

US
ND

LEGISLATIVE *Report*

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Utility Shareholders of North Dakota

Greetings USND Members:

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North Dakota's 60th. Regular Legislative Session kicked-off January 3, following the organizational session conducted December 4 –6, 2006, when committee membership was assigned and leadership in both chambers was elected. In the Senate, Republicans remain in control with a 26 – 21 advantage over Democrats. In the House, Republicans also are in the majority with a 61 – 33 advantage over Democrats.

Governor John Hoeven presented his budget message during the organizational session calling for two-year spending of \$6.3 billion, which includes all moneys from all sources. The Governor's general fund spending plan, which is raised by a slate of state taxes, is set at \$2.47 billion, up from \$1.99 billion for the current biennium, a 24 % increase.

Starting on a dead run, as in past legislative sessions, 548 House bills and resolutions along with 433 Senate bills and resolutions were introduced by bill introduction deadlines. Bills of importance to USND members include:

HB-1028, which would create a new interim Energy Development, and Transmission Committee that would study each facet of the energy industry, passed the House early in the session 93 - 0.

HB-1049, which would remove the 2 % sales tax currently levied on natural gas and the 2 % excise tax currently levied on special fuels used for heating purposes, is still in Committee

HB-1221, to help recover costs associated with meeting federal environmental mandates on existing power plants has been introduced and assigned to the House Industry, Business and Labor Committee, but has not yet received a hearing. This is a very important bill that would help protect investors' interests for utility infrastructure costs, and your USND is working to advance this bill through the legislative process.

HB-1496 would prevent electric utility companies from recovering costs from Minnesota environmental standards that were more stringent than federal standards, and would force those costs onto investor's backs. As this report goes to press, the bill received a **DO NOT PASS** recommendation in House Industry, Business, and Labor Committee on a 13 – 0 vote.

SB-2031, which would allow shareholder owned utility companies to file a tariff with the ND PSC to more rapidly recover costs associated with electricity transmission facilities, passed the Senate 45 - 0. This bill is very important to shareholder interests, and your USND is working toward passage in the House.

There are a number of bills that would impact property taxes, including the Governor's idea of rebating some \$116 million directly to property owners through credits issued by County Auditors. Governor Hoeven's property tax reduction plan is embodied in **HB-1051**. This plan would reduce residential property taxes by ten

percent, and would reduce commercial and agricultural property taxes by 5 %. However, there has been an early amendment offered that would change the rebate amount to 7 % for all classes of property.

With the number of property tax bills introduced, it is a safe bet that some changes are coming in the way property taxes have been collected and paid in the past. Center stage in this debate is the fact that property taxes are not levied by the state, but rather are levied at the local level. That said, the converse argument is that the state is not doing its share in supporting local education so school costs are necessarily being passed on to local property tax owners. Many Legislators do not agree, and quickly point out the tremendous growth in state dollars sent to local taxing districts during the last several legislative sessions.

The debate on the cause for high property taxes and how to solve the challenge will most certainly remain until the Legislature takes action, and any adjustments in local property taxes will likely be linked to state support of local school costs.

Even though the state's ending fund balance has frequently been reported to be in the \$500 plus million range, there has been little talk of cutting personal income tax, and even less talk of cutting corporate income taxes. **HB-1170 and SB-2325** are nearly identical bills introduced to assure there will be a debate on personal income tax rates, but there are no bills in the process that would grant a corporate income tax break. As investors, we should be asking our Representatives and Senators to explain why, with the enormous surplus, is there a need to continue income taxes at the current level. If taxation rates are generating a huge surplus, then maybe taxes are too high.

Another subject that is approaching overload is renewable fuels, renewable energy, and the setting of goals, objectives, or mandates for these publicly and politically popular ideas. There are bills setting objectives for wind energy, ethanol, and bio-diesel consumption along with a menu of sales, property, income, and motor fuels tax incentives or credits to further consumer acceptance of these alternative energy ideas. However, so far during these ongoing debates, there has been very little discussion of the increased costs to consumers to use these alternative energy sources. Further, there has not even been a nod to acknowledge the heavy federal subsidies that already exist to bring alternative energy products into the market place.