III
767--Auditor III
768--Auditor III
770--Auditor III
772--Auditor III
776--Auditor III
777--Auditor III
778--Auditor III
779--Auditor III
812--Auditor III
813--Auditor III
814--Auditor III
766--Auditor II
775--Auditor II

19

CORPORATE TAX AUDIT

781--Auditor IV
823--Auditor IV
780--Auditor III
783--Auditor III Vacant
798--Auditor III
818--Auditor III
821--Auditor III
807--Auditor II
819--Auditor II
820--Auditor II
451--Audit Technician

11

INDIVIDUAL & WITHHOLDING TAXES

815--Auditor IV
753--Auditor III
774--Auditor III
828--Auditor III
457--Auditor II
760--Auditor I
456--Audit Technician
460--Audit Technician
832--Audit Technician
833--Audit Technician
447--Office Assistant II
834--Office Assistant II

12

MOTOR FUELS, OIL & GAS, & ESTATE TAXES

822--Auditor IV
757--Auditor III
782--Auditor III
811--Com. Officer I
784--Audit Technician
829--Office Assistant II

6

COLLECTIONS

752--Tax Col. Supv.
483--Col. Officer III
484--Col. Officer III
485--Col. Officer III
486--Col. Officer III
487--Col. Officer III
747--Col. Officer III

7



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

Attachment
1006.1.13.09 A

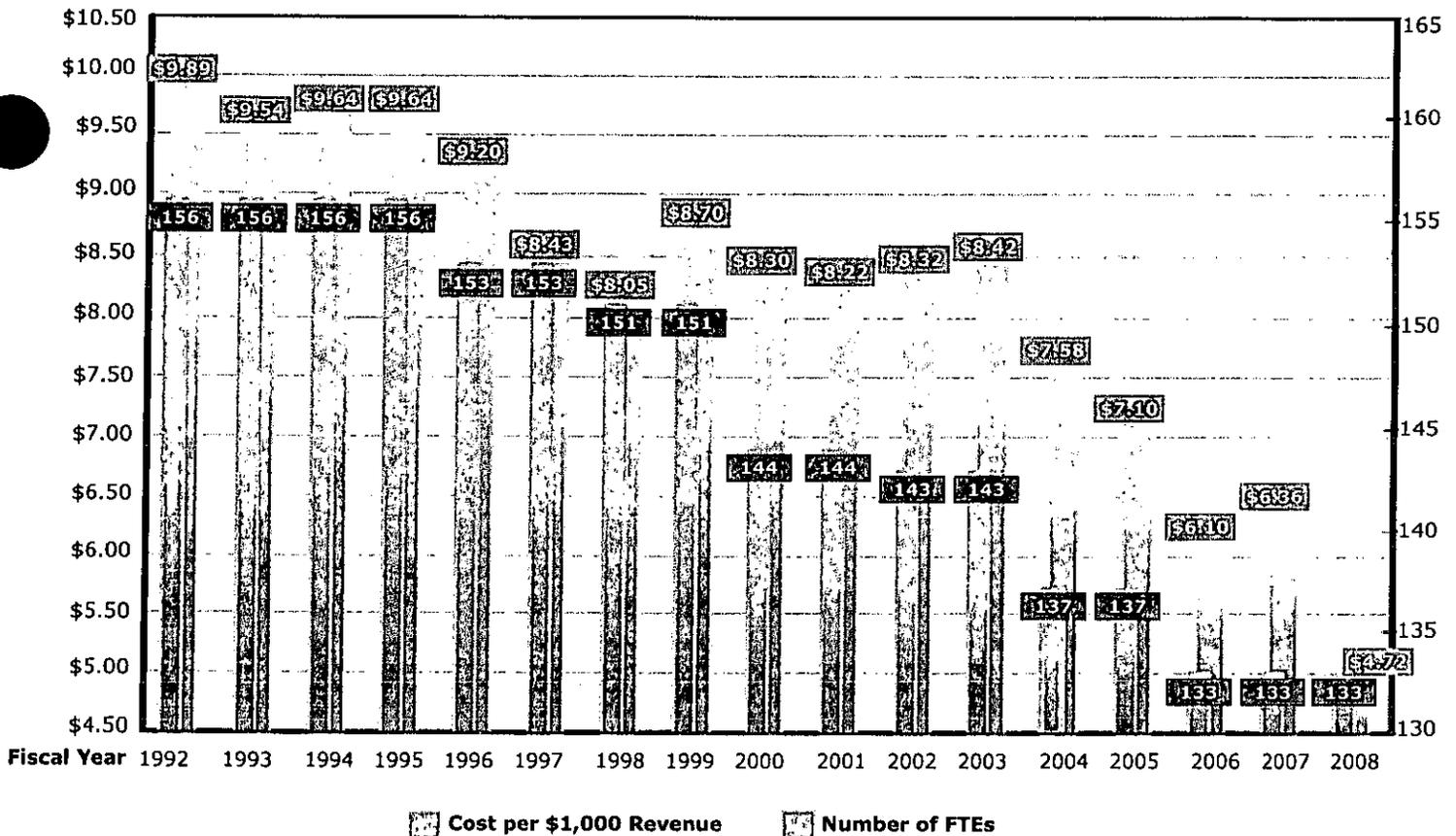
BUDGET PRESENTATION

HOUSE APPROPRIATIONS COMMITTEE
House Bill 1006
January 13, 2009

Agency overview

Tax Department Mission: to fairly and effectively administer the tax laws of North Dakota while instilling the highest degree of public confidence in our integrity and reliability. The Department has improved its productivity by nearly 70% since 1992 because of actions resulting from business process measurement and process improvement. The cost to collect \$1,000 in revenue for FY 2008 was \$4.72 compared to \$9.89 in 1992. After adjusting for inflation, the 1992 cost would be \$15.89 today. That represents a drop of \$11.17 in real terms. This level of productivity will be difficult to maintain without adequate funding to cover the rate increases and usage increases that are necessary to fulfill our mission.

Tax Department Total Cost per \$1,000 Revenue Collected



Budget overview

Line Item/Object Description	Actual Expenditures 2005-2007	Appropriation 2007-2009	Estimated Expenses 2007-2009	Projected Turnback 6/30/2009	Recommended 2009-2011
Salaries & wages	\$ 12,950,824	\$ 14,907,294	\$ 14,350,000	\$ 557,294	\$ 17,619,275
Operating expenses	4,169,072	6,030,814 <i>(\$1.7 M Spec Funds)</i>	6,030,814	0	8,119,814 <i>(\$100,000 Spec Funds)</i>
Capital assets	15,825	18,000	18,000	0	58,000
Homestead tax credit (General Fund)	4,406,905	8,104,000	5,410,000	2,694,000	5,964,000
Integrated tax system	11,650,704 <i>(Spec Funds)</i>	5,356,702 <i>(One-time Gen Funds)</i>	5,356,702	0	5,356,702
Property tax relief (Special Funds)	0	1,100,000	914,000	186,000 <i>(All Spec Funds)</i>	0
Motor fuels federal grant	0	0			10,000
Total	\$ 33,193,330	\$ 35,516,810	\$ 32,079,516	\$ 3,437,294	\$ 37,127,791
# FTE	133	133			133
Total General Fund	\$ 21,542,626	\$ 32,716,810	\$ 29,465,516	\$ 3,251,294	\$ 37,017,791
Total Special Fund	11,650,704	2,800,000	2,614,000	186,000	100,000
Total Federal Fund	0	0			10,000
Total for Department	\$ 33,193,330	\$ 35,516,810	\$ 32,079,516	\$ 3,437,294	\$ 37,127,791
% Change		7%			4.5%
			excluding Homestead Special Funds	\$ 557,294 186,000 \$ 743,294	

Budget overview, cont'd**2005-2007 Biennium**

- Integrated Tax System - The Department was authorized to borrow \$14 million to implement an integrated tax system. It was completed on time and under budget. Actual cost was \$11,650,703 with \$2,852,146 remaining (includes \$502,849 interest earned). \$2.8 million was appropriated as carryover funding into 2007-2009 biennium.

2007-2009 Biennium

- \$1.7 million carryover Special Funds appropriated to cover two years of on-site support at \$1.15 million plus one year of GenTax system maintenance at \$550,000.
- \$1.1 million carryover Special Funds appropriated to cover the implementation of SB 2032 - Property Tax Relief Program.
- \$5,356,702: Two annual loan payments of \$2,678,351 per year. Last payment will be in July 2012.
- Projected turnback (as of 1/13/09):
 - Salaries & Wages - \$557,294. Delayed filling vacancies because we are in the process of reorganizing based on functionality rather than tax types. It was important that we allow time to analyze and evaluate functions and train existing staff for new roles before filling all vacancies. We project filling all positions by 6/30/2009.
 - Operating Expenses - \$0
 - Homestead Credit - \$2,694,000
 - Property Tax Relief Program - \$186,000 all in Special Funds. Requesting carryover authority in HB 1006 for 2009-2011.

2009-2011 Biennium

- \$2,002,238 to maintain current service levels. This covers the increased costs of doing business (temporary salaries, postage, printing, travel, IT costs, GenTax on-site support, etc.) and the fact that we are doing more - sending more notices, doing more mailings, collecting more revenue, etc.
 - Our Operating budget is about 27% of our total budget (excluding one-time expenses and Homestead Credit).
 - Any increase in operating rates has a significant and adverse impact on our budget and it is difficult to continue to absorb those increases.
- \$675,000 equity/compression package. We need to take care of our greatest asset - the people who make up the Tax Department. This tailor-made package aims to increase the number of employees having a reasonable compa-ratio and reduce instances of salary compression.
 - The average years of service is currently 17.9 years with an average age of 48.5 years - the highest in the state in both categories. Nearly 74% of our employees are at a lower compa-ratio for their years of service compared to the average for the state.
 - Our employees have been required to expand their knowledge and skill base to continue providing the best possible service to the taxpayers of North Dakota. With the implementation of GenTax, we have many long tenured employees that had to be retrained with new skill sets. These employees have stepped up to the plate.
 - The market is also dictating the increase in starting salaries for IT and accounting-related positions, which create a compression problem with existing employees. It is critical that we have the ability to attract and retain qualified and trustworthy employees to maintain public confidence in our integrity and reliability.
- \$1.5 million to further enhance and expand our integrated tax system, which will include the integration of Oil & Gas taxes with the rest of our system. The enhancement and expansion will enable us to be more nimble in making changes to the system as a result of legislation and/or agreements.
- Carryover authority of Special Funds. Included \$100,000 for on-site support for our GenTax system.
- Requesting \$5,356,702 continuation of loan payments.

Long-term plan

To improve efficiency and effectiveness in achieving our mission and purpose, which is to fairly and effectively administer the tax laws of North Dakota while instilling the highest degree of public confidence in our integrity and reliability, we plan to:

- Further enhance and expand our integrated tax system, which will include the integration of Oil & Gas taxes with the rest of our system. The enhancement and expansion will enable us to be more nimble in making changes to the system as a result of legislation and/or agreements.
- Analyze the development of a specialized audit group (“Discovery Unit”) to discover non-filers.
 - The Tax Department has identified a number of other internal and external databases that could be mined to provide additional Discovery leads. With additional staff and database resources assigned to the Discovery function, or potentially a Discovery Unit, the Tax Department would likely increase compliance with filing requirements as well as increase revenue collections. The Tax Department will be evaluating those staffing and resource needs over the coming biennium.
- Analyze the benefit of a Customer Service Center to better serve our customers.
- Promote and increase electronic filing. Our long term goal is providing a central portal for North Dakota citizens to manage their tax accounts, file and pay online, and view their past returns. The central portal is intended to be for all tax types. A central portal for tax e-file will allow flexibility to the Department in providing additional free e-file opportunities for our businesses and individual taxpayers across all tax types.
 - E-file is the most efficient method of filing tax returns.
 - E-filed returns eliminate the paper processing and increase data accuracy thereby significantly reducing the cost to collect revenue.
 - Most business taxes (Sales, Withholding, Motor Fuels, Oil & Gas) currently have free e-file methods, but they need updating.
 - The Department is a partner with private industry and the IRS in the Free File Alliance and the Fed-State partnership for Income taxes (Individual, Corporation, Fiduciary, S-Corp, and Partnership).
 - This partnership offers free e-file opportunities to about 70% of the North Dakota taxpayers with no cost to the Department.
 - In order to continue the Fed-State partnership, we need to update the existing e-file programs to a modernized method.
 - During 2008, nearly 60% of individual tax returns were filed electronically which is a growth of over 9% over the previous year.

Breakdown of tax department's \$4.2 million enhancement request

We have requested the additional \$4.2 million in the form of 6 enhancements (optional packages) to our budget that fit into three major categories:

1. Maintaining Current Service Levels
2. Salary Equity and Compression
3. Integrated Tax System Enhancement

1) **Maintaining Current Service Levels:** **\$2,002,238**

I like to think of maintaining our current service levels as, "keeping the lights on." In other words, to do what we do now, factoring in the increased costs of doing business (temporary salaries, postage, travel, some IT costs, GenTax on-site support, etc.) and the fact that we are doing more (sending more notices, doing more mailings, collecting more revenue, etc.) we need additional resources above and beyond our 2007-09 appropriation. By and large, these requests represent inflationary costs outside of our control and along with the costs associated with maintaining our current level of operation.

2) **Salary Equity and Compression:** **\$675,000**

We need to take care of our greatest asset - the people who make up the Tax Department. To do that we need additional resources for effective salary administration. That's why we requested an equity and compression package as one of our optional packages. Working directly with HRMS, we have developed an equity and compression plan tailored to our agency that aims to increase the number of employees having a reasonable compa-ratio and reduce instances of salary compression.

3) **Integrated Tax System Enhancements:** **\$1,500,000**

Finally, we requested an additional optional package to further enhance and expand our integrated tax system – a system that is working and doing exactly what we said it would - enhancing revenue.

Given the increased oil and gas activity out in western North Dakota and its significant impact on the state's revenue picture, now is the time to ensure we have the most efficient and robust tax administration system for the oil and gas taxes. Adding oil and gas taxes to GenTax will allow us to integrate those taxes with the rest of our system and allow us to be more nimble in making changes to the system as a result of legislation and/or agreements, like the recent agreement signed between the State of North Dakota and the Three Affiliated Tribes.

Total of Tax Enhancement Request: \$4,177,238

**Estimate of State Return On Investment and Financial Impact
GenTax (COTS) Integrated Tax System
Measured Increased Revenue**

Prepared January 2009

MAJOR TAX TYPES	ROLL-OUT THROUGH 12/31/2008	% REVENUE INCREASE	PROJECT REVENUE INCREASE	REASONS
Sales tax compliance	\$1,636,140,507 3 yrs	0.11%	\$1,799,755	Better prioritization tools; automation of estimation processes
Sales tax audit		0.09%	1,472,526	Better audit selection tools and identification of Nexus
Individual income tax	347,185,495 2 yrs	0.59%	2,048,394	Better non-resident identification and more timely audits
Withholding tax	538,197,681 2.5 yrs	0.19%	1,022,576	More formalized audit program and better non-resident identification
Corporation income tax	241,939,889 1.5 yrs	1.04%	2,516,175	Better identification of Nexus and increased number of small audits
Accounts receivable			542,979	Treasury Offset Program (May 2007 to date)
Postmark date process			175,836	First 6 months
Total			\$9,578,240	

GenTax implementation allowed us to process Streamlined Sales Tax filers promptly and accurately resulting in an additional \$2.33 million, which is not reflected in the \$9.6 million shown above.



