

2019 SENATE FINANCE AND TAXATION

SB 2350

2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2350
2/4/2019
Job #32046

- Subcommittee
 Conference Committee

Committee Clerk: Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 57-06 and a new section to chapter 57-33.2 of the North Dakota Century Code, relating to county auditor verification of information reported by public utility companies and electric generation, distribution, and transmission companies; to amend and reenact sections 57-06-21, 57-08-01, and 57-33.2-06 of the North Dakota Century Code, relating to the review of public utility assessments and public utility and electric generation, distribution, and transmission reports received by county auditors; and to provide an effective date.

Minutes:

Attachments: 1

Chairman Cook: Called the committee to order on SB 2350.

Vice Chairman Kannianen took over the hearing while Senator Cook introduced the bill.

Senator Dwight Cook, District 34, Mandan: Introduced the bill. I introduced this for the counties. The county auditor from McKenzie county is really going to be explaining the bill today.

Erica Johnsrud, Auditor/Treasurer, McKenzie County: Testified in favor of the bill. See attachment #1. This bill helps the counties considerable when we are working with determining mill levies and taxes in the fall. With the way it stands right now, in January of every year, the counties send maps of our taxing districts to the public utility companies. They send us a report back in February that verifies what is there and what is not. Those reports all go to the state tax commissioner's office by May1. They are heard at equalization, values are set and certified to the county auditor and then we are tasked with sorting and splitting out all the values of the pipelines to the different taxing districts and entering that into our systems for the determination of preliminary budgets, an estimated notice, final budgets, and what the levies and mill rates are going to be. For many counties, this chart on the second page is a huge portion of their budget and their value as a county. In 7 counties, it represents more than 25% of their value. In 4 of them, it is more than 40% of their total value for the counties. **(6:40)** Erica stood for questions.

Chairman Cook: You mentioned that when you get this back from the state, you have to sort it by where the property is at in which township. Don't you do that in February, May, or March?

Erica Johnsrud: We have many companies in McKenzie County. For this year, I have gotten two reports back from the oil companies. Even though it is required for them to send them back to us in the law, they simply do not. This bill will make it so if there are errors that are discovered later in the year, we can go back and ask if they check the box, did the oil company get information back to us, and did we certify that? We are not getting any information in order to verify that. I talked to the Tax Commissioner's office about what happens on this bill if we don't get that information from the counties. There will be some work there so that whatever was submitted to them late in the spring, we get that information back and are able to verify section township and range information and if it is in our county.

Chairman Cook: Once it is done correctly, then the next year you should only have to deal with is new centrally assessed property that got put into place in the last year, correct?

Erica Johnsrud: That is what we hope will happen. Our information has consistently gotten better every year. When I first started doing centrally assessed properties, we were given a pdf that I had to go through and do by hand. Now everything is sortable on a spreadsheet. This is just one more step that makes that information the best it can be. We have plans for ways to improve it in the future. Our goal is that we are only going to be dealing with information that is new.

Chairman Cook: I am well aware of the steps and how important that everyone does their job correctly. Earlier this year, we passed a bill that moves the date for the state equalization board to deal with centrally assessed property from August to July. Will that solve the problem?

Erica Johnsrud: Unfortunately, no. In 2018, we got all our centrally assessed values from the equalization board in July. We quickly turned around and sent out estimated tax statements in August. Moving up that deadline to July has helped. This is one more step that will allow us to get the best information we can to our local taxing districts that are effected.

Chairman Cook: So after you get your information from the equalization board, that is when you start plotting the centrally assessed property to the right political subdivision, not before.

Erica Johnsrud: That is correct. We do not receive any values of any of these properties until after the state equalization board has met. We are completely blind to what our values will be for that year. From 2016-2017, we jumped \$40 million.

Chairman Cook: Do you need the values or do you just need to know where all the properties are at?

Erica Johnsrud: It is impossible for us to get those values prior to the state equalization board. What is important for that board, is that we get the section and township information and verify it. That helps them when they are certifying the values back to us after their meeting.

Chairman Cook: I am not following why the evaluation is needed for the equalization board back that is okay. Any other questions?

Senator Dotzenrod: The proposal on line 25, page 2; as a share of your workload, are you finding that this is pretty substantial? You are getting this data after October 1. It isn't just 1% or 2%, it is a lot, correct? Is this getting to be a bigger problem where you don't get your information until it is too late?

