

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.

<b>McKenzie County Centrally Assessed Values 2013-2018</b>						
<b>Year</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Percent of Total County Value</b>	49.4%	48.9%	50.3%	50.5%	52.6%	53.5%
<b>CA Taxable Value</b>	\$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%