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

BUDGET PRESENTATION

SENATE APPROPRIATIONS COMMITTEE

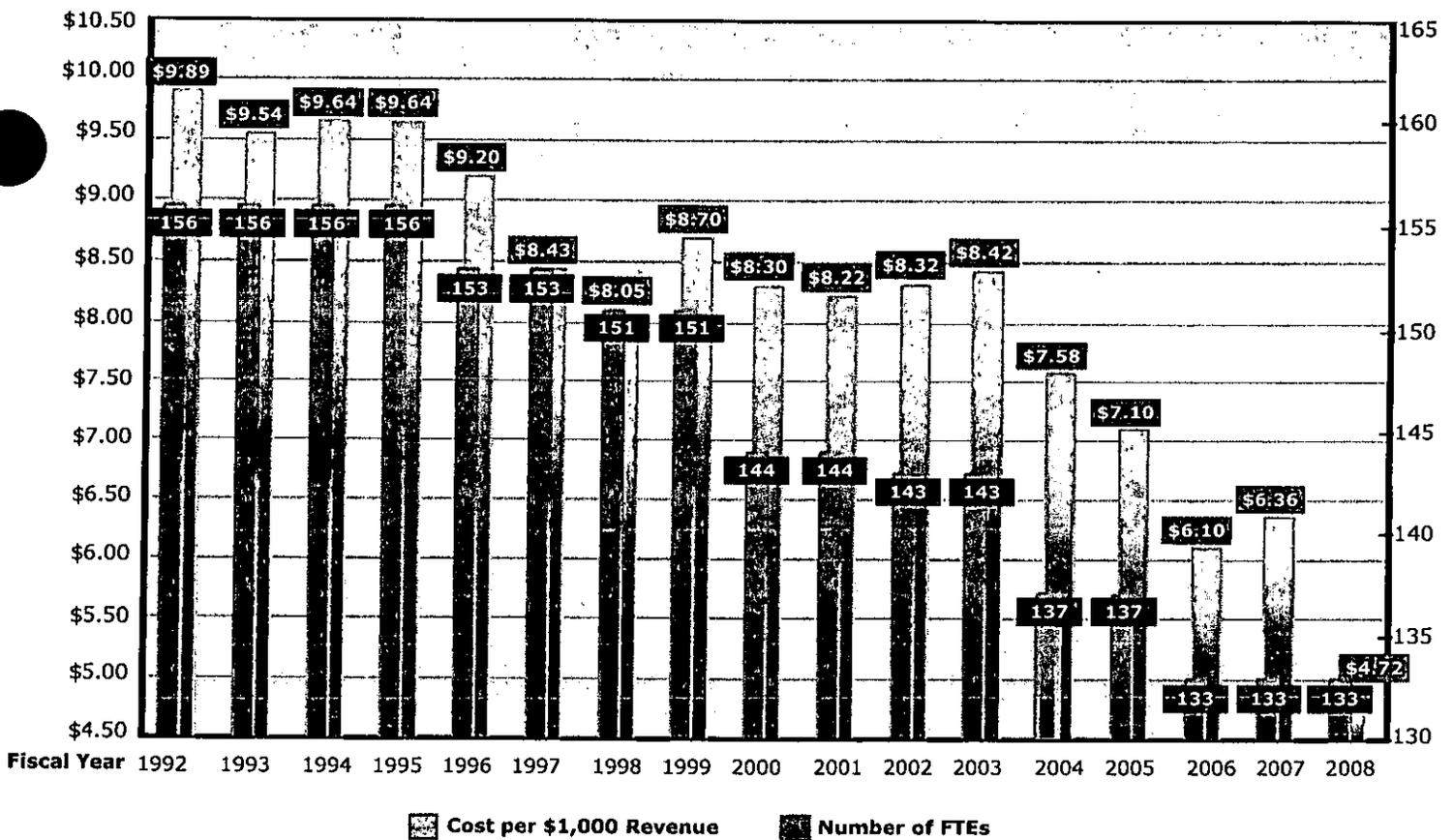
House Bill 1006

February 25, 2009

Agency overview

Tax Department Mission: to fairly and effectively administer the tax laws of North Dakota while instilling the highest degree of public confidence in our integrity and reliability. The Department has improved its productivity by nearly 70% since 1992 because of actions resulting from business process measurement and process improvement. The cost to collect \$1,000 in revenue for FY 2008 was \$4.72 compared to \$9.89 in 1992. After adjusting for inflation, the 1992 cost would be \$15.89 today. That represents a drop of \$11.17 in real terms. This level of productivity will be difficult to maintain without adequate funding to cover the rate increases and usage increases that are necessary to fulfill our mission.

Tax Department Total Cost per \$1,000 Revenue Collected



Budget overview

Line Item/Object Description	Appropriation 2007-2009	Projected Turnback 6/30/2009	Recommended 2009-2011
Salaries & wages	\$ 14,907,294	\$ 557,294	\$ 17,619,275
Operating expenses	6,030,814 <i>(\$1.7 M Spec Funds)</i>	0	8,119,814 <i>(\$100,000 Spec Funds)</i>
Capital assets	18,000	0	58,000
Homestead tax credit (General Fund)	8,104,000	2,694,000	5,964,000
Integrated tax system	5,356,702 <i>(One-time Gen Funds)</i>	0	5,356,702
Property tax relief (Special Funds)	1,100,000	186,000 <i>(All Spec Funds)</i>	0
Motor fuels federal grant	0		10,000
Total	\$ 35,516,810	\$ 3,437,294	\$ 37,127,791
# FTE	133		133
Total General Fund	\$ 32,716,810	\$ 3,251,294	\$ 37,017,791
Total Special Fund	2,800,000	186,000	100,000
Total Federal Fund	0		10,000
Total for Department	\$ 35,516,810	\$ 3,437,294	\$ 37,127,791
	excluding Homestead	\$ 557,294	
	Special Funds	<u>186,000</u>	
		\$ 743,294	

Budget overview and highlights

2007-2009 Biennium

- \$1.7 million carryover Special Funds appropriated to cover two years of on-site support at \$1.15 million plus one year of GenTax system maintenance at \$550,000.
- \$5,356,702: Two annual loan payments of \$2,678,351 per year. Last payment will be in July 2012.
- Projected turnback (as of 1/13/09):
 - Salaries & Wages - \$557,294. Delayed filling vacancies because we are in the process of reorganizing based on functionality rather than tax types. It was important that we allow time to analyze and evaluate functions and train existing staff for new roles before filling all vacancies. We project filling all positions by 6/30/2009.
 - Operating Expenses - \$0
 - Homestead Credit - \$2,694,000
 - Property Tax Relief Program - \$186,000 all in Special Funds. Requesting carryover authority in HB 1006 for 2009-2011.
- \$1.1 million carryover Special Funds appropriated to cover the implementation of SB 2032 - Property Tax Relief Program.

2009-2011 Biennium

- \$2,002,238 to maintain current service levels. This covers the increased costs of doing business (temporary salaries, postage, printing, travel, IT costs, GenTax on-site support, etc.) and the fact that we are doing more - sending more notices, doing more mailings, collecting more revenue, etc.
 - Our Operating budget is about 27% of our total budget (excluding one-time expenses and Homestead Credit).
 - Any increase in operating rates has a significant and adverse impact on our budget and it is difficult to continue to absorb those increases.
- \$675,000 equity/compression package. We need to take care of our greatest asset - the people who make up the Tax Department. This tailor-made package aims to increase the number of employees having a reasonable compa-ratio and reduce instances of salary compression.
 - The average years of service is currently 17.9 years with an average age of 48.5 years - the highest in the state in both categories. Nearly 74% of our employees are at a lower compa-ratio for their years of service compared to the average for the state.
 - Our employees have been required to expand their knowledge and skill base to continue providing the best possible service to the taxpayers of North Dakota. With the implementation of GenTax, we have many long tenured employees that had to be retrained with new skill sets. These employees have stepped up to the plate.
 - The market is also dictating the increase in starting salaries for IT and accounting-related positions, which create a compression problem with existing employees. It is critical that we have the ability to attract and retain qualified and trustworthy employees to maintain public confidence in our integrity and reliability.
- \$1.5 million to further enhance and expand our integrated tax system, which will include the integration of Oil & Gas taxes with the rest of our system. The enhancement and expansion will enable us to be more nimble in making changes to the system as a result of legislation and/or agreements.
- Carryover authority of Special Funds. Included \$100,000 for on-site support for our GenTax system.
- Requesting \$5,356,702 continuation of loan payments.

Breakdown of tax department's \$4.2 million enhancement request

We have requested the additional \$4.2 million in the form of 6 enhancements (optional packages) to our budget that fit into three major categories:

1. Maintaining Current Service Levels
2. Salary Equity and Compression
3. Integrated Tax System Enhancement

1) **Maintaining Current Service Levels:** **\$2,002,238**

I like to think of maintaining our current service levels as, "keeping the lights on." In other words, to do what we do now, factoring in the increased costs of doing business (temporary salaries, postage, travel, some IT costs, GenTax on-site support, etc.) and the fact that we are doing more (sending more notices, doing more mailings, collecting more revenue, etc.) we need additional resources above and beyond our 2007-09 appropriation. By and large, these requests represent inflationary costs outside of our control and the costs associated with maintaining our current level of operation.

2) **Salary Equity and Compression:** **\$675,000**

We need to take care of our greatest asset - the people who make up the Tax Department. To do that we need additional resources for effective salary administration. That's why we requested an equity and compression package as one of our optional packages. Working directly with HRMS, we have developed an equity and compression plan tailored to our agency that aims to increase the number of employees having a reasonable compa-ratio and reduce instances of salary compression.

3) **Integrated Tax System Enhancements:** **\$1,500,000**

Finally, we requested an additional optional package to further enhance and expand our integrated tax system – a system that is working and doing exactly what we said it would - enhancing revenue.

Given the increased oil and gas activity out in western North Dakota and its significant impact on the state's revenue picture, now is the time to ensure we have the most efficient and robust tax administration system for the oil and gas taxes. Adding oil and gas taxes to GenTax will allow us to integrate those taxes with the rest of our system and allow us to be more nimble in making changes to the system as a result of legislation and/or agreements, like the agreement signed between the State of North Dakota and the Three Affiliated Tribes.

Total of Tax Enhancement Request: **\$4,177,238**

*Done
same as
on Jan 13, 2009*

House amendments

Line Item/Object Description	Recommended 2009-2011	House Amendments 2009-2011		Appropriation After House Amendments	Request to Restore
Salaries & wages	\$ 17,619,275	\$ (507,316) (708,750)	1 2	\$ 16,403,209	\$ 507,316 708,750
Operating expenses <i>(\$100,000 Spec Funds)</i>	8,129,814	(50,000)	3	8,079,814 <i>(\$186,000 Spec Funds)</i>	
Capital assets	58,000	0		58,000	
Homestead tax credit (General Fund)	5,964,000	0		5,964,000	
Integrated tax system	5,356,702	4,873,545	4	10,230,247	
Property tax relief (Special Funds)	0				
Total	\$ 37,127,791	\$ 3,607,479		\$ 40,735,270	\$ 1,216,066
# FTE	133.0			133.0	
Total General Fund	\$ 37,017,791	3,521,479	5	40,539,270	
Total Special Fund	100,000	86,000	5	186,000	
Total Federal Fund	10,000	0		10,000	
Total for Department	\$ 37,127,791	\$ 3,607,479		\$ 40,735,270	\$ 1,216,066

1. This amendment reduces salaries and wages funding to recognize anticipated savings from vacant positions and employee turnover.
2. This amendment removes funding added in the executive budget for state employee salary equity adjustments (\$675,000 + \$33,750 which is the 5% salary increase for the second year = \$708,750).
3. Funding for operating expenses is reduced by \$50,000 from the general fund.
4. This amendment provides additional funding for a total of \$10,230,247 to repay the remaining balance of the loan for the GenTax integrated tax system.
5. The funding source for a portion of operating expenses is changed from the general fund to unexpended loan funds relating to the GenTax integrated tax system (Removed \$86,000 from the General Fund and added \$86,000 to Special Funds).

*Page 6
Same as
Jan 13, 2009*

2009-11
TAX DEPARTMENT
OPTIONAL BUDGET REQUESTS

Chg. No.	Priority	Description	One Time	Gen.Fund Requested Amount	Gen.Fund Exec. Recomm.	Spec. Fund Exec. Recomm.
AD 10	1	Integrated Tax System Payment	Yes	5,356,702	5,356,702	
AC 3	2	Temporary Salaries Continue Current Service Level-		223,238	223,238	
AC 7	3	Inflation		556,840	487,000	
AC 2	4	IT Equipment		58,000	58,000	
AC 4	5	Salary Equity		750,000	675,000	
AD 11	6	On-Site Support for GenTax	Yes	1,234,000	1,134,000	100,000
AD 13	7	Taxpayer Access Point/Fin.Instit.	Yes	1,250,000	-	
AD 12	9	Oil & Gas GenTax Integration	Yes	1,500,000	1,500,000	
Total				10,928,780	9,433,940	100,000

*Attachment
1006.1.22.09J*

OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

HOUSE APPROPRIATION – GOVERNMENT OPERATIONS DIVISION

House Bill 1006 – Explanation of Operating Line Increase Request in 2009-2011 Budget Request January 26, 2009

The Tax Department's current operational needs are impacted by its responsibility to effectively administer the tax laws of North Dakota. Additional operational costs resulting from Legislative session changes for which no additional funding was provided and the increased rates and usage for such things as audit travel, printing, and postage all factor into our funding request. In order for us to conduct our business we feel it is important that the Department be provided an appropriation that will allow it to sustain the current operational needs.

The Operating budget is approximately 22% of the Department's general fund budget (excluding Homestead Credit). Any increase in rates in operating expenses and increased responsibility with no additional funding, has a significant adverse impact on the Departments budget. It is would be challenging to absorb these increases at the 100% budget level.

In order to comply with the Governor's recommendation to submit a budget request equal to 100% of the current biennium, all rate and usage increases were requested as an optional budget request. The total amount of our request, \$556,840, is explained below. As requested during the hearing on HB 1006, the following provides a more detailed explanation for the increases requested for Operating Expenses.

See Page 6 for overview of the Department's operating expense request.