Erica Johnsrud: The problem isn't that we are getting the values late in October. The issue is that once we get those values and once October 10 passes, there can't be any changes to the levy certificate. If there were a problem that was discovered by an oil company up into that point, then all of the other taxing districts would be able to make any changes they need in their levy certificate prior to the October 10 deadline where all the values are locked in and taxes are calculated.

Senator Dotzenrod: So you said that if this bill passes, you will have more work. I would have thought this would have made it less work because you wouldn't have to go back and revise. I know there are lots of steps to get this right and everyone along the way has to do their job in order to get this right. I would've thought you can just put it on next year's property values.

Erica Johnsrud: The additional work it would cause the counties is because every year is new and the industry certifies new information to us every year. We are dependent on what information is certified to us. Our role in the spring would be to verify the lines that are reported from the utility companies are within our counties. They would then get submitted to the Tax Commissioner's office and they would go through the equalization process, then it would come back to us. Our work would be to make sure, in the spring, that every single line would be within our county. If it is not, we are allowed to let the Tax Commissioner's office, the oil companies, the gas companies, and pipelines know that we have a problem and that this should actually be in our neighboring county. It helps correct that information. Our hope and goal is that as we move forward, the work load will lessen. On the front end, there will be more work for the county auditor to ensure that that information is correct for each county.

Senator Dotzenrod: If you had a year that there were no changes, then does your job get to be easier? The problem isn't the amount of property, it is the amount of changes and new stuff.

Erica Johnsrud: That is not true because these lines depreciate. It is not just changes in new additions; it is all the depreciation that is associated with that too. We are not involved in determining the values of those lines. Regardless of when we get those values, we still have to go through the process of sorting those 11,000 lines into taxing districts.

Senator Patten: We are trying to hold the political subdivisions harmless for any errors and allow for a correction, correct?

Erica Johnsrud: Yes. We want to hold the local taxing districts harmless in values they use when they are using their final levy and therefore, taxes are being calculated.

Senator Dotzenrod: It sounds like you need a lot of help. Do you have people helping you?

Erica Johnsrud: I have taken care of these since 2014. This is about 50 hours of work. It is very important for our taxing district. As soon as I get those values certified from the state, I get them out so our school districts, cities, and parks can determine what their taxes are going to be for the next year.

Senator Unruh: You are auditor and treasurer, correct? Were you elected to both positions?

Erica Johnsrud: That is correct.

Donnell Preskey, ND Association of Counties: This idea for the concept of this bill came from them. They brought this concern forward and we worked on a solution. I am very pleased Senator Cook was able to help us out.

Senator Unruh: Does this happen often when the auditor and the treasurer has the same position?

Donnell Preskey: There are 14 counties that share an auditor/treasurer position.

Chairman Cook: Any further testimony in support? Testimony opposed? Any neutral testimony. Come here and please explain all the steps that have to be made to get to the final beginning budget, to the final budget.

Linda Leadbetter, State Supervisor of Assessments, Office of State Tax

Commissioner: In January of each year, the county auditor is to provide to all of these companies, where the district boundaries exist within that county. Every one of these properties is going to have value that may impact a different township or a different district.

Chairman Cook: The only important thing in that step is that they notify the centrally assessed properties of any annexation. That is all that changes from the previous year, correct? The pipelines do not move as well, correct?

Linda Leadbetter: That is correct. They don't move, but we do find that within these centrally assessed and the electric tax companies, there is a lot of turnover for the individuals that prepare this information. Whether they look at the correct information when they create their report, I think is where we have the issues that we think are important to address. That map is being provided every January and then every February, the company has to provide what would be their allocation listing or the location of everything they have that identifies that something is in this township and the fire ambulance school district. All of those things are identified. With that, the companies are providing to the tax department whether it is for April 1 or May deadlines that are necessary for the different types of companies. They provide all the report information and also a very detailed allocation listing that does each line of property. It also tells us how much of the pipeline is there and how many customers are there for rural electric.

Chairman Cook: By May 1, with the change we made earlier, they provide that information to the state. Do they also provide it to the counties by May 1?

Linda Leadbetter: We thought the same information was being provided to the counties because it is in law, but that has not been happening. By law, in order for us to do the assessing, we are getting information where the counties are not. There is not that communication in January and February.

Chairman Cook: Why don't we just change it that when the centrally assessed properties send their information to the state, they copy the county?