531	Travel	86,487
	The optional budget request of \$86,487 represents the increased costs to continue conducting field audits and tax education. We used Motor Pool rates provided as of May 2008, Sedan/Wagon – 30 cents per mile (page 5). See detailed worksheet for total travel request, page 4.	
531	Computer Software/Maintenance	65,075
	The optional budget request of \$65,075 represents a portion of the increased cost to continue with the software maintenance on software used by the Department: GenTax – the Department's integrated tax system.	
532	Books & Subscriptions	6,518
	The optional budget request of \$6,518 represents the increased rates charged for professional services and supplies. These include on-line legal research, legal books, and tax service subscriptions needed to keep current on changes to tax law. These are necessary for our attorneys and auditors to effectively function and to administer the tax laws of North Dakota.	
534	Building, Grounds, Maintenance	23,055
	The optional budget request of \$23,055 will cover the increased costs to operate the Department's high-volume scanning equipment. As we increase the number of documents being scanned, the need to replace the internal brushes and rollers of the scanning equipment is necessary to keep them running at optimum levels. We are experiencing a 194% increase in the usage and costs of scan kits in the current biennium. The increase requested will allow us to continue scanning documents at the appropriate level of readability.	

OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

HOUSE APPROPRIATION – GOVERNMENT OPERATIONS DIVISION House Bill 1006 – Explanation of Operating Line Increase Request in 2009-2011 Budget Request January 26, 2009

541	Postage	99,771
	The optional budget request of \$99,771 will cover the increased cost in postage and the increased volume of outgoing mail that we are experiencing. In May 2008 the postage rate for first-class postage increased by 2.4% along with rates for other services utilized. Mail service fees increased from 9.1% to 14%, depending on the type of service required. In addition, we are experiencing an increased volume of outgoing mail such as a 46% increase in the number of bill statements issued. The increase requested will allow us to continue sending out bills, correction notices and letters as needed in the performance of our responsibility.	
542	Printing	43,708
	The optional budget request of \$43,708 will cover the increase cost for printing. OMB Central Services provided agencies with a guideline to increase Central Duplicating costs by 9% per year. The print rates charged by outside vendors are increasing by that same rate. In addition, we are experiencing an increase in both usage and cost for Department envelopes. As we increase the volume of outgoing mail (see explanation in postage line), the number of envelopes printed for that mail increases. Our total increase is based on a review of all major items printed. We continually review how many tax booklets and forms are needed and make adjustments to our budget request accordingly.	
551	IT Equipment < \$5,000	74,187
	The optional budget request of \$74,187 represents the amount needed to fully fund the recommended replacement of Department personal computers and laptops. We are scheduled to replace 115 personal computers and 26 laptops (see Department's IT Plan). Our replacement schedule is recommended by ITD.	
553	Office Equipment & Furniture Supplies	39,525
	The optional budget request of \$39,525 will cover the Department's need for replacement chairs and workstations. We anticipate the need to replace chairs in the next biennium. Currently, we are experiencing a 25% price increase in the cost of chairs. We are also requesting funds to cover replacement of six workstations, which are obsolete or non-conforming to building code in our field offices.	
581	Lease/Rents – Equipment	11,364
	The optional budget request of \$11,364 will cover the Department's increased cost to rent the Department's high-volume printer (we print sales, withholding, and motor fuels tax forms, monthly bill statements, letters, correction notices, etc.) and copiers. We follow OMB's guidelines for evaluating between purchasing and leasing of equipment. It has been a savings to the State to lease rather than purchase the printer and copiers.	

OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

HOUSE APPROPRIATION – GOVERNMENT OPERATIONS DIVISION House Bill 1006 – Explanation of Operating Line Increase Request in 2009-2011 Budget Request January 26, 2009

582	Lease/Rents – Building/Land	4,448
	The optional budget request of \$4,418 will cover the Department's increased cost to rent office space in other cities. We anticipate a higher than usual rate increase for our cities in the West due to the oil industry in those areas. For all locations, every effort is made to co-locate in a building that already rents to other state agencies. This allows for a sharing in network and phone system costs.	
591	Repairs	25,423
	The optional budget request of \$25,423 will cover the Department's increased cost in service contracts for the equipment used: copiers; fax machines; folder, high-volume mail slicer. It is necessary to keep this equipment running as it is relied on daily. Our service contracts for these items have been increasing between 6% and 14%. We pay a per image charge as the service contract for the high-volume printer. As we increase the volume printed our service contract cost increases (bill statements issued has increased by 46%; letters and correction notices have increased by 231 %.).	
601	IT – Data Processing	27,343
	The optional budget request of \$27,343 will cover the Department's increased ITD cost to cover such things as server hosting, disk storage, PeopleSoft user charges, Data Capture and EDMS charges, programming and GenTax data storage. This budget was prepared using the proposed ITD rates.	
621	Operating Fees & Services	7,252
	The optional budget request of \$7,252 will cover the Department's increased cost to serve legal notices to taxpayers (sheriff's fees and garnishments). This cost increase is a combination of both rate and usage increases.	
623	Professional Services	42,684
	The optional budget request of \$42,684 will cover the Department's increased cost to continue memberships/participation in Multistate Tax Commission and Streamline Sales Tax. The average return on investment for Multistate Tax Commission is \$5 for every \$1 spent in fees and audit services.	
	TOTAL REQUESTED	556,840

OFFICE OF STATE TAX COMMISSIONER
ANALYSIS OF TRAVEL EXPENSES FOR 2009-11 EXECUTIVE BUDGET

Object	Travel description	Total	Commissioner	Legal	Fiscal		Tax	
					Mgmt	Administration	Property	Operations
521010	In-state air	0	0	0	0	0	0	0
521015	In-state lodging	4,420	61	0	180	3,797	382	0
521020	In-state meals	2,345	80	17	90	1,913	245	0
521025	In-state other transportation	1,005	20	35	0	950	0	0
521030	In-state mileage	10,873	347	0	232	8,258	1,652	383
521035	Taxable meals	2,645	20	0	0	2,475	150	0
521045	Motor/Aircraft Pool	11,653	873	0	171	9,604	840	165
521060	Travel non-employee	0	0	0	0	0	0	0
521065	Miscellaneous travel	1,352	132	53	0	1,033	0	134
521070	Out of state Air	38,476	3,998	2,856	0	30,354	0	1,267
521075	Out of state lodging	40,413	2,914	3,076	0	31,894	0	2,530
521080	Out of state other transportation	19,841	796	1,196	0	16,683	0	1,165
521085	Out of state mileage	4,467	149	387	0	3,902	0	29
521090	Out of state mileage	0	0	0	0	0	0	0
(Actual expense thru April 2008)		137,489	9,390	7,621	673	110,863	3,270	5,673
Estimate for entire year		156,900	11,000	9,100	0	126,500	3,300	7,000
Estimated increases for 2nd yr		162,900	17,000	9,100	0	126,500	3,300	7,000
		319,800	28,000	18,200	0	253,000	6,600	14,000
Projected changes for 2009-11								
Air 25% (of partial year above)		9,619	1,000	714	0	7,589	0	317
out of state lodging - 20%		8,083	583	615	0	6,379	0	506
out of state other trans - 10%		1,984	80	120	0	1,668	0	116
		19,686	1,662	1,449	0	15,636	0	939
		x2 years						
Total rate adjustment		39,371	3,324	2,898	0	31,271	0	1,878
Usage increases: MSATA		3,000	3,000					
Usage increases: Training/Education		23,450	4,000	2,500		8,000	850	8,100
Usage increases: audits		34,750				34,750		
		61,200	7,000	2,500	0	42,750	850	8,100
Total estimated need		420,371	38,324	23,598	0	327,021	7,450	23,978
Department reduced that to:								
Amount included in Exec Budget		387,531	37,991	22,300	0	296,000	7,340	23,900
2007-2011 budget		301,044	25,879	22,300	0	231,250	6,970	14,645
Increase requested in optional		86,487	12,112	0	0	64,750	370	9,255

We are seeing increases for:
Airline tickets between 25% to 45%
Out of state lodging - 20% to 30%
Other transportation (taxi) by 10%

Increase for Motor Fuels Tax travel - \$3000
Increase # of Sales and Corporate audit trips - 15 to 17
Increase motor pool mileage rate charged to agencies (from 27 to 30 cents - 11%
Increase training/education trips - Commissioner - 2 (Federation of Tax Administration); Legal - 1 (Continuing Education Requirement); and Sales and Corporate - 4 (streamline/FTA); Operations - 4 (training)

**NORTH DAKOTA DEPARTMENT OF TRANSPORTATION
STATE FLEET SERVICES RENTAL RATES**

April 24, 2008

May 1, 2008

DESCRIPTION	GROUP NO.	OPERATING RATE	DEPRECIATION RATE	REPLACEMENT RATE	MILE/HOUR RATE
Mini Pass. Van	1	0.260	.180	----	.440
Sedan/Wagon	2	0.190	.110	----	.300
Light Pickup/Cargo Van/Full-Size Utility	3	0.336	.164	----	.500
Heavy Pickup/Van/Full-Size Utility	4	0.410	.190	----	.600
Highway Patrol	7	0.330	.230	----	.560
Game Enforcement/Special	9	0.290	.110	----	.400
Facility Service Vehicle	12	0.720	.450	.030	1.200
Compact Utility/All	13	0.250	.230	.010	.490
Miscellaneous Truck/Mid-Size Bus	18	24.000	13.000	2.000	39.000
Distributor Truck	19	38.000	22.000	----	60.000
Sign Truck/Garbage Truck	20	24.450	5.300	4.250	34.000
Single Axle Truck/All	21	31.000	12.000	----	43.000
Tandem Axle Truck/All	22	44.000	9.000	12.000	65.000
Truck Tractor	23	42.000	5.000	5.000	52.000
Rotary Snowplow	24	70.000	0.000	----	70.000
Motor Coach	26	51.000	9.000	10.000	70.000
Water Well Drill Truck	27	14.000	16.000	5.000	35.000
Lineworker Truck	29	7.000	24.000	9.000	40.000
Shuttle Bus	30	17.750	3.500	3.750	25.000
Fuel Truck	31	5.100	.900	2.000	8.000
Drill Truck	32	30.000	30.000	----	60.000

*

* Use this category

**NORTH DAKOTA TAX DEPARTMENT
 OPTIONAL OPERATING EXPENSE - \$487,000
 DIVISION: SUMMARY OF ALL DIVISIONS**

EXHIBIT A

OPERATING EXPENSES

Description	Object	Total		Fiscal			Tax		OMB
		Requested	Commissioner	Legal	Management	Administration	Property	Operations	Adjustmt
Travel	521	86,487	12,112			64,750	370	9,255	
Supplies - IT Software	531	65,075						65,075	
Supp;y/Material-Professional	532	6,518	830	3,086		2,602	0		
Bldg, Ground, Maintenance	534	23,055						23,055	
Postage	541	99,771				99,771			
Printing	542	43,708				42,658	1,050		
IT Equipment under \$5,000	551	74,187						74,187	
Office Equip & Furn Supplies	553	39,525				21,225		18,300	
Leases/Rents - Equipment	581	11,364						11,364	
Leases/Rents - Buildings/Land	582	4,448				4,448			
Repairs	591	25,423						25,423	
IT - Data Processing	601	27,343						27,343	
Operating Fees & Services	621	7,252	0	7,252					
Professional Services	623	42,684		22,769		19,915			
									OMB Adjustment done in total ONLY 487,000
TOTAL OPERATING EXPENSES		556,840	12,942	33,107	0	255,369	1,420	254,002	487,000
									Net Deduction to Request <u>69,840</u>

December 2008

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Attachment
1006.1.22.09I

NORTH DAKOTA TAX DEPARTMENT
BUDGET VARIANCE REPORT

DIVISION: SUMMARY
MONTH: December 2008

December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$456,605.00	\$457,736.11	\$0.00	\$8,009,958.00	\$7,762,601.34	\$247,356.66	\$3,196,078.66
Fringe Benefits	164,091.00	153,357.77	10,733.23	2,948,039.00	2,654,444.98	293,594.02	1,294,169.02
TOTAL SALARIES & WAGES	\$620,696.00	\$611,093.88	\$9,602.12	\$10,957,997.00	\$10,417,046.32	\$540,950.68	\$4,490,247.68
Percent of year-to-date salary & wages budget to salary & wages appropriation				73.51%			
Percent of year-to-date actual salary & wages expenditures to salary & wages appropriation					69.88%		
OPERATING SERVICES							
521 Travel	\$12,045.00	\$2,732.37	\$9,312.63	\$223,411.00	\$218,224.48	\$5,186.52	\$101,383.52
531 IT - Software	0.00	0.00	0.00	617,425.00	609,293.73	8,131.27	8,131.27
532 Prof Supplies & Materials	913.00	411.00	502.00	36,462.00	28,929.95	7,532.05	64,977.05
534 Equip/Bldg Supplies	0.00	0.00	0.00	16,100.00	27,136.62	(11,036.62)	(11,036.62)
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	1,374.33	(1,374.33)	(1,374.33)
536 Office supplies	3,010.00	1,185.67	1,824.33	52,100.00	42,453.38	9,646.62	31,564.62
541 Postage	26,162.00	13,175.48	12,986.52	470,147.00	480,411.65	(10,264.65)	234,328.35
542 Printing	8,380.00	(2,039.00)	10,419.00	155,031.00	127,193.10	27,837.90	85,519.90
551 IT - Equipment < \$5,000	0.00	0.00	0.00	76,000.00	5,334.08	70,665.92	70,665.92
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	47,615.00	54,703.15	(7,088.15)	(7,088.15)
571 Insurance	0.00	0.00	0.00	17,812.00	16,984.83	827.17	1,827.17
581 Lease/Rent - Equipment	3,070.00	1,692.64	1,377.36	55,260.00	52,754.88	2,505.12	20,925.12
582 Lease/Rent - Building	2,601.00	0.00	2,601.00	49,433.00	46,503.80	2,929.20	18,535.20
591 Repairs/Service Contracts	2,713.00	2,637.70	75.30	55,796.00	66,533.98	(10,737.98)	(2,289.98)
601 IT - Data Processing	46,300.00	34,965.35	11,334.65	787,100.00	771,590.61	15,509.39	339,609.39
602 IT - Communications	8,000.00	(25,167.41)	33,167.41	136,000.00	109,656.34	26,343.66	82,343.66
603 IT - Contractual Services	0.00	0.00	0.00	20,907.00	9,362.50	11,544.50	11,544.50
611 Professional Development	1,725.00	270.00	1,455.00	132,636.00	117,931.35	14,704.65	30,304.65
621 Operating Fees & Services	7,635.00	1,199.29	6,435.71	59,031.00	57,365.65	1,665.35	26,900.35
623 Professional Services	170.00	0.00	170.00	379,114.00	351,224.00	27,890.00	29,080.00
TOTAL OPERATING	\$122,724.00	\$31,063.09	\$91,660.91	\$3,387,380.00	\$3,194,962.41	\$192,417.59	\$1,135,851.59
Percent of year-to-date operating expenses budget to operating expenses appropriation				78.22%			
Percent of year-to-date actual operating expenses expenditures to operating expenses appropriation					73.77%		
EQUIPMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$15,636.93	(\$15,636.93)	\$2,363.07
TOTAL	\$743,420.00	\$642,156.97	\$101,263.03	\$14,345,377.00	\$13,627,645.66	\$717,731.34	\$5,628,462.34
Percent of year-to-date budget to total appropriation				74.50%			
Percent of year-to-date actual expenditures to total appropriation					70.77%		