Linda Leadbetter: That is fine as well. That concept would probably work but I will address the problems we have run into that made us believe that having the certification process happening by June 1, was important. We started that process in the IT division at the Tax Department before this was brought to our attention. What happened for us was last year and then another company a few years before us. Even if they had provided to the county, the description to the county and everything looked great, the upload they gave to us, was not the same. Somehow, in the transition and pulling the file out of a computer program, they sent the allocation spreadsheet from a different year. Another company had thousands of lines of data and on line #9, they missed it. Everything from line 9 down, was off by one line. That meant every county and township that were part of that report were impacted. Even though they could've provided a report to them and that allocation to the counties in February, the one they gave to us is the most important one for the counties to see. What we have received, it what we are going to give to the counties in August. Once those companies have uploaded their report to the tax department, they are in our tax payer access point which would allow the counties to look and make sure everything is the same and address the new stuff that was coming in. Even for an idea thinking that nothing had changed from last year to next year, that doesn't mean the data they gave to us is the same thing. Making sure they can check it in the Spring and knowing in August when everything comes, they are just confirming the values and putting new ones on. That is why we believe that something happening in May, even if January and February are happening, is important because even though they may have provided a document to the counties that says this is what everything is, it might not be the one we received at the Tax Department. This would be our assurance that the counties can see what was provided to us. We will, in turn, provide that as an allocation to them after the state board.

Senator Dotzenrod: You were saying that information goes from the county to the states and that rather than them having to send to the counties, it is better to have that one company because there could be differences. How soon do the counties have to have that information? Once the counties have provided the information to the state, do the counties need to have that soon or is it something they do not need until later in the year?

Linda Leadbetter: The counties aren't providing to the state. They are providing to the companies which in turn, provide for the counties. The companies then provide their upload information to the state Tax Department for their annual reports. From that information, we certify where everything should be for that tax year to the counties. There may be a step in the middle that we wouldn't require. The main opportunity for the counties to check what the Tax Department has received is very important. The counties would still have to provide

those maps and descriptions to the companies to insure they know what they should be providing to us. I would have to think about other considerations about what step isn't necessary. Right now, making sure the January and February things start happening is important because we do not have experience that it is actually working out there and the counties and the companies have that communication. Those are still required for the companies to know where those legal descriptions are and what the districts are. If nothing changes, it would be the same listing as the previous year. It would still allow the counties to certify to the Tax Department, that the information the companies provided us is accurate in May.

Chairman Cook: So the problem that Erica brought to us is truly a problem that needs a fix, correct? The problem is because of reporting by the centrally assessed property or does the county or state have any fingerprints in the problem also?

Linda Leadbetter: I think we all would have ownership on some of the problems because we know that there may be companies that are not providing information to the counties. We have spoken to several counties that have never shared a map with a company either. The Tax Department is looking at ways to compare the information. We do not have a layering system that allows us to put something on top of another one to say that it is exactly the same as last year. We do require the companies if they have sold any property or if there are change to that, to provide that with their upload. We are relying that on their certification. As Erica identified, there have been a lot of improvements made to the process where a township and range has to exist within that county in order for them to complete that upload. Before it was just a PDF. Now we have an upload that is validated on the way in. Those things have happened as far as an improvement for us to validate the information on the way in. The Tax Department has taken the responsibility in working with the counties to make sure they verified all the township range, school districts, city numbers, etc. within the system. I do believe allowing the counties to review it before the final allocations are made, is a good thing for them to check anything before we have descriptions that get misplaced.

Chairman Cook: When Erica talked about the school district that did not get \$23,000 or got that much extra; for a school district to not get enough, there must have been another one out there that got shorted that same amount.

Linda Leadbetter: Yes, that would be correct. With the question regarding lines 25-26 on page two, I would have concerns about what that will really correct. They would not have to redo the calculations on the mill levy worksheets if the assessment error is discovered after October 1. I would believe that if it were you or I and we discovered there was an error and I was receiving a tax bill from a county that shouldn't have sent me one, I am not going to pay it. There will still be that discrepancy so if there is an issue that someone does have a large error that is discovered after October 1, there is still going to be a correction that has to occur. Someone is going to have too much value and someone is going to have not enough. This is just going to identify that they would not recalculate everything after October 1.

Chairman Cook: When you get your information from centrally assessed properties by May 1, should we add some language that the counties have to do that also?

Linda Leadbetter: It still could be something is just provided to them, but again we would want them to be required to check what has come to our system to ensure that what we received is accurate. It could be just a duplicative one where they send the same thing to the county that they provided to us. As soon as it is in our system, the counties have access to it.

Senator Dotzenrod: On Page 3 section five, is that restating something that just got deleted somewhere else? Is that a new feature that we haven't done before?