Renovation budget of \$56,800 split as follows: Office Machines/Furniture (herman miller) - 26,473, Repairs - 30,327

NORTH DAKOTA TAX DEPARTMENT
BUDGET VARIANCE REPORT

DIVISION: COMMISSIONER
MONTH: December 2008

December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$35,714.00	\$35,819.67	(\$105.67)	\$626,176.00	\$627,849.06	(\$1,673.06)	\$212,610.94
Fringe Benefits	11,267.00	10,064.94	1,202.06	202,411.00	190,795.59	11,615.41	79,223.41
TOTAL SALARIES & WAGES	\$46,981.00	\$45,884.61	\$1,096.39	\$828,587.00	\$818,644.65	\$9,942.35	\$291,834.35
OPERATING SERVICES							
521 Travel	\$1,003.00	\$286.85	\$716.15	\$17,051.00	\$16,627.77	423.23	\$7,455.23
531 IT - Software	0.00	0.00	0.00	0.00	149.99	(149.99)	(\$149.99)
532 Prof Supplies & Materials	275.00	30.00	245.00	6,175.00	7,507.50	(1,332.50)	592.50
534 Equip/Bldg Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	560.00	(560.00)	(560.00)
536 Office supplies	0.00	0.00	0.00	300.00	99.95	200.05	300.05
541 Postage	0.00	0.00	0.00	0.00	0.00	0.00	0.00
542 Printing	625.00	0.00	625.00	9,330.00	7,817.85	1,512.15	5,662.15
551 IT - Equipment < \$5,000	0.00	0.00	0.00	3,000.00	0.00	3,000.00	3,000.00
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	26,473.00	36,632.15	(10,159.15)	(10,159.15)
571 Insurance	0.00	0.00	0.00	7,606.00	7,606.00	0.00	0.00
581 Lease/Rent - Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
582 Lease/Rent - Building	0.00	0.00	0.00	0.00	75.00	(75.00)	(75.00)
591 Repairs/Service Contracts	0.00	0.00	0.00	30,327.00	33,891.79	(3,564.79)	(3,564.79)
601 IT - Data Processing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
602 IT - Communications	1,320.00	693.42	626.58	22,440.00	19,270.15	3,169.85	12,409.85
603 IT - Contractual Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
611 Professional Development	0.00	0.00	0.00	29,995.00	34,160.00	(4,165.00)	(3,715.00)
621 Operating Fees & Services	6,225.00	337.89	5,887.11	32,611.00	34,559.17	(1,948.17)	9,146.83
623 Professional Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING	\$9,448.00	\$1,348.16	\$8,099.84	\$185,308.00	\$198,957.32	(\$13,649.32)	\$20,342.68
EQUIPMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$56,429.00	\$47,232.77	\$9,196.23	\$1,013,895.00	\$1,017,601.97	(\$3,706.97)	\$312,177.03

Renovation budget of \$56,800 split as follows: Office Machines/Furniture (herman miller) - 26,473, Repairs - 30,327

NORTH DAKOTA TAX DEPARTMENT
BUDGET VARIANCE REPORT

DIVISION: LEGAL
MONTH: December 2008

December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$22,984.00	\$22,249.00	\$735.00	\$394,946.00	\$363,921.21	\$31,024.79	\$168,928.79
Fringe Benefits	7,153.00	7,088.99	64.01	127,568.00	115,487.23	12,080.77	55,000.77
TOTAL SALARIES & WAGES	\$30,137.00	\$29,337.99	\$799.01	\$522,514.00	\$479,408.44	\$43,105.56	\$223,929.56
OPERATING SERVICES							
521 Travel	\$0.00	\$0.00	\$0.00	\$8,650.00	\$11,825.85	(3,175.85)	\$1,699.15
531 IT - Software	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
532 Prof Supplies & Materials	275.00	0.00	275.00	7,875.00	5,775.38	2,099.62	46,369.62
534 Equip/Bldg Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
536 Office supplies	0.00	0.00	0.00	100.00	53.99	46.01	46.01
541 Postage	0.00	0.00	0.00	0.00	0.00	0.00	0.00
542 Printing	0.00	0.00	0.00	0.00	21.25	(21.25)	(21.25)
551 IT - Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	2,500.00	0.00	2,500.00	2,500.00
571 Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
581 Lease/Rent - Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
582 Lease/Rent - Building	0.00	0.00	0.00	0.00	0.00	0.00	0.00
591 Repairs/Service Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
601 IT - Data Processing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
602 IT - Communications	208.00	182.58	25.42	3,536.00	2,786.44	749.56	2,205.56
603 IT - Contractual Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
611 Professional Development	0.00	0.00	0.00	5,480.00	2,665.00	2,815.00	5,115.00
621 Operating Fees & Services	1,290.00	521.40	768.60	22,130.00	17,737.42	4,392.58	13,542.58
623 Professional Services	170.00	0.00	170.00	27,890.00	1,600.00	26,290.00	27,480.00
TOTAL OPERATING	\$1,943.00	\$703.98	\$1,239.02	\$78,161.00	\$42,465.33	\$35,695.67	\$98,936.67
EQUIPMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$32,080.00	\$30,041.97	\$2,038.03	\$600,675.00	\$521,873.77	\$78,801.23	\$322,866.23

NORTH DAKOTA TAX DEPARTMENT
BUDGET VARIANCE REPORT

DIVISION: FISCAL MGMT
MONTH: December 2008

'December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$20,964.00	\$20,964.00	\$0.00	\$366,643.00	\$491,188.92	(\$124,545.92)	\$1,238.08
	7,474.00	6,214.18	1,259.82	134,405.00	157,273.46	(22,868.46)	21,978.54
TOTAL SALARIES & WAGES	\$28,438.00	\$27,178.18	\$1,259.82	\$501,048.00	\$648,462.38	(\$147,414.38)	\$23,216.62
OPERATING SERVICES							
521 Travel	\$625.00	\$0.00	\$625.00	\$1,875.00	\$679.04	1,195.96	\$2,445.96
531 IT - Software	0.00	0.00	0.00	0.00	4,832.00	(4,832.00)	(\$4,832.00)
532 Prof Supplies & Materials	0.00	0.00	0.00	1,000.00	243.22	756.78	756.78
534 Equip/Bldg Supplies	0.00	0.00	0.00	0.00	3.19	(3.19)	(3.19)
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
536 Office supplies	0.00	0.00	0.00	500.00	0.00	500.00	500.00
541 Postage	0.00	0.00	0.00	22,000.00	28,627.69	(6,627.69)	(6,627.69)
542 Printing	0.00	0.00	0.00	500.00	1,386.05	(886.05)	(886.05)
551 IT - Equipment < \$5,000	0.00	0.00	0.00	3,000.00	0.00	3,000.00	3,000.00
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	1,500.00	0.00	1,500.00	1,500.00
571 Insurance	0.00	0.00	0.00	10,206.00	9,378.83	827.17	1,827.17
581 Lease/Rent - Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
582 Lease/Rent - Building	0.00	0.00	0.00	0.00	5,266.48	(5,266.48)	(5,266.48)
591 Repairs/Service Contracts	0.00	0.00	0.00	0.00	80.00	(80.00)	(80.00)
601 IT - Data Processing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
602 IT - Communications	267.00	206.66	60.34	7,435.00	7,145.23	289.77	2,158.77
603 IT - Contractual Services	0.00	0.00	0.00	9,907.00	412.50	9,494.50	9,494.50
611 Professional Development	0.00	0.00	0.00	1,000.00	130.00	870.00	870.00
621 Operating Fees & Services	0.00	0.00	0.00	0.00	(5.00)	5.00	3,005.00
623 Professional Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING	\$892.00	\$206.66	\$685.34	\$58,923.00	\$58,179.23	\$743.77	\$7,862.77
EQUIPMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$29,330.00	\$27,384.84	\$1,945.16	\$559,971.00	\$706,641.61	(\$146,670.61)	\$31,079.39
		\$3.00					

NORTH DAKOTA TAX DEPARTMENT
BUDGET VARIANCE REPORT
(Includes City Sales Tax Expenditures)
December 2008

DIVISION: TAX ADMINISTRATION
MONTH: December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$239,734.00	\$237,420.67	\$2,313.33	\$4,176,606.00	\$4,039,010.30	\$137,595.70	\$1,575,999.70
Fringe Benefits	86,388.00	79,839.13	6,548.87	1,560,405.00	1,423,712.27	136,692.73	655,019.73
TOTAL SALARIES & WAGES	\$326,122.00	\$317,259.80	\$8,862.20	\$5,737,011.00	\$5,462,722.57	\$274,288.43	\$2,231,019.43
OPERATING SERVICES							
521 Travel	\$10,417.00	\$2,428.87	\$7,988.13	\$178,960.00	\$172,177.00	6,783.00	\$79,698.00
531 IT - Software	0.00	0.00	0.00	0.00	5,796.00	(5,796.00)	(5,796.00)
532 Prof Supplies & Materials	363.00	381.00	(18.00)	18,582.00	14,329.45	4,252.55	14,391.55
534 Equip/Bldg Supplies	0.00	0.00	0.00	1,000.00	541.65	458.35	458.35
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
536 Office supplies	0.00	26.61	(26.61)	2,250.00	976.80	1,273.20	2,023.20
541 Postage	15,950.00	5,213.79	10,736.21	275,125.00	276,578.56	(1,453.56)	152,146.44
542 Printing	6,405.00	(80.00)	6,485.00	115,926.00	78,889.53	37,036.47	80,443.47
551 IT - Equipment < \$5,000	0.00	0.00	0.00	7,000.00	394.98	6,605.02	6,605.02
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	8,242.00	11,695.03	(3,453.03)	(3,453.03)
571 Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
581 Lease/Rent - Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
582 Lease/Rent - Building	2,601.00	0.00	2,601.00	49,433.00	41,062.32	8,370.68	23,976.68
591 Repairs/Service Contracts	110.00	110.00	0.00	1,740.00	8,931.96	(7,191.96)	(6,531.96)
601 IT - Data Processing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
602 IT - Communications	4,725.00	(28,552.93)	33,277.93	77,429.00	42,435.06	34,993.94	68,068.94
603 IT - Contractual Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
611 Professional Development	1,100.00	50.00	1,050.00	81,986.00	73,832.35	8,153.65	14,753.65
621 Operating Fees & Services	0.00	0.00	0.00	1,500.00	3,789.94	(2,289.94)	(1,389.94)
623 Professional Services	0.00	0.00	0.00	351,224.00	349,624.00	1,600.00	1,600.00
TOTAL OPERATING	\$41,671.00	(\$20,422.66)	\$62,093.66	\$1,170,397.00	\$1,081,054.63	\$89,342.37	\$426,994.37
EQUIPMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$367,793.00	\$296,837.14	\$70,955.86	\$6,907,408.00	\$6,543,777.20	\$363,630.80	\$2,658,013.80

NORTH DAKOTA TAX DEPARTMENT
BUDGET VARIANCE REPORT

DIVISION: PROPERTY TAX
MONTH: December 2008

December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$18,641.00	\$18,641.00	\$0.00	\$321,321.00	\$324,921.00	(\$3,600.00)	\$108,246.00
Fringe Benefits	6,425.00	6,476.33	(51.33)	114,736.00	114,517.47	218.53	38,768.53
TOTAL SALARIES & WAGES	\$25,066.00	\$25,117.33	(\$51.33)	\$436,057.00	\$439,438.47	(\$3,381.47)	\$147,014.53
OPERATING SERVICES							
521 Travel	\$0.00	\$16.65	(\$16.65)	\$5,625.00	\$5,387.12	237.88	\$3,612.88
531 IT - Software	0.00	0.00	0.00	0.00	0.00	0.00	0.00
532 Prof Supplies & Materials	0.00	0.00	0.00	982.00	856.40	125.60	341.60
534 Equip/Bldg Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
536 Office supplies	0.00	0.00	0.00	100.00	0.00	100.00	100.00
541 Postage	0.00	0.00	0.00	0.00	0.00	0.00	0.00
542 Printing	0.00	0.00	0.00	4,750.00	2,391.69	2,358.31	3,708.31
551 IT - Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
571 Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
581 Lease/Rent - Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
582 Lease/Rent - Building	0.00	0.00	0.00	0.00	100.00	(100.00)	(100.00)
591 Repairs/Service Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
601 IT - Data Processing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
602 IT - Communications	248.00	174.47	73.53	4,216.00	3,101.35	1,114.65	2,850.65
603 IT - Contractual Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
611 Professional Development	125.00	220.00	(95.00)	2,675.00	1,452.50	1,222.50	1,972.50
621 Operating Fees & Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
623 Professional Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING	\$373.00	\$411.12	(\$38.12)	\$18,348.00	\$13,289.06	\$5,058.94	\$12,485.94
EQUIPMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$25,439.00	\$25,528.45	(\$89.45)	\$454,405.00	\$452,727.53	\$1,677.47	\$159,500.47

NORTH DAKOTA TAX DEPARTMENT
BUDGET VARIANCE REPORT

DIVISION: OPERATIONS
MONTH: December 2008

December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$118,568.00	\$122,641.77	(\$4,073.77)	\$2,124,266.00	\$1,915,710.85	\$208,555.15	\$1,129,055.15
	45,384.00	43,674.20	1,709.80	808,514.00	652,658.96	155,855.04	444,178.04
TOTAL SALARIES & WAGES	\$163,952.00	\$166,315.97	(\$2,363.97)	\$2,932,780.00	\$2,568,369.81	\$364,410.19	\$1,573,233.19
OPERATING SERVICES							
521 Travel	\$0.00	\$0.00	\$0.00	\$11,250.00	\$11,527.70	(277.70)	\$6,472.30
531 IT - Software	0.00	0.00	0.00	617,425.00	598,515.74	18,909.26	\$18,909.26
532 Prof Supplies & Materials	0.00	0.00	0.00	1,848.00	218.00	1,630.00	2,525.00
534 Equip/Bldg Supplies	0.00	0.00	0.00	15,100.00	26,591.78	(11,491.78)	(11,491.78)
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	814.33	(814.33)	(814.33)
536 Office supplies	3,010.00	1,159.06	1,850.94	48,850.00	41,322.64	7,527.36	28,595.36
541 Postage	10,212.00	7,961.69	2,250.31	173,022.00	175,205.40	(2,183.40)	88,809.60
542 Printing	1,350.00	(1,959.00)	3,309.00	24,525.00	36,686.73	(12,161.73)	(3,386.73)
551 IT - Equipment < \$5,000	0.00	0.00	0.00	63,000.00	4,939.10	58,060.90	58,060.90
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	8,900.00	6,375.97	2,524.03	2,524.03
571 Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
581 Lease/Rent - Equipment	3,070.00	1,692.64	1,377.36	55,260.00	52,754.88	2,505.12	20,925.12
582 Lease/Rent - Building	0.00	0.00	0.00	0.00	0.00	0.00	0.00
591 Repairs/Service Contracts	2,603.00	2,527.70	75.30	23,729.00	23,630.23	98.77	7,886.77
601 IT - Data Processing	46,300.00	34,965.35	11,334.65	787,100.00	771,590.61	15,509.39	339,609.39
602 IT - Communications	1,232.00	2,128.39	(896.39)	20,944.00	34,918.11	(13,974.11)	(5,350.11)
603 IT - Contractual Services	0.00	0.00	0.00	11,000.00	8,950.00	2,050.00	2,050.00
611 Professional Development	500.00	0.00	500.00	11,500.00	5,691.50	5,808.50	11,308.50
621 Operating Fees & Services	120.00	340.00	(220.00)	2,790.00	1,284.12	1,505.88	2,595.88
623 Professional Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING	\$68,397.00	\$48,815.83	\$19,581.17	\$1,876,243.00	\$1,801,016.84	\$75,226.16	\$569,229.16
EQUIPMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$15,636.93	(\$15,636.93)	\$2,363.07
TOTAL	\$232,349.00	\$215,131.80	\$17,217.20	\$4,809,023.00	\$4,385,023.58	\$423,999.42	\$2,144,825.42

NORTH DAKOTA TAX DEPARTMENT
BUDGET VARIANCE REPORT

DIVISION: PROPERTY TAX RELIEF
MONTH: December 2008

December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$4,738.00	\$2,103.56	\$2,634.44	\$168,358.00	\$107,434.42	\$60,923.58	\$196,115.58
	0.00	166.63	(166.63)	0.00	11,636.05	(11,636.05)	(11,636.05)
TOTAL SALARIES & WAGES	\$4,738.00	\$2,270.19	\$2,467.81	\$168,358.00	\$119,070.47	\$49,287.53	\$184,479.53
OPERATING SERVICES							
521 Travel	\$0.00	\$0.00	\$0.00	\$0.00	\$1,719.61	(1,719.61)	(\$1,719.61)
531 IT - Software	0.00	0.00	0.00	0.00	0.00	0.00	\$0.00
532 Prof Supplies & Materials	0.00	0.00	0.00	0.00	0.00	0.00	0.00
534 Equip/Bldg Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
536 Office supplies	0.00	501.00	(501.00)	0.00	501.00	(501.00)	(501.00)
541 Postage	0.00	4,594.24	(4,594.24)	58,392.00	46,253.30	12,138.70	62,638.70
542 Printing	0.00	7,949.00	(7,949.00)	30,000.00	17,048.11	12,951.89	42,951.89
551 IT - Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
571 Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
581 Lease/Rent - Equipment	0.00	376.00	(376.00)	0.00	376.00	(376.00)	(376.00)
582 Lease/Rent - Building	0.00	0.00	0.00	0.00	618.53	(618.53)	(618.53)
591 Repairs/Service Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
601 IT - Data Processing	348.00	100.00	248.00	25,122.00	6,614.60	18,507.40	20,943.40
602 IT - Communications	0.00	32,045.20	(32,045.20)	0.00	34,224.26	(34,224.26)	(34,224.26)
603 IT - Contractual Services	19,445.00	19,445.00	0.00	433,340.00	413,895.00	19,445.00	186,105.00
611 Professional Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00
621 Operating Fees & Services	0.00	0.00	0.00	0.00	29,239.69	(29,239.69)	(29,239.69)
623 Professional Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING	\$19,793.00	\$65,010.44	(\$45,217.44)	\$546,854.00	\$550,490.10	(\$3,636.10)	\$245,959.90
EQUIPMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$24,531.00	\$67,280.63	(\$42,749.63)	\$715,212.00	\$669,560.57	\$45,651.43	\$430,439.43

NORTH CAROLINA TAX DEPARTMENT
BUDGET VARIANCE REPORT

DIVISION: INTEGRATED TAX SYSTEM
MONTH: December 2008

December 2008

DESCRIPTION	CURRENT MONTH			BIENNIUM TO DATE			BIENNIUM ALLOCATION BALANCE
	BUDGET	ACTUAL	UNDER/ (OVER)	BUDGET	ACTUAL	UNDER/ (OVER)	
SALARIES & WAGES							
Gross Wages	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Fringe Benefits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL SALARIES & WAGES	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OPERATING SERVICES							
521 Travel	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00
531 IT - Software	0.00	0.00	0.00	550,000.00	1,100,000.00	(550,000.00)	(\$550,000.00)
532 Prof Supplies & Materials	0.00	0.00	0.00	0.00	0.00	0.00	0.00
534 Equip/Bldg Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
535 Miscellaneous Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
536 Office supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
541 Postage	0.00	0.00	0.00	0.00	0.00	0.00	0.00
542 Printing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
551 IT - Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
552 Other Equipment < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
553 Office Machines/Furniture < \$5,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
571 Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
581 Lease/Rent - Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
582 Lease/Rent - Building	0.00	0.00	0.00	0.00	0.00	0.00	0.00
591 Repairs/Service Contracts	0.00	0.00	0.00	274,998.00	229,165.00	45,833.00	920,835.00
601 IT - Data Processing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
602 IT - Communications	0.00	0.00	0.00	0.00	0.00	0.00	0.00
603 IT - Contractual Services	45,833.00	45,833.00	0.00	549,996.00	(4.00)	550,000.00	4.00
611 Professional Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00
621 Operating Fees & Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
623 Professional Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING	\$45,833.00	\$45,833.00	\$0.00	\$1,374,994.00	\$1,329,161.00	\$45,833.00	\$370,839.00
EQUIPMENT							
	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL	\$45,833.00	\$45,833.00	\$0.00	\$1,374,994.00	\$1,329,161.00	\$45,833.00	\$370,839.00

OFFICE OF STATE TAX COMMISSIONER

Operating Expense Line Categories and Description

Operating Line	December 2008	Description
521000	Travel	Meals, Lodging, Airfare, Taxi, Car Rental
531000	IT Software	All software maintenance and software purchases (Phoenix, GIS, GP renewal, ACL)
532000	Prof Supplies & Materials	Comm Briefings; ND Admin code; RIA; Lexus; Wall St Jrnl; Marshall Swift; Kiplinger letters; Westlaw
534000	Bldg/Equip Mntc Supply	Scan kits, toners, fuser, equipment parts, tools
535000	Miscellaneous Supply	Platform trucks/mail carts
536000	Office Supply	Paper, Pens, Staples, etc.. PC Accessories, stampers, gloves, headsets & accessories, air cleaners, calculators
541000	Postage	Presort Plus postage + service fees, FedEx, UPS, box rents, permit account fees
542000	Printing	Forms, booklets, brochures, envelopes
551000	IT Equip < 5,000	Laptops, PCs, small scanners, memory cards, small printers
552000	Other Equip < 5,000	
553000	Office Furniture < 5,000	Chairs, tables, herman miller & accessories, file cabinets, shelving
571000	Insurance	Property, Liability and Risk Management
581000	Lease/Rent Equipment	Xerox printer; copiers
582000	Lease/Rent Building	Field office leases, meeting room rentals
591000	Repairs	Service contracts - fax, xerox excess prints, copiers, slicer, folder, janitorial
601000	IT Data Processing	Data processing services from ITD
602000	IT Communications	Telephone to ITD, cell phone (wireless internet access)
603000	IT Contractual Services	IT contractual services and all hardware maintenance on IT equipment (PCs) (on-site support, monthly support, fees)
611000	Professional Development	Conference fees; dues (State Bar, streamline, nexus, FTA, Assessor Assn.)
621000	Operating Fees & Services	Service awards; sheriffs fees; newspaper ads & clipping service; Pacer; freight; WC deductible, PSAs/TV ads
623000	Professional Services	Admin Hearing officer; MTC fees (318,690); Expert Witness (25,000)
Capital Assets		
693000	IT Equip > 5,000	Large scanners and network printers

**OFFICE OF STATE TAX COMMISSIONER
ANALYSIS OF TRAVEL EXPENSES FOR 2009-11 EXECUTIVE BUDGET**

Actual expenses for first 10 months of fiscal year

Travel description	Total	Comm	Leg	FM	TA	Property	Oper
521010 In-state air	0	0	0	0	0	0	0
521015 In-state lodging	4,420	61	0	180	3,797	382	0
521020 in-state meals	2,345	80	17	90	1,913	245	0
521025 in-state other transportation	1,005	20	35	0	950	0	0
521030 in-state mileage	10,873	347	0	232	8,258	1,652	383
521035 Taxable meals	2,645	20	0	0	2,475	150	0
521045 motor/Aircraft Pool	11,653	873	0	171	9,604	840	165
521060 travel non-employee	0	0	0	0	0	0	0
521065 miscellaneous travel	1,352	132	53	0	1,033	0	134
521070 out of state Air	38,476	3,998	2,856	0	30,354	0	1,267
521075 out of state lodging	40,413	2,914	3,076	0	31,894	0	2,530
521080 out of state other transportation	19,841	796	1,196	0	16,683	0	1,165
521085 out of state mileage	4,467	149	387	0	3,902	0	29
521090 out of state mileage	0	0	0	0	0	0	0
	137,489	9,390	7,621	673	110,863	3,270	5,673

Estimate for entire year	156,900	11,000	9,100	0	126,500	3,300	7,000
Estimated increases for 2nd yr	162,900	17,000	9,100	0	126,500	3,300	7,000
	319,800	28,000	18,200	0	253,000	-6,600	14,000

Projected changes for 2009-11

Air 25% (of partial year above)	9,619	1,000	714	0	7,589	0	317
out of state lodging - 20%	8,083	583	615	0	6,379	0	506
out of state other trans - 10%	1,984	80	120	0	1,668	0	116
	19,686	1,662	1,449	0	15,636	0	939

x2 years

Total rate adjustment	39,371	3,324	2,898	0	31,271	0	1,878
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Usage increases: MSATA	3,000	3,000					
Usage increases: Training/Education	23,450	4,000	2,500		8,000	850	8,100
Usage increases: audits	34,750				34,750		
	61,200	7,000	2,500	0	42,750	850	8,100

Total estimated budget	420,371	38,324	23,598	0	327,021	7,450	23,978
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Amount included in Exec Budget	387,531	37,991	22,300	0	296,000	7,340	23,900
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Amt we cut back.....	32,840	333	1,298	0	31,021	110	78
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Airline tickets are increasing between 25% to 45%
Out of state lodging is increasing 20% to 30%
Other transportation (taxi) is increasing by 10%

Increase for MSATA travel - \$6000

Increase # of audit trips for tax administration - 15 to 17

Increase motor pool mileage rate charged to agencies

Increase training/education trips - Comm - 2 (FTA); Legal - 1 (CLE); Sales - 4 (streamline/FTA); Operations - 4

Attachment
1006.1.22.09 K

STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commission

HOUSE APPROPRIATION – GOVERNMENT OPERATIONS DIVISION
House Bill 1006 – Salary Equity/Compression
January 22, 2009

OVERVIEW OF EQUITY/COMPRESSION SALARY REQUEST

Compression is an issue a number of state agencies have been facing for some time. Compression is a condition of internal inequity caused by external job market conditions and the economy. For the Tax Department, the demand for knowledge and skills has increased in the Accounting and Information Technology areas. At the same time, the supply of qualified candidates has decreased. This has forced us to offer higher wages to attract the best and most qualified candidates.

The Tax Department has a majority of its positions requiring a college degree in accounting or at least some accounting background. Many graduates have invested up to 5 years to get an accounting degree. They are looking for higher paid jobs to put them in a better position to pay back school loans and provide for living expenses. The market demand for these employees has increased. But, because the state's salary ranges are below market, we need to increase our starting salaries to attract them. This will continue to worsen because we anticipate the need to increase our starting salaries to attract qualified candidates will continue.

Compression exists when job market conditions change but an employee's placement in a range does not. To identify the extent of the compression impacting the Tax Department, we reviewed all employees' placement in their respective pay ranges by looking at their Compa-Ratio. The Compa-ratio is calculated by taking the employee's salary divided by the midpoint of their pay range.

An example of compression can be seen in Exhibit A. In our example, the employee has made no advancement within the range for their added years of service. They have actually lost ground.

In July 2007 we were hiring beginning auditors at \$2,450. After the six-month probation increase and general increases authorized in July 2008 by the legislature, their salary was \$2,675. Due to job market conditions, (higher salaries being offered in private industry and other public sectors), and in order to attract qualified applicants, we currently are offering auditors a starting salary of \$2,700. If no adjustment

STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commission

HOUSE APPROPRIATION – GOVERNMENT OPERATIONS DIVISION
House Bill 1006 – Salary Equity/Compression
January 22, 2009

is done for current employees, the new hire will have a salary above an employee with 1 ½ years experience with the department. We have lost potential employees for as little as \$50 difference in starting salaries.

The Tax Department has the highest average years of service for all state agencies of 17.9 years (December 2008). Yet the average Compa-ratio for the Tax Department is .98, which is below midpoint. 74% of Tax Department employees have a Compa-ratio that is less than the state average for the same years of service. (Ex: the Tax Department has 7 employees with 17 years of service. The average Compa-ratio for those 7 employees is .92 while the state average for 17-year employees is 1.0). We will continue to lag behind the job market without sufficient equity dollars.

The Tax Department's expectations of its employees are high. We have the responsibility to administer the tax laws of North Dakota and we take that job very seriously. Tax law can be complex. We require our employees to have a thorough knowledge of the different tax types they work with. It isn't just a matter of knowing the current law but past laws too as they relate to prior year non-filers and amended returns. Many must know the Internal Revenue Code as it relates to North Dakota taxes. Our employees are expected to maintain a high level of expertise to provide excellent customer service to the citizens of North Dakota as well as our counterparts in the tax industry – CPAs, tax practitioners, IRS, etc.

We cannot ignore our salary compression issue. We need to be proactive. Competitive compensation levels are essential to maintain and improve the quality of our staff. An educated workforce is more crucial than ever to the continued vitality of our economy.

To address our salary compression, we developed a plan that takes into consideration all Tax Department employees' current Compa-ratio and the expected Compa-ratio for their years of service. The \$675,000, will not address all instances of equity/compression, but it will go a long way. Using our plan at the \$675,000 funding level, 97 of the 124 employees, or 78%, would receive an equity adjustment. Salary adjustments would range from \$86 to \$684. The average salary increase would be \$246. This plan is

STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commission

HOUSE APPROPRIATION – GOVERNMENT OPERATIONS DIVISION
House Bill 1006 – Salary Equity/Compression
January 22, 2009

subject to change if the state's pay ranges are adjusted for market at a rate different than an approved general increase. (See Exhibit B.)

We respectfully request support for the salary equity/compression amount included in the Governor's recommended budget. It will send a clear message to existing employees that their ongoing dedication, knowledge, skills and experience are being recognized. We value our employees – they are our greatest asset.

STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commission

HOUSE APPROPRIATION – GOVERNMENT OPERATIONS DIVISION
House Bill 1006 – Salary Equity/Compression
January 22, 2009

EXHIBIT A

Example of compression caused by adjusting a pay ranges for changes in the job market:

2006 – 2007	Minimum – \$2,115	Midpoint – \$2,820	Maximum – \$3,525
Pay Grade 9	Compa-Ratio = .75	Compa-Ratio = 1.0	Compa-Ratio = 1.25
2007 - 2008	Minimum – \$2,315	Midpoint – \$3,086	Maximum – \$3,858
Pay Grade 9	Compa-Ratio = .75	Compa-Ratio = 1.0	Compa-Ratio = 1.25

For Fiscal Year 2007 – 2008, the pay range for Pay Grade 9 was adjusted by 9% to equal the job market. However, salary increase approved for July 2007 was a total of 4% based on performance and/or equity with a minimum of \$75.

In the example below, we walk through the problem that occurs when pay ranges are adjusted at a greater amount than the general salary increase approved. In this example, the employee is actually going backwards in their placement within the pay range – from a .79 Compa-ratio to a .75 Compa-ratio.

Description	Monthly Salary	Compa-Ratio
Start date 7/1/2006	\$2,115	.75
After Probation	\$2,221	.79
Pay Range Increase of 9% - July 1, 2007	\$2,315 The employee would receive an increase greater than 4% because we would need to bring them to the new minimum of the pay range. If no additional adjustment is made to this employee's salary, their salary will be the same as a new hire on July 1, 2007.	.75

Classification Breakdown of employees affected by equity compression adjustment:

Classification	# of employees
Account Technician	3
Accounting Manager	1
Accounting/Budget Specialist	1
Administrative Assistant	7
Administrative Officer	1
Attorney	2
Audit Technician	14
Auditor	39
Collection Officer	6
Compliance Officer	5
Data Processing Coordinator	2
Document Imaging Specialist	2
Human Resource Officer	1
Income, Sales & Special Taxes Dir	1
Office Assistant	8
Project Manager	1
Property Tax Specialist	1
Public Information Specialist	1
Purchasing Agent	1
Total employees affected	97 78%
Total employees not affected	27 22%
Grand total of employees reviewed	124

5

RANGE COMPRESSION MATRIX

Years of Service		quartile			
From:	Up To:	1	2	3	4
15	99	3.0	2.0	1.0	0.0
7	15	1.0	0.5	0.0	0.0
0.5	7	0.5	0.0	0.0	0.0

The equity share matrix assigns shares to quartiles based on years of service. The years of service and quartile of an employee are used to compute the number of shares assigned to an employee. The shares for all employees are then totaled. The total equity dollar amount available is divided by the total number of shares to calculate an equity share value. This equity share value is then multiplied by the number of shares of an employee to calculate the equity increase.

Example:

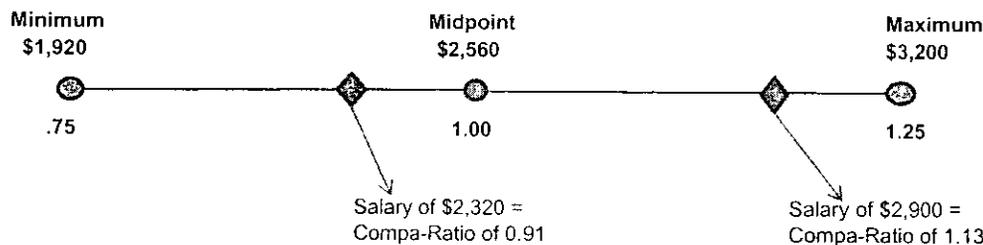
	Quartile	Yrs Svc	Shares from matrix
Emp A	1	5	0.5
Emp B	2	10	0.5
Emp C	1	20	3

Total Shares 4

Computation of Equity Increase:
 .5 x \$250 = \$125.00 equity increase
 .5 x \$250 = \$125.00 equity increase
 3 x \$250 = \$750 equity increase

Total Equity Dollars Available = \$1,000 \$1,000/4 total shares = \$250 equity share value

Compa-Ratio = Salary / Midpoint



DISCLAIMER:

The results of this plan are subject to change. Results will be different if the State Pay Ranges are adjusted for market at a rate different than an approved general increase.

**TAX DEPARTMENT
EQUITY COMPRESSION PACKAGE
2009 - 2011**

Classification	Grade	Quartile	Years of Service on 7/1/09	Total Increase	Total % Increase	C-Ratio Before Increase	C-Ratio After Increase
Account Technician II	7	3	20.8	171	6.55%	1.02	1.08
Account Technician II	7	3	28.8	171	6.45%	1.03	1.10
Account Technician II	7	3	34.9	171	6.20%	1.08	1.14
Accounting Mgr II	15	3	31.9	684	12.08%	1.02	1.14
Accounting/Budg Spec III	12	3	15	171	3.99%	1.04	1.08
Administrative Asst I	6	1	3.8	86	4.61%	0.81	0.84
Administrative Asst I	6	3	22.7	171	6.80%	1.09	1.16
Administrative Asst I	6	3	32.4	188	7.68%	1.06	1.14
Administrative Asst III	8	2	32.3	408	14.29%	1.00	1.14
Administrative Asst III	8	3	36.1	171	5.47%	1.09	1.15
Administrative Offcr I	8	1	1.8	86	3.70%	0.81	0.84
Administrative Asst II	7	3	26.1	171	6.39%	1.04	1.11
Administrative Asst II	7	3	30.4	210	7.74%	1.06	1.14
Attorney III	16	2	12.8	86	1.49%	0.93	0.94
Attorney III	16	3	18.2	171	2.67%	1.03	1.06
Audit Tech	7	1	0.7	86	4.10%	0.82	0.85
Audit Tech	7	1	1.3	86	4.10%	0.82	0.85
Audit Tech	7	1	1.5	86	4.04%	0.83	0.86
Audit Tech	7	1	11.1	171	7.80%	0.86	0.92
Audit Tech	7	2	15.1	380	15.04%	0.99	1.13
Audit Tech	7	2	20.3	465	20.01%	0.91	1.09
Audit Tech	7	2	23.4	402	16.05%	0.98	1.13
Audit Tech	7	3	24.5	171	6.39%	1.04	1.11
Audit Tech	7	3	24.7	171	6.45%	1.03	1.10
Audit Tech	7	3	25	171	6.40%	1.04	1.11
Audit Tech	7	3	26	171	6.35%	1.05	1.12
Audit Tech	7	3	29.8	171	5.93%	1.13	1.19
Audit Tech	7	3	32.5	254	9.52%	1.04	1.14
Audit Tech	7	3	34.1	171	6.18%	1.08	1.14
Auditor I	9	1	0.9	86	3.31%	0.82	0.84
Auditor I	9	1	0.9	86	3.31%	0.82	0.84
Auditor I	9	1	0.9	86	3.31%	0.82	0.84
Auditor I	9	1	2.3	86	3.12%	0.87	0.89
Auditor I	9	3	32.2	369	11.34%	1.02	1.14
Auditor II	11	1	2.9	86	2.84%	0.81	0.83
Auditor II	11	1	3.1	86	3.01%	0.76	0.78
Auditor II	12	1	4	86	2.74%	0.76	0.78
Auditor II	11	1	4.1	86	2.63%	0.87	0.89
Auditor II	11	1	4.5	86	2.67%	0.86	0.88
Auditor III	12	1	8.7	191	5.51%	0.84	0.89
Auditor III	12	1	9.7	343	10.35%	0.81	0.89
Auditor III	12	1	10.5	305	9.10%	0.82	0.89
Auditor III	12	2	10.8	86	2.28%	0.92	0.94
Auditor III	12	1	10.8	171	4.86%	0.86	0.90
Auditor III	12	2	14.3	86	2.36%	0.89	0.91
Auditor III	12	2	14.5	86	2.28%	0.92	0.94
Auditor III	12	2	14.5	86	2.27%	0.92	0.94
Auditor III	12	2	16.9	637	16.70%	0.93	1.08
Auditor III	12	2	17.7	658	17.35%	0.92	1.08
Auditor III	12	2	18.6	622	16.24%	0.93	1.08
Auditor III	12	2	18.8	645	16.95%	0.93	1.08
Auditor III	12	3	19.8	171	4.11%	1.01	1.05
Auditor III	12	2	19.8	446	11.14%	0.97	1.08
Auditor III	12	2	21	576	14.86%	0.94	1.08

**TAX DEPARTMENT
EQUITY COMPRESSION PACKAGE
2009 - 2011**

Classification	Grade	Quartile	Years of Service on 7/1/09	Total Increase	Total % Increase	C-Ratio Before Increase	C-Ratio After Increase
Auditor III	12	2	21.9	566	14.57%	0.95	1.08
Auditor III	12	2	22.8	422	10.47%	0.98	1.08
Auditor III	12	3	29.9	171	4.15%	1.00	1.04
Auditor III	12	3	30.5	401	9.36%	1.04	1.14
Auditor III	12	3	30.6	364	8.43%	1.05	1.14
Auditor III	12	3	39.4	401	9.36%	1.04	1.14
Auditor III	12	3	40.2	423	9.93%	1.04	1.14
Auditor IV	14	1	0.7	86	2.20%	0.78	0.80
Auditor IV	14	2	13.3	86	1.75%	0.98	1.00
Auditor IV	14	2	16.9	616	13.04%	0.95	1.07
Auditor IV	14	2	27.8	357	7.17%	1.00	1.07
Auditor IV	14	3	29.9	171	3.28%	1.04	1.08
Auditor IV	14	3	31.1	171	3.07%	1.11	1.15
Auditor IV	14	3	33	650	12.88%	1.01	1.14
Collection Officer III	10	1	4.8	86	3.11%	0.80	0.83
Collection Officer III	10	1	10.6	317	11.51%	0.80	0.89
Collection Officer III	10	2	13.6	86	2.57%	0.97	0.99
Collection Officer III	10	2	18.3	589	18.38%	0.93	1.10
Collection Officer III	10	3	30.9	455	13.08%	1.01	1.14
Collection Officer III	10	3	31.9	201	5.38%	1.08	1.14
Compliance Offcr II	11	1	2	86	3.04%	0.75	0.78
Compliance Offcr II	11	3	32.1	510	13.52%	1.00	1.14
Compliance Officer I	10	1	0.7	86	3.25%	0.77	0.79
Compliance Officer I	10	1	0.9	86	3.19%	0.78	0.81
Compliance Officer I	10	3	33.8	343	9.55%	1.04	1.14
Data Proc Coordinator II	10	2	18	620	20.01%	0.90	1.08
Data Proc Coordinator III	12	2	14.6	86	2.10%	1.00	1.02
Document Image Spec II	6	2	18.5	365	15.95%	0.99	1.14
Document Image Spec II	6	2	22.4	413	18.43%	0.97	1.14
Human Resource Offcr I	11	3	35	171	4.09%	1.11	1.16
Income Sales & Spec Taxes Dir	16	3	23.8	171	2.63%	1.04	1.07
Office Asst II	4	2	10.8	86	4.89%	0.92	0.97
Office Asst II	4	3	22.8	171	8.44%	1.06	1.15
Office Asst III	5	1	1.1	86	5.22%	0.79	0.82
Office Asst III	5	2	7.5	86	4.68%	0.88	0.92
Office Asst III	5	2	10.3	86	4.45%	0.92	0.96
Office Asst III	5	1	12.6	171	9.60%	0.85	0.93
Office Asst III	5	3	20.2	171	7.82%	1.04	1.12
Office Asst III	5	3	32.4	171	7.26%	1.12	1.20
Project Manager I	11	2	16.4	445	12.18%	0.97	1.09
Property Tax Specialist	10	3	29.9	171	4.72%	1.05	1.10
Public Info Spec II	10	3	25.8	171	4.59%	1.08	1.13
Purchasing Agent I	10	2	13.9	178	6.15%	0.84	0.89

TOTALS

23,873



3

OFFICE OF STATE TAX COMMISSIONER
STATE OF NORTH DAKOTA

HB 1006

Cory Fong
TAX COMMISSIONER



MEMO

DATE: February 26, 2009
TO: Senator John Warner, Senate Appropriations Committee
FROM: Cory Fong, Tax Commissioner *cf*
SUBJECT: GenTax Costs and Loan Repayment Schedule

During the Office of State Tax Commissioner's budget hearing on Wednesday, February 25, 2009, you requested information on the breakdown of costs associated with the Department's Integrated Tax System project. Attached is the information you requested. Additional copies have been attached for distribution to the Senate Appropriation Committee members.

To provide some history on the project, the integrated tax project was started in July 2005 and completed in June 2007. It was funded by a loan from the Banc of America in the amount of \$14 million. The loan money was held in escrow at the Bank of North Dakota for the duration of the project. Draw downs were requested as we incurred an expense. Because of this process, interest was earned and accumulated in the escrow account during the project period. We completed the project on time and under budget. The total underrun including the interest earned at the end of the project was \$2,852,146.09. The first yearly payment on the loan was made in July 2007.

If we can be of further assistance in this matter, please do not hesitate to contact me.

OFFICE OF STATE TAX COMMISSIONER
TREND PROJECT BUDGET AND EXPENSES REPORT

Description	TOTAL FY2006	TOTAL FY2007	BIENNIUM TOTAL	
Software				
COTS License	3,000,000.00	0.00	3,000,000.00	GenTax software Licence
COTS Maintenance	550,000.00	550,000.00	1,100,000.00	GenTax software Maintenance fee
TOTAL	3,550,000.00	550,000.00	4,100,000.00	
Services				
Fast Enterprices LLC	2,433,750.00	3,466,250.00	5,900,000.00	Project Management Contractor's Fee
AdvanTech LLC	328,599.96	328,599.96	657,199.92	Project Management Contractor's Fee
ITD Programmers	432,966.73	343,944.39	776,911.12	ITD programmer fees
ITD Hosting	69,859.59	0.00	69,859.59	ITD Server Hosting fees
ITD Disk Storage	9,925.24	16,331.92	26,257.16	ITD Disk storage fees
TOTAL	3,275,101.52	4,155,126.27	7,430,227.79	
Operating Expenses				
Office Space	24,018.00	24,018.00	48,036.00	Rental of project office space at Northbrook for 2 years
Janitorial Services	4,648.00	4,955.54	9,603.54	Janitorial services at Northbrook for 2 years
Telephones	13,033.18	12,318.17	25,351.35	Telephone service at Northbrook for 2 years
Telecom (VPN & device)	17,777.00	19,708.00	37,485.00	Network connectivity fees for 2 years
TOTAL	59,476.18	60,999.71	120,475.89	
Actual	6,884,577.70	4,766,125.98	11,650,703.68	14,000,000.00 Maximum amount available from Bank of America (11,650,703.68) Less Actual Expenditures biennium to date <u>2,349,296.32</u> Underrun in comparison to available appropriation (\$14.0 M)
Interest Earned at BND	291,596.66	211,253.11	502,849.77	<u>502,849.77</u> Interest earned on account with BND <u>2,852,146.09</u> Biennium to date underrun with interest earned on account with BND

FAST

ENTERPRISES

TO: Lincoln-Parry SoftEscrow, Inc.
9800 MT Pyramid Court, Suite 400
Englewood, CO 80112
Telephone: 303-595-0065
Central Fax: 613-839-1362
Email To: desk@softescrow.com

CC: LICENSEE

BE INFORMED THAT

Name: Office of State Tax Commissioner (Licensee)

Address: 600 E. Boulevard Ave., Dept 127
Bismarck, ND, 58505-0599

Contact: Cathie Forsch

Telephone No.: (701) 328-2783 Fax No.: (701) 328-3700 E-Mail Address: cforsch@state.nd.us

has become a licensed user of those programs included in the Software described or otherwise included in Software Escrow Agreement No. 7290 and bearing date October 28, 2002 between you and Fast Enterprises, LLC. (Licensor) which are listed below and as such becomes entitled to the rights of a beneficiary there- under upon filing of this Notification with the Escrow Agent. The Licensee's rights under this Agreement shall relate to the Software in those container(s) held by the Escrow Agent for which the Licensee has a valid license agreement that is not in arrears or otherwise in default, at such time as those rights are exercised.