Linda: This is similar to what is under section 2 page 2. We are just having the two different deadlines on that depending on the type of filing. For the electric tax companies, that is the one you are looking at on page 3 because their reports are due to us a little later. The pipelines, railroads, and those types of companies are required to have filed with us earlier. The May 31st deadline is for that. Those two sections are both brand new and providing the auditor an opportunity to review what has been uploaded to the state for those annual reports.

Senator Dotzenrod: So these are dealing with two separate categories of properties?

Linda Leadbetter: They are dealing with two different types of reporting. WE have things that are centrally assessed where the State Board of Equalization places a value on them. The electric taxes under 5733.2 are your transmission line, generation, and distribution. We audit their returns with the kilowatt hours, and lines of miles of transmission lines. Their reporting is on a different timeline because we are not valuing theirs, we are just auditing them.

Senator Dotzenrod: On the bottom of page three, that is transmission lines? Is there else besides transmission lines that would be covered by 33.206?

Linda Leadbetter: Those are going to be the transmission lines, the electric distribution taxes, the generation taxes, and any of the generation from wind sources.

Chairman Cook: Any further testimony? We will close the hearing on SB 2350.

2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2350
2/4/2019
Job #32104

- Subcommittee
 Conference Committee

Committee Clerk: Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 57-06 and a new section to chapter 57-33.2 of the North Dakota Century Code, relating to county auditor verification of information reported by public utility companies and electric generation, distribution, and transmission companies; to amend and reenact sections 57-06-21, 57-08-01, and 57-33.2-06 of the North Dakota Century Code, relating to the review of public utility assessments and public utility and electric generation, distribution, and transmission reports received by county auditors; and to provide an effective date.

Minutes:

Attachments: 0

Chairman Cook: Called the committee to order on SB 2350.

Senator Unruh: On page 2 lines 25-26, there was a little consternation over that language this morning. Has that been cleared up since then?

Chairman Cook: I would hope there are no adjustments being made if everyone did their job right. I would suggest we just pass it out as is and see how many problems we create.

Senator Unruh: I am sure we will make the folks in the tax department very happy.

Chairman Cook: If they are not happy they will come with a cleanup bill.

Senator Patten: Moved a Do Pass on the bill.

Senator Kannianen: Seconded.

Chairman Cook: Any discussion?

A Roll Call Vote Was Taken. 6 yeas, 0 nays, 0 absent.

Motion Carried.

Senator Meyer will carry the bill.

Date: 2-4-19
 Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2350**

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Patten Seconded By Kannianen

Senators	Yes	No	Senators	Yes	No
Chairman Cook	✓		Senator Dotzenrod	✓	
Vice Chairman Kannianen	✓				
Senator Meyer	✓				
Senator Patten	✓				
Senator Unruh	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Meyer

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

REPORT OF STANDING COMMITTEE

SB 2350: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2350 was placed on the Eleventh order on the calendar.

2019 HOUSE FINANCE AND TAXATION

SB 2350

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2350
3/6/2019
33313

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

Relating to county auditor verification of information reported by public utility companies and electric generation, distribution, and transmission companies; relating to the review of public utility assessments and public utility and electric generation, distribution, and transmission reports received by county auditors.

Minutes:

Attachment 1

Vice Chairman Grueneich: Opened hearing on SB 2350.

Donnell Preskey, North Dakota Association of Counties: Introduced bill. This bill is a result of conversations from county auditors that identified an issue with centrally assessed properties and the lack of having some deadlines in place.

Erica Johnsrud, McKenzie County Auditor/Treasurer: Distributed written testimony, see attachment 1. Ended testimony at 9:08.

Chairman Headland: Further support for SB 2350? Is there opposition? Seeing none we will close the hearing. Committee, what are your wishes?

Vice Chairman Grueneich: I think this has good intent. **MADE A MOTION FOR A DO PASS**

Representative Hatlestad: SECONDED

Chairman Headland: Discussion?

ROLL CALL VOTE: 12 YES 0 NO 2 ABSENT

MOTION CARRIED

Representative Hatlestad will carry this bill.

Date: 3-6-19
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2350**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Grueneich Seconded By Rep. Hatlestad

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	X		Representative Eidson	X	
Vice Chairman Grueneich	X		Representative Mitskog	X	
Representative Blum	X				
Representative Dockter	A				
Representative Ertelt	X				
Representative Fisher	X				
Representative Hatlestad	X				
Representative Kading	X				
Representative Koppelman	A				
Representative Steiner	X				
Representative Toman	X				
Representative Trottier	X				

Total (Yes) 12 No 0

Absent 2

Floor Assignment Rep. Hatlestad

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

REPORT OF STANDING COMMITTEE

SB 2350: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2350 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SB 2350

Written Testimony for the
Senate Finance & Taxation Committee
February 4, 2019
Erica Johnsrud, McKenzie County Auditor/Treasurer

RE: SUPPORT to Senate Bill 2350 – County Auditor Verification of Public Utility Companies and Reporting Deadlines

Good morning Chairman Cook and members of the Committee. My name is Erica Johnsrud and I am the Auditor/Treasurer for McKenzie County. Thank you for the opportunity to provide testimony in support of Senate Bill 2350. This bill covers reporting of public utility companies and electric generation, distribution, and transmission companies, which we refer to as centrally assessed properties and include oil and gas pipelines, electric lines, and rail lines. The values of these properties not only impact counties, but have a trickle-down effect to every local taxing district – townships, schools, cities, ambulance districts, fire districts, etc. and so become an important part of determining mill levies.

I have been involved in the public utility or centrally assessed property allocations since 2014. The chart below illustrates just for McKenzie County the impact that centrally assessed properties have on taxable values that are ultimately used to determine local mill levies.

McKenzie County Centrally Assessed Values 2013-2018						
Year	2013	2014	2015	2016	2017	2018
Percent of Total County Value	49.4%	48.9%	50.3%	50.5%	52.6%	53.5%
CA Taxable Value	\$40.5M	\$51.3M	\$73.3M	\$90.2M	\$129.9M	\$131.6M

Also attached is a listing of all ND Counties for 2017 and 2018 and the percentage of each county's total value derived from centrally assessed properties. Centrally assessed properties account for over 25% of the total taxable value of 7 counties (Billings, Burke, Divide, Dunn, McKenzie, Mountrail and Williams), and more than 40% in 4 of those counties. Given that the oil and gas industry continues to grow especially in the west, I anticipate that this trend will continue.

The goal for these assessments between the State Tax Commissioner's Office and the county auditors is to make the reporting of these lines, and therefore, values as accurate as possible. In order to accomplish this reporting deadlines are crucial.

The most important part of SB2350 for county auditors is page 2 lines 25 and 26, which adds the following language: "Any adjustments to an assessment brought forward after October first must be applied to the following taxable year." The selection of October 1 as this deadline is important for several reasons. October 10 is the deadline for taxing districts to certify their final levies to the County Auditor. If county auditors know that no changes will be made after October 1 it helps auditors provide local taxing districts important information that may be useful prior to their final levy certifications. This deadline also ensures that the values used in determining mill rates will be as stable as possible for the coming year.

In February and March of 2018 errors in a handful of centrally assessed properties were discovered in the 2017 assessments. McKenzie, Dunn, Williams, Mountrail, and Billings were affected in this real life example. McKenzie County alone lost over \$500,000 in taxable value as a result. One company had already paid their 2017 taxes prior to this error being discovered and resulted in a refund to the company of \$45,948.00, of which \$22,811.81 was refunded from a school district. I had the task to explain to the school superintendent why they would be short nearly \$23,000 of the dollars levied by the school district, a significant impact on a school district facing rapid changes impacted by oil and gas activity. Had SB2350 been in place at this time the school district would not have seen this effect as the adjustment to the assessment would have been applied to the following taxable year, leaving our school harmless. This is just one example of how this bill would assist counties and other taxing districts moving forward.

Will SB2350 result in extra work for county auditors? Yes. In 2018 the spreadsheets McKenzie County received from the State Tax Commissioner equaled 10,673 spreadsheet lines that have to be sorted and allocated to taxing districts, so this will be significant additional work for many counties. Will SB2350 result in assisting in providing the most accurate information possible to local taxing districts as they make levy decisions? Yes. We are committed to working hand in hand with the State Tax Commissioner's Office to ensure the process for determining this important component of taxable values goes as smoothly as possible and SB 2350 helps us make this happen. We ask for your support of SB 2350 and a DO PASS recommendation.