Programs of the software licensed by the Licensee with the most recent deposit of Escrow Materials pertaining to the above named beneficiary was made on Month December Day 16th Year 2008.

1. GenTax® Versions V6P & V7P Source Code
2. GenTax® Documentation Materials
3. _____
4. _____

Licensor: Fast Enterprises, LLC



Authorized Representative

Gary Nichol
Name

Partner
Title

December 17, 2008
Date

FAST ENTERPRISES LLC
6400 SOUTH FIDDLER'S GREEN CIRCLE, SUITE 1500
GREENWOOD VILLAGE, COLORADO 80111
T 303-770-3700
F 303-770-3701
WWW.GENTAX.COM

Attachment
1006.1.22.09B

12.3 This section does not apply if the infringement, or claim thereof, is based upon the use of products supplied by Contractor in combination with other software not made or supplied by Contractor (State or other vendor supplied), or the use of products by State with apparatus, data or programs not furnished or supplied by Contractor (State or other vendor supplied), or products not manufactured or supplied by Contractor (State or other vendor supplied). This section will apply to all products offered by Contractor.

13. ESCROW

13.1 Upon request of State Contractor will, at its expense, add State to Contractor's existing Source Code Escrow Agreement. Alternatively, upon request and at the expense of State, Contractor will put the complete Software, including any enabling or supporting software tools, into Escrow under the terms of a mutually agreed upon escrow agreement between Contractor, State and the escrow agent. The escrow agreement will be supplementary to these terms and allow State access to the Software in the event that (1) Contractor files for or becomes bankrupt or becomes insolvent, or (2) Contractor obligations are not performed pursuant to this Contract.

13.2 As part of the terms of the escrow agreement, Contractor shall update the escrowed items with the most current version at the time of final acceptance and anytime thereafter should State receive update versions. The escrowed items will have three elements as follows:

- (a) their operable form;
- (b) in source code form of all binary coded artifacts; and
- (c) in the compiled/assembled object form together with complete build instructions as a batch file for the respective artifacts.

13.3 State shall have the right to have Contractor demonstrate and verify the Escrow versions to State upon request of State at any reasonable time.

13.4 Deposition of source code must be defined in the agreement between Contractor, State, and the escrow agent. A provision of the agreement to escrow must be that if State has taken access to the source code or the rights, the parties may challenge State's right of access. Pending a court order, State may exercise its rights, and upon a contrary decision by the courts, State shall forthwith cease exercising its rights and return the source code to Contractor or the escrow agent as appropriate.

14. COMPLIANCE WITH LAWS

Contractor must, in performance of work under this Contract, fully comply with all applicable federal, State, or local laws, rules and regulations, including relevant Internal Revenue Code and North Dakota Sales, Use, and Income Tax provisions, North Dakota nondiscrimination laws, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by Contractor subjects subcontractors to the same provision. In accordance with North Dakota nondiscrimination laws, Contractor agrees that the hiring of persons to perform the Contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the Contract.

16. **USE OF THE JURISDICTION NAME.** The Agency agrees that Fast may, prior to, in the course of performance of this Agreement (or any order), or thereafter use the Agency's name in advertising and promotional media as a customer or client of Fast.

17. **GOVERNING LAW.** This Agreement shall be construed in accordance with, and governed by the laws of North Dakota. Any action to enforce the provisions of this Agreement shall be brought and solely litigated in the Burleigh County District Court, Bismarck, North Dakota.

18. **SEVERABILITY.** In the event any term of this Agreement is held to be invalid or unenforceable by a court, the remaining terms of this Agreement will remain in force.

19. **WAIVER.** None of the provisions of this Agreement will be deemed to have been waived by any act or acquiescence by any party, but only by an instrument in writing signed by an authorized representative of the waiving party. No waiver of any provision of this Agreement will constitute a waiver of any other provision or of the same provision on another occasion. Failure to enforce any provision of this Agreement will not constitute waiver of such provision or any other provisions of this Agreement.

20. **ENTIRE AGREEMENT.** This Agreement represents the entire agreement between the parties regarding its subject matter, superseding any prior oral or written agreements or understandings relating thereto.

21. **AMENDMENT.** This Agreement may only be enlarged, altered, voided or modified by a written amendment signed by Fast and the Agency.

22. **HEADINGS.** Descriptive headings and Section/Paragraph numbering in this Agreement are for convenience only and shall not affect the construction or meaning of contractual language.

23. **NOTICES.** All deliveries, notices, requests, demands or other communications related to this Agreement that either party may be required or may desire to give to the other will be deemed received by the recipient when delivered personally; or by registered or certified mail, return receipt requested; or by overnight carrier; or upon telephone confirmation to sender of receipt of a facsimile communication which is followed by a mailed hard copy from sender. Communications should be addressed as follows:

Fast:

James Harrison
Fast Enterprises, LLC
800 Park Blvd. - Ste. 720
Boise, ID 83712
Tel: (208)433-9244
Fax: (208)433-9863

Agency:

Catherine A. Forsch, Director of Operations
North Dakota Office of State Tax Commissioner
600 East Boulevard Ave., 8th Floor
Bismarck, ND 58505-0599
Tel: (701) 328-2783
Fax: (701) 328-3700

24. **CONTRACT TERM AND RENEWAL OPTIONS.** The initial, one-year term of this Agreement will begin on 1 July 2005 and is renewable on each subsequent anniversary thereafter.

25. **COSTS INCLUDED IN THIS AGREEMENT.**

25.1. ~~ANNUAL Software MAINTENANCE due at the end of the month in which the maintenance period commences as per the following cost schedule.~~

<i>1-Jul-2005 thru 30-Jun-2006</i>	<i>\$550,000 ✓</i>
<i>1-Jul-2006 thru 30-Jun-2007</i>	<i>\$550,000 ✓</i>
<i>1-Jul-2007 thru 30-Jun-2008</i>	<i>\$550,000 ✓</i>
<i>1-Jul-2008 thru 30-Jun-2009</i>	<i>\$550,000 ✓</i>
<i>1-Jul-2009 thru 30-Jun-2010</i>	<i>\$572,000</i>
<i>1-Jul-2010 thru 30-Jun-2011</i>	<i>\$594,500</i>
<i>1-Jul-2011 thru 30-Jun-2012</i>	<i>\$618,000</i>
<i>1-Jul-2012 thru 30-Jun-2013</i>	<i>\$642,500</i>
<i>1-Jul-2013 thru 30-Jun-2014</i>	<i>\$668,000</i>

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

By: *M Rankin*
 Title: *Managing Partner*
 Fast Enterprises LLC

By: *Cory Fong*
 Title: *Tax Commissioner*
 Agent for the Agency

EXHIBIT B-2

RENTAL PAYMENT SCHEDULE

Rental Payment Date	Rental Payment Amount	Interest Portion 3.166%	Principal Portion	Balance	Purchase Price
Jul-29-05				14,000,000.00	
Jul-29-07	2,678,350.61	886,484.62	1,791,866.00	12,208,134.00	12,208,134.00
Jul-29-08	2,678,350.61 ✓	386,511.54	2,291,839.08	9,916,294.92	9,916,294.92
Jul-29-09	2,678,350.61	313,951.53	2,364,399.08	7,551,895.84	7,551,895.84
Jul-29-10	2,678,350.61	239,094.27	2,439,256.35	5,112,639.50	5,112,639.50
Jul-29-11	2,678,350.61	161,867.01	2,516,483.61	2,596,155.89	2,596,155.89
Jul-29-12	2,678,350.61	82,194.72	2,596,155.89	0.00	
Total	16,070,103.69	2,070,103.69	14,000,000.00		

Prepayment Premium for purposes of Section 10.01(a) is 0%.

For purposes of this Lease, "Taxable Rate," with respect to the interest component of Rental Payments, means an annual rate of interest equal to 4.9390%.

Lessee:
State of North Dakota acting through its
Office of the State Tax Commissioner

By: Catherine A. Forsch
Name: CATHERINE A. FORSCH
Title: DIRECTOR OF OPERATIONS

Attachment
1006.1.22.09A

HOMESTEAD CREDIT PAYMENTS

HOMEOWNERS -

<u>Credit for Tax Year</u>	<u>Number Qualifying</u>	<u>Amount Paid</u>
1975	6,004	\$ 650,693
1976	6,738	691,592
1977	9,663	1,351,324
1978	10,736	1,556,881
1979	10,529	1,582,655
1980	10,633	1,881,602
1981	10,158	1,970,208
1982	9,411	1,886,433
1983	8,820	1,841,081
1984	8,206	1,818,526
1985	7,362	1,697,678
1986	7,567	1,987,970
1987	7,540	2,011,933
1988	7,546	2,142,139
1989	7,307	2,158,650
1990	7,188	2,336,992
1991	7,029	2,230,637
1992	6,743	2,181,292
1993	6,576	2,184,714
1994	6,376	2,159,466
1995	6,095	2,194,689
1996	5,680	2,072,141
1997	5,278	1,974,283
1998	4,943	1,852,124
1999	4,457	1,817,552
2000	4,231	1,814,130
2001	4,341	1,768,001
2002	4,060	1,676,737
2003	3,923	1,659,707
2004	3,817	1,655,555
2005	3,516	2,025,060
2006	3,467	2,008,310
2007	3,466	2,342,186

*Attachment
1006.1.22.09L*

HOMESTEAD CREDIT PAYMENTS

RENTERS –

<u>Credit for Tax Year</u>	<u>Number Qualifying</u>	<u>Amount Paid</u>
1975	414	\$ 26,182
1976	508	37,367
1977	1,325	143,352
1978	2,301	292,458
1979	2,572	353,058
1980	2,594	365,696
1981	2,635	387,906
1982	2,664	414,429
1983	3,133	516,244
1984	3,068	519,667
1985	2,206	159,713
1986	1,994	161,905
1987	1,878	163,092
1988	1,881	163,357
1989	1,657	149,666
1990	1,601	149,705
1991	1,582	151,600
1992	1,534	155,205
1993	1,563	166,739
1994	1,626	175,554
1995	1,590	177,782
1996	1,499	166,841
1997	1,482	165,060
1998	1,454	173,370
1999	1,508	190,211
2000	1,417	178,406
2001	1,329	173,754
2002	1,288	172,224
2003	1,335	185,807
2004	1,322	186,896
2005	1,273	182,947
2006	1,302	188,418
2007	1,998	287,682

Schedules Used For Determining Homeowners Credits

<u>Effective for Tax Year</u>	<u>Income Levels</u>	<u>Percentage of Reduction</u>	<u>Maximum Reduction of Value Allowed</u>
1976	\$ 0 - 2,500	100	\$ 3,000
	2,501 - 3,500	75	1,500
	3,501 - 4,500	50	1,000
	4,501 - 5,000	25	500
} *			
1977-1979	\$ 0 - 3,500	100	\$ 4,000
	3,501 - 4,500	80	3,200
	4,501 - 5,500	60	2,400
	5,501 - 6,500	40	1,600
	6,501 - 8,000	20	800
} *			
1980	\$ 0 - 4,500	100	\$ 4,000
	4,501 - 5,500	80	3,200
	5,501 - 6,500	60	2,400
	6,501 - 7,500	40	1,600
	7,501 - 9,000	20	800
} *			
1981-1983	\$ 0 - 5,500	100	\$ 4,000
	5,501 - 6,500	80	3,200
	6,501 - 7,500	60	2,400
	7,501 - 8,500	40	1,600
	8,501 - 10,000	20	800
} *			
1984-1985	\$ 0 - 5,500	100	\$ 2,000
	5,501 - 6,500	80	1,600
	6,501 - 7,500	60	1,200
	7,501 - 8,500	40	800
	8,501 - 10,000	20	400
} **			
1986-1989	\$ 0 - 6,000	100	\$ 2,000
	6,001 - 7,500	80	1,600
	7,501 - 9,000	60	1,200
	9,001 - 10,500	40	800
	10,501 - 12,000	20	400
} **			
1990-1994	\$ 0 - 7,000	100	\$ 2,000
	7,001 - 8,500	80	1,600
	8,501 - 10,000	60	1,200
	10,001 - 11,500	40	800
	11,501 - 13,000	20	400
} **			

Attachment

1006.1.22.09.17

Schedules Used For Determining Homeowners Credits

<u>Effective for Tax Year</u>	<u>Income Levels</u>	<u>Percentage of Reduction</u>	<u>Maximum Reduction of Value Allowed</u>
1995-1999	\$ 0 - 7,500	100	\$ 2,000
	7,501 - 9,000	80	1,600
	9,001 - 10,500	60	1,200
	10,501 - 12,000	40	800
	12,001 - 13,500	20	400
			**
2000-2004	\$ 0 - 8,000	100	\$ 2,000
	8,001 - 9,500	80	1,600
	9,501 - 11,000	60	1,200
	11,001 - 12,500	40	800
	12,501 - 14,000	20	400
			**
2005	\$ 0 - 8,500	100	\$ 3,038
	8,501 - 10,000	80	2,430
	10,001 - 11,500	60	1,823
	11,501 - 13,000	40	1,215
	13,001 - 14,500	20	608
			**
2007	\$ 0 - 10,000	100	\$ 3,375
	10,001 - 12,000	80	2,700
	12,001 - 14,000	60	2,025
	14,001 - 16,000	40	1,350
	16,001 - 17,500	20	675
			**

* Amounts are in assessed value

** Amounts are in taxable value

History of Property Tax Credits for North Dakota Senior Citizens

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1969	Homeowners 65 years of age or older.	\$3,000 or less from all sources including the income of any dependent person.	50% reduction in assessed value of the homestead property up to a maximum of \$1,000.	
1973	Homeowners and renters 65 years of age or older.	\$3,500	Homeowners no change. When 20% of the annual rent exceeds 5% of the income a renter may receive a state refund for the difference, but limited to a maximum refund of \$100.	Provided a state appropriation of \$375,000 for a full state reimbursement for the loss of revenue to counties and other taxing districts, exclusive of any state levy, for the property tax credit program. Renters refund provision does not apply to rents or fees paid by person to licensed nursing home which is exempt from property tax.
1975	Homeowners or renters 65 years of age or older and any person who is permanently and totally disabled if certified by a physician.	\$5,000	Relief ranges from 100% reduction in assessed value if income is \$2,500 or less, to a 25% reduction if income is \$5,000 or less. Reduction in assessed value is limited and ranges from \$3,000 to \$500. No change in the maximum amount of refunds to renters.	Appropriated \$3,286,014 for 1975-77 for the renters and reimbursement to taxing districts.
1977	No change.	\$8,000	Relief ranges from 100% reduction in assessed value if income is \$3,500 or less, to a 20% reduction of income is \$8,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800. When 20% of the annual rent exceeds 4% of the income a renter may receive a state refund for the difference, but limited to a maximum refund of \$175.	For determining a person's income, applicants may deduct from their income the amount of medical expenses actually incurred by them or dependent and not reimbursed by insurance or other form of compensation. The term "medical expenses" has the same meaning as it has for state income tax purposes.