COUNTY	2017			2018		
	CENTRALLY ASSESSED TAXABLE VALUE	TOTAL TAXABLE VALUE	PERCENT OF TOTAL VALUE	CENTRALLY ASSESSED TAXABLE VALUE	TOTAL TAXABLE VALUE	PERCENT OF TOTAL VALUE
ADAMS	630,007	16,182,200	3.9%	652,154	16,537,169	3.9%
BARNES	12,299,803	78,708,049	15.6%	12,450,620	81,946,989	15.2%
BENSON	1,786,759	31,168,075	5.7%	-	-	-
BILLINGS	7,004,352	18,568,428	37.7%	6,737,783	18,499,919	36.4%
BOTTINEAU	1,942,502	59,625,966	3.3%	1,942,162	62,410,480	3.1%
BOWMAN	4,466,612	27,239,016	16.4%	4,626,026	27,643,946	16.7%
BURKE	8,586,036	28,965,005	29.6%	7,202,805	28,071,118	25.7%
BURLEIGH	9,771,942	500,271,690	2.0%	10,022,446	512,560,938	2.0%
CASS	14,001,211	816,946,381	1.7%	14,885,563	864,329,046	1.7%
CAVALIER	3,455,003	50,208,476	6.9%	3,393,958	52,967,777	6.4%
DICKEY	1,949,444	38,695,351	5.0%	2,054,376	40,088,490	5.1%
DIVIDE	12,370,033	40,309,219	30.7%	10,980,937	39,060,294	28.1%
DUNN	33,109,052	65,991,434	50.2%	32,849,741	65,982,830	49.8%
EDDY	1,048,931	13,438,682	7.8%	1,067,158	13,994,050	7.6%
EMMONS	5,032,204	36,871,217	13.6%	0	39,920,541	0.0%
FOSTER	2,608,044	24,398,577	10.7%	2,651,307	25,872,990	10.2%
GOLDEN VALLEY	1,961,618	15,016,802	13.1%	1,968,477	17,124,860	11.5%
GRAND FORKS	5,842,295	296,654,256	2.0%	6,164,443	304,731,575	2.0%
GRANT	291,199	20,157,723	1.4%	-	-	-
GRIGGS	1,443,770	19,871,995	7.3%	0	20,612,480	0.0%
HETTINGER	1,717,887	25,911,797	6.6%	1,751,485	26,219,328	6.7%
KIDDER	1,407,963	17,144,817	8.2%	1,496,390	18,133,850	8.3%
LAMOURE	1,255,520	40,946,627	3.1%	1,231,368	41,816,895	2.9%
LOGAN	405,744	15,389,410	2.6%	359,142	15,679,938	2.3%
MCHENRY	6,799,776	41,226,120	16.5%	7,096,102	44,037,630	16.1%
MCINTOSH	1,538,503	18,981,145	8.1%	1,674,658	19,950,502	8.4%
MCKENZIE	129,851,554	246,812,486	52.6%	131,556,942	246,074,504	53.5%
MCLEAN	2,068,771	75,852,230	2.7%	2,663,875	79,488,949	3.4%
MERCER	4,145,257	48,413,735	8.6%	5,001,734	50,087,796	10.0%
MORTON	16,053,189	160,032,997	10.0%	18,884,941	172,699,058	10.9%
MOUNTRAIL	55,795,274	131,193,525	42.5%	53,026,856	129,982,196	40.8%
NELSON	3,804,836	24,712,990	15.4%	0	25,628,868	0.0%
OLIVER	1,767,200	14,875,776	11.9%	1,642,049	15,654,996	10.5%
PEMBINA	8,652,361	60,495,112	14.3%	9,110,693	61,838,911	14.7%
PIERCE	3,613,078	30,684,494	11.8%	3,484,082	31,672,957	11.0%
RAMSEY	2,624,538	55,161,232	4.8%	3,006,712	56,808,901	5.3%
RANSOM	4,726,834	34,561,404	13.7%	5,166,910	36,556,327	14.1%
RENVILLE	1,375,764	24,563,673	5.6%	1,394,364	24,473,969	5.7%
RICHLAND	5,349,023	86,638,420	6.2%	5,395,575	92,672,480	5.8%
ROLETTE	484,851	19,822,373	2.4%	245,467	20,177,399	1.2%
SARGENT	3,584,557	35,356,029	10.1%	3,923,062	37,238,788	10.5%
SHERIDAN	334,497	14,105,949	2.4%	334,392	14,716,850	2.3%
SIoux	11,236	4,303,161	0.3%	-	-	-
SLOPE	996,809	11,512,948	8.7%	1,006,060	11,818,415	8.5%
STARK	8,780,412	203,599,110	4.3%	9,217,536	258,912,043	3.6%
STEELE	4,558,225	28,287,686	16.1%	4,808,006	29,831,491	16.1%
STUTSMAN	6,313,987	110,783,728	5.7%	6,114,733	114,912,613	5.3%
TOWNER	125,585	26,026,698	0.5%	127,608	26,744,753	0.5%
TRAILL	1,069,252	51,878,140	2.1%	1,111,496	54,354,873	2.0%
WALSH	3,026,570	54,536,530	5.5%	-	-	-
WARD	18,068,650	328,443,036	5.5%	17,175,080	321,545,223	5.3%
WELLS	3,300,304	39,310,212	8.4%	3,318,163	40,233,105	8.2%
WILLIAMS	90,484,730	360,441,470	25.1%	288,521,505	772,153,449	37.4%