Attachment
1006.1.22.090

History of Property Tax Credits for North Dakota Senior Citizens

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1979	No change.	\$9,000	<p>Relief ranges from 100% reduction in assessed value if income is \$4,500 or less, to a 20% reduction if income is \$9,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800.</p> <p>No change in the maximum amount of refund to renters.</p>	<p>Added provision that if the refund to a renter is less than five dollars, a minimum of five dollars would be refunded to the applicant.</p>
1981	No change.	\$10,000	<p>Relief ranges from 100% reduction in assessed value if income is \$5,500 or less, to a 20% reduction of income is \$10,000 or less. Reduction in assessed value is limited and ranges from \$4,000 to \$800.</p> <p>Renters refund limit increased to a maximum \$190 per applicant.</p>	<p>Added a provision which allowed a homestead credit for special assessments funded by the state for persons who qualified for the property tax credit. Any credits allowed would create a lien on the property to be repaid when the property next transferred at sale or death of the property owner. The lien would accumulate interest charge of 9% per year.</p> <p>Appropriated \$100,000 for the special assessment credit.</p>
1983	No change.	No change.	<p>Calculations are made on the basis of taxable value in place of assessed value.</p> <p>Benefits were not changed.</p>	<p>In addition to age or disability and income requirements, a homeowner may not, on the assessment date, have assets in excess of \$50,000 excluding the first \$80,000 value of the homestead.</p> <p>Added a provision which allowed transfer of property without repaying the lien for special assessments where the transfer occurred between spouses because of the death of one of them.</p>

History of Property Tax Credits for North Dakota Senior Citizens

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1985	No change.	\$12,000	<p>Relief ranges from 100% reduction in taxable value if income is \$6,000 or less, to a 20% reduction if income is \$12,000 or less.</p> <p>Reduction in taxable value is limited, and ranges from \$2,000 to \$400.</p> <p>Renters refund limit increased to a maximum of \$210 per applicant.</p>	<p>Added provision which excluded any federal rent subsidy from the calculation of rent and income for renters, and that no refund will be made to persons who pay rent or fees for any living quarters, including a nursing home, which are exempt from taxation.</p> <p>Excluded the property tax credit for individuals living in a farm residence which is exempt from taxation. Also limited the total amount of homestead credit for special assessments to \$6,000 excluding the interest charged by the municipality levying the special, and provided that only the annual installment due would be allowed as a credit in any year.</p>
1989	No change.	<p>\$13,000</p> <p>(Effective for tax year 1990)</p>	<p>Relief ranges from 100% reduction in taxable value if income is \$7,000 or less, to a 20% reduction if income is \$13,000 or less.</p> <p>Reduction in taxable value is limited and ranges from \$2,000 to \$400.</p> <p>Renters refund limit increased to a maximum \$230 per applicant.</p>	<p>Added provision allowing retention of property tax credits for property owned by persons confined to certain care facilities, provided the property is not rented to another person.</p> <p>Additional provision provided that all current benefits for the property tax credit cease upon death of the applicant and that the credit is prorated to the date of death.</p> <p>Changed the definition of assets to include anything of value currently owned by the applicant excluding the first \$80,000 value of the homestead, plus the value of any property divested within the last three years.</p>
1991	No change.	No change.	No change.	<p>Changed provision to state that current benefits cease at the end of the taxable year of the death of the applicant.</p>

History of Property Tax Credits for North Dakota Senior Citizens

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
1993	No change.	\$13,500 (Effective for tax year 1995)	Relief ranges from 100% reduction in taxable value if income is \$7,500 or less, to a 20% reduction if income is \$13,500 or less. Reduction in taxable value is limited and ranges from \$2,000 to \$400. Renter's refund limit increased to a maximum \$240 per applicant.	Provided a definition of permanently and totally disabled similar to the definition used by Social Security Administration. Expanded the provision on homestead credit for special assessments levied by any taxing district.
1999	No change.	\$14,000 (Effective for tax year 2000)	Relief ranges from 100% reduction if income is \$8,000 or less, to a 20% reduction if income is \$14,000 or less. Reduction in taxable value is limited and ranges from \$2,000 to \$400. No change in the maximum amount of refund to renters.	
2001	No change.	No change.	No change.	Increased the rate for transportation for medical care to the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
2005	No change.	\$14,500 (Effective for tax year 2005)	Relief ranges from 100% reduction if income is \$8,500 or less to a 20% reduction if income is \$14,500 or less. Reduction in taxable value is limited and ranges from \$3,038 to \$608. No change in the maximum amount of refund to renters.	Increased the value of the homestead that may be excluded from the asset calculation to \$100,000. Provided that a person may not receive a renter's refund for a taxable year in which that person received a homeowner's exemption.

History of Property Tax Credits for North Dakota Senior Citizens

Session Year	Description of Beneficiaries	Income Ceiling	Tax Relief Formula	Additional Provisions That Were Adopted
2007	No change.	\$17,500 (Effective for tax year 2007)	Relief ranges from 100% reduction if income is \$10,000 or less to a 20% reduction if income is \$17,500 or less. Reduction in taxable value is limited and ranges from \$3,375 to \$675. No change in the maximum amount of refund to renters.	



Disabled Person Requirements:

1. You must be a permanently and totally disabled person.
2. Proof of total disability must be established with a certificate from a licensed physician, or a written determination of disability from the social security administration.
3. You may be either a homeowner or renter.
4. There is no age requirement for the permanently and totally disabled applicant.
5. A disabled homeowner must meet the same requirements, except for age, as a senior citizen homeowner (see the section on "Homeowner Requirements").
6. A disabled renter must meet the same requirements, except for age, as a senior citizen renter (see the section on "Renter Requirements").

Eligibility Requirements:

You may be eligible for North Dakota's Homestead Credit Program if you are:

- 65 years of age or older
or
- Permanently and totally disabled

Qualified homeowners receive a credit to reduce property taxes on their home and qualified renters receive a partial refund of their rent.



Application Process for Homestead Credit or Rent Refund:

1. Contact your local assessor or county director of tax equalization for further information and the proper application form. You may also call the Office of State Tax Commissioner for more information or an application:
 - 328.3127 (Bismarck-Mandan area)
 - 1.800.638.2901, option 5 (Toll-free)
 - 1.800.366.6888 Hearing/Speech Impaired (TTY Relay North Dakota)
2. Homeowners must file an application for a property tax credit with their local assessor or county director of tax equalization.
3. Renters must file an application for a refund with the Office of State Tax Commissioner before June 1 following the year for which the refund is claimed. Applications must be sent to: the Office of State Tax Commissioner, 600 E. Boulevard Ave., Dept. 127, Bismarck, ND 58505-0599.

Cory Fong, Tax Commissioner
Office of State Tax Commissioner
600 E. Boulevard Ave., Dept. 127
Bismarck, ND 58505-0599

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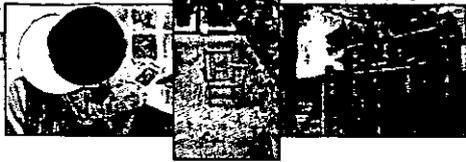
Homestead Tax Credit

for Senior Citizens or Disabled Persons



Attachment
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OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Tax Commissioner



Homeowner Requirements:

1. You must be 65 years of age or older (unless you are permanently and totally disabled) in the year for which your application is made.
2. For a husband and wife who are living together, only one may apply for the credit. Only the spouse applying for the credit need be 65 years of age or older.
3. You must reside on and have an interest in the property for which the credit is claimed.
4. Your income, plus the income of your spouse and any dependents, may not exceed \$17,500 for the calendar year preceding the assessment date. You must consider income from all sources, which includes but is not limited to social security benefits, pensions, salaries, Experience Works, TANF, alimony, unemployment benefits, dividends, interest, net gains from the sale of property, net rental income and net profit from any business, including ranching and farming.
5. Payments NOT considered income under this act include: gifts, inheritances, life insurance proceeds, social security lump sum death payments, workforce safety and insurance payments, insurance policy proceeds for illness, injury, or casualty losses to property, child support, federal fuel assistance, renter's refund payments, food stamps, veteran's disability payments, payments for foster care of a qualifying child or adult or for difficult care, Foster Grandparents Program, Retired Senior Volunteer Program (RSVP), Senior Companion Program and Vista Program.
6. Medical expenses actually paid during the year are deductible from income if not compensated for by insurance or otherwise.



7. Your assets may not exceed \$50,000, including the value of any assets gifted or otherwise divested within the last three years, excluding the first unencumbered \$100,000 of market value of your homestead.
8. The homestead credit will reduce the homeowner's taxable value according to the following schedule:

If your income is	Taxable value is reduced by	Maximum reduction
\$ 0 - 10,000	100%	\$3,375
10,001 - 12,000	80%	2,700
12,001 - 14,000	60%	2,025
14,001 - 16,000	40%	1,350
16,001 - 17,500	20%	675

9. The property tax credit is subject to adjustment, equalization and abatement in the same manner as other real property assessments.
10. If you believe you are eligible, file an application with your local assessor or county director of tax equalization by February 1 (or as soon thereafter as possible) in the year in which your property is assessed and for which the credit is requested.
11. In the event of the applicant's death, all benefits terminate at the end of the taxable year.
12. No person shall qualify to receive the property tax credit if the homestead is rented while the owner is temporarily absent or the homestead is a farm structure which is exempt from taxation.

Renter Requirements:

1. You must be 65 years of age or older (unless you are permanently and totally disabled) in the year for which the refund is claimed.
2. For a husband and wife who are living together, only one may apply for the refund. Only the spouse



applying for the refund need be 65 years old or older.

3. Renters must meet the same income requirements as homeowners. There is no asset limitation for renters.
4. No refund may be made to a person who pays rent or fees for any living quarters, including nursing homes, that are exempt from property taxation and for which payment in lieu of property taxes is not made.
5. Heat, water, lights, telephone or furniture costs may not be considered as part of your rent costs. If your landlord pays for these items, you must deduct the cost of these items from your rent when you apply for a refund. If you pay for your utilities and furniture yourself, you may not add the costs of these items to your rent when you apply for the refund.
6. In order for you to receive a refund for part of the rent you pay, your annual rent payments must use up a certain percentage of your income. Here is how the formula works:
When 20% of your annual rent exceeds 4% of your income, you receive a refund for the overpayment of rent. Example: A renter pays \$200 per month in rent (\$2,400 per year), and the renter's income is \$8,000.00.
20% of \$2,400 is \$480
4% of \$8,000 is \$320
Because \$480 is \$160 greater than \$320, the renter is entitled to a refund of \$160.
7. A refund may not exceed \$240.
8. If you believe you are eligible, file an application with the Office of State Tax Commissioner before June 1 following the year for which the refund is claimed. Extensions of time may be allowed for good cause.

Property tax relief program contained in SB 2032 (2007 Session) – How is it accounted for in the current biennium?

- Section 12 of SB 2032 (2007 Session) authorized a transfer of \$115 million from the permanent oil tax trust fund to the general fund. The property tax relief share of this amount was \$112 million (SB 2032 also authorized some marriage penalty relief and expanded the Homestead Credit circuit breaker program).
- OMB made the \$115 million transfer in October 2007.
- Since that time, the \$115 million is part of the category, “2007-2009 Revenues” and/or “Revenues and Transfers” shown in all OMB General Fund Status Statements and forecast documents, and revenue newsletters.
- Property tax relief has been expended and provided to taxpayers in the following ways:
 - Taxpayers filing 2007 individual and corporation income tax returns could claim the property tax relief credits and **reduce their tax liabilities thereby paying less 2007 income tax (resulting in less general fund collections).**
 - Taxpayers filing 2007 income tax returns could **receive a greater refund** as a result of the property tax relief credits.
 - The transfers to refund reserve accounts were increased to facilitate the greater amounts of refunds due to property tax relief credits.
 - Taxpayers filing 2007 individual income tax returns that did not have enough tax liability to reduce with their property tax credits and were not otherwise entitled to a refund could **receive a certificate to be redeemed with their county.**
 - The State reimbursed the counties every week throughout the filing season for those certificates that had been redeemed. County reimbursements continue as needed.
 - Residential and agricultural property owners who are residents of this state and who did not have a 2007 income tax filing requirement were allowed to file a special form, Form ND-3, from which they could **receive a certificate to be redeemed with their county.**
- Through January 9, a total of \$41.5 million in property tax relief credits have been claimed on 2007 returns and ND-3 Forms.
- There remains an additional \$70.5 million (\$112 million minus \$41.5 million) in the General Fund awaiting the filing of 2008 returns and amended/delayed 2007 returns.
 - Because the income tax revenue forecasts have been reduced by the entire amount of anticipated property tax relief granted in SB 2032, the amount of revenue (unused property tax funding) still available is not part of the **estimated** ending fund balance for the 2007-2009 biennium.
 - Any unexpended property tax relief revenue is – and will continue to become – part of the positive individual and corporation income tax forecast variances shown in the OMB revenue newsletters.

Unredeemed Property Tax Relief Certificates

Total number of certificates issued to-date	29,621	\$5,817,873
Un-redeemed certificates	3,423*	\$563,017
Un-redeemed Certificates Expiring this year	2,911	\$494,976
Un-redeemed Certificates Expiring January 2009	14	\$965
Un-redeemed Certificates Expiring February 2009	190	\$20,619

* 512 are new certificates issued in 2009

- A large majority of certificate recipients redeemed their certificates in a timely manner.
- We believe a majority of those remaining will be redeemed as partial payment against their 2008 property tax liability.
- If that is the case, we'll see a majority of the unredeemed certificates redeemed in February of this year at the time of the counties' early payment discount.

Property Tax Relief Credits to be Carried Forward

Credits to be Carried Forward	4,978	\$707,339
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