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Written Testimony for the
House Finance & Taxation Committee
March 6, 2019
Erica Johnsrud, McKenzie County Auditor/Treasurer

RE: SUPPORT to Senate Bill 2350 – County Auditor Verification of Public Utility Companies and Reporting Deadlines

Good morning, Chairman Headland, and members of the Committee. My name is Erica Johnsrud and I serve as the Auditor/Treasurer for McKenzie County. Thank you for the opportunity to provide testimony in support of Senate Bill 2350. This bill covers reporting of public utility companies and electric generation, distribution, and transmission companies, which we refer to as centrally assessed properties and include oil and gas pipelines, electric lines, and rail lines. The values of these properties not only impact counties, but have a trickle-down effect to every local taxing district – townships, schools, cities, ambulance districts, fire districts, etc. and so become an important part of determining mill levies.

The process for reporting these properties is multi-step and I will do my best to explain it here today. In January, the auditors are required to send detailed maps to the companies. In February, the companies are required to report to county auditors a general description of their property in the county down to the taxing district level and to provide, to both auditors and Tax Commissioner, a map of these lines. A detailed report is required to be filed with the Tax Commissioner in April. This information is then used by the Tax Commissioner’s Office to assign values to the properties and that information moves to the State Board of Equalization before being certified back to the county auditors for mill levy calculations.

I have been involved in the public utility or centrally assessed property allocations since 2014. The chart below illustrates just for McKenzie County the impact that centrally assessed properties have on taxable values that are ultimately used to determine local mill levies and demonstrates the rapid change McKenzie County, along with other counties, is experiencing.

McKenzie County Centrally Assessed Values 2013-2018						
Year	2013	2014	2015	2016	2017	2018
Percent of Total County Value	49.4%	48.9%	50.3%	50.5%	52.6%	53.5%
CA Taxable Value	\$40.5M	\$51.3M	\$73.3M	\$90.2M	\$129.9M	\$131.6M

Attached is a listing of all ND Counties for 2017 and 2018 and the percentage of each county’s total value derived from centrally assessed properties. Centrally assessed properties account for over 25% of the total taxable value of 7 counties (Billings, Burke, Divide, Dunn, McKenzie, Mountrail and Williams), and more than 40% in 3 of those counties. Given that the oil and gas industry continues to grow, especially in the west, I anticipate that this trend will continue.

The goal between the State Tax Commissioner’s Office and the county auditors is to make the centrally reporting of these assessed property lines, and therefore, values as accurate as possible. **In order to accomplish this reporting deadlines are crucial.**

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Earlier in my testimony I outlined the reporting deadlines for each year. This year, 2019, I sent out detailed maps as required in January. In February, 3 reports were received from public utility companies with the information, but McKenzie County should have received at least 40 of these reports, and no maps were provided. Quite simply, we are not receiving the information that we need to verify the reported lines are within our counties and taxing districts.

SB 2350 adds a section that states by May 31 of each year, the County Auditor shall verify to the Tax Commissioner the accuracy of the information filed with the County Auditor. Again, these are reports that are required but we are not receiving. We are committed to working with the Tax Commissioner's Office on a process to share the information they receive if the counties don't receive it in February and to verify this information as it pertains to our counties.

The most important part of SB 2350 for county auditors is page 2 lines 25 and 26, which adds the following language: "Any adjustments to an assessment brought forward after October first must be applied to the following taxable year." The selection of October 1 as this deadline is important for several reasons. October 10 is the deadline for taxing districts to certify their final levies to the County Auditor. If county auditors know no changes will be made after October 1, it helps auditors provide local taxing districts important information that may be useful prior to their final levy certifications. This deadline also ensures the values used in determining mill rates will be as stable as possible for the coming year and dollars levied will be provided to the taxing districts as were levied.

In February and March of 2018 errors in a handful of centrally assessed properties were discovered in the 2017 assessments. McKenzie, Dunn, Williams, Mountrail, and Billings were affected in this real-life example. McKenzie County alone lost over \$500,000 in taxable value as a result. One company had already paid their 2017 taxes prior to this error being discovered and resulted in a refund to the company of \$45,948.00, of which \$22,811.81 was refunded from a school district. I had the task to explain to the school superintendent why they would be short nearly \$23,000 of the dollars levied by the school district, a significant impact on a school district facing rapid changes impacted by oil and gas activity. Had SB 2350 been in place at this time the school district would not have seen this effect as the adjustment to the assessment would have been applied to the following taxable year, leaving our school harmless. This is just one example of how this bill would assist counties and other taxing districts moving forward.

Will SB 2350 result in extra work for county auditors? Yes. In 2018 the spreadsheets McKenzie County received from the State Tax Commissioner equaled 10,673 spreadsheet lines that had to be sorted and allocated to taxing districts, so this will be significant additional work for many counties, myself included. Will SB 2350 result in assisting in providing the most accurate information possible to local taxing districts as they make levy decisions? Yes. We are committed to working hand in hand with the State Tax Commissioner's Office to ensure the process for determining this important component of taxable values goes as smoothly as possible and SB 2350 helps us make this happen.

We ask for your support of SB 2350 and a **DO PASS** recommendation.

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COUNTY	2017			2018		
	CENTRALLY ASSESSED TAXABLE VALUE	TOTAL TAXABLE VALUE	PERCENT OF TOTAL VALUE	CENTRALLY ASSESSED TAXABLE VALUE	TOTAL TAXABLE VALUE	PERCENT OF TOTAL VALUE
ADAMS	630,007	16,182,200	3.9%	652,154	16,537,169	3.9%
BARNES	12,299,803	78,708,049	15.6%	12,450,620	81,946,989	15.2%
BENSON	1,786,759	31,168,075	5.7%	1,693,492	33,156,109	5.1%
BILLINGS	7,004,352	18,568,428	37.7%	6,737,783	18,499,919	36.4%
BOTTINEAU	1,942,502	59,625,966	3.3%	1,942,162	62,410,480	3.1%
BOWMAN	4,466,612	27,239,016	16.4%	4,626,026	27,643,946	16.7%
BURKE	8,586,036	28,965,005	29.6%	7,202,805	28,071,118	25.7%
BURLEIGH	9,771,942	500,271,690	2.0%	10,022,446	512,560,938	2.0%
CASS	14,001,211	816,946,381	1.7%	14,885,563	864,329,046	1.7%
CAVALIER	3,455,003	50,208,476	6.9%	3,393,958	52,967,777	6.4%
DICKEY	1,949,444	38,695,351	5.0%	2,054,376	40,088,490	5.1%
DIVIDE	12,370,033	40,309,219	30.7%	10,980,937	39,060,294	28.1%
DUNN	33,109,052	65,991,434	50.2%	32,849,741	65,982,830	49.8%
EDDY	1,048,931	13,438,682	7.8%	1,067,158	13,994,050	7.6%
EMMONS	5,032,204	36,871,217	13.6%	0	39,920,541	0.0%
FOSTER	2,608,044	24,398,577	10.7%	2,651,307	25,872,990	10.2%
GOLDEN VALLEY	1,961,618	15,016,802	13.1%	1,968,477	17,124,860	11.5%
GRAND FORKS	5,842,295	296,654,256	2.0%	6,164,443	304,731,575	2.0%
GRANT	291,199	20,157,723	1.4%	295,290	20,436,074	1.4%
GRIGGS	1,443,770	19,871,995	7.3%	0	20,612,480	0.0%
HETTINGER	1,717,887	25,911,797	6.6%	1,751,485	26,219,328	6.7%
KIDDER	1,407,963	17,144,817	8.2%	1,496,390	18,133,850	8.3%
LAMOURE	1,255,520	40,946,627	3.1%	1,231,368	41,816,895	2.9%
LOGAN	405,744	15,389,410	2.6%	359,142	15,679,938	2.3%
MCHEMRY	6,799,776	41,226,120	16.5%	7,096,102	44,037,630	16.1%
MCINTOSH	1,538,503	18,981,145	8.1%	1,674,658	19,950,502	8.4%
MCKENZIE	129,851,554	246,812,486	52.6%	131,556,942	246,074,504	53.5%
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WILLIAMS	90,484,730	360,441,470	25.1%	92,956,770	356,856,181	26.0%