

TESTIMONY OF

**Joe Goplin, Director of State Financial Services, Fiscal Management Division**

Good morning, Chairman Schauer and members of the committee. My name is Joe Goplin, Director of the Office and Budget (OMB) Fiscal Management Division. OMB supports this bill.

Section 1 of this bill seeks to repeal North Dakota Century Code (N.D.C.C.) section 54-27-21 related to capitalization of fixed assets. The capitalization of assets is primarily a financial reporting matter. The current state law requires assets valued at \$5,000 or greater to be capitalized. The Federal government also has regulations related to capitalization of assets. On Oct. 1, 2024, the Federal government changed its capitalization threshold to \$10,000. State law has been consistent with the federal law up until this most recent change from this past October. Having different state and federal capitalization thresholds will require entities to prepare separate state and federal asset reporting. OMB seeks to have the state law repealed to avoid inconsistencies with the federal asset reporting requirement. If the state law is repealed, the OMB Fixed Asset Policy will refer to the federal capitalization threshold to ensure they stay consistent with each other. We also ask an emergency clause be put in place so the state's reporting requirements are consistent with the Federal government for this upcoming fiscal yearend. Pursuant to N.D.C.C. section 44-04-07, agencies will still be required to maintain a complete and current inventory record of all property of sufficient value; this requirement is independent of the capitalization threshold.

Section 1 of this bill also seeks to repeal N.D.C.C. section 54-27-21.1 which requires agencies and institutions to prepare a lease versus purchases analysis when contemplating the lease of an asset. Repealing this law is a red tape reduction suggestion, and OMB agrees with eliminating this requirement. Agencies prepare the required report, but the analysis does not generally drive lease versus purchases decisions. Leasing is very common for some equipment, such as copiers and multifunctional devices. In many instances, leasing is a practical payment solution for agencies and institutions.

Repealing these two statutes will simplify processes and create efficiencies.

Mr. Chairman and members of the committee, this concludes my testimony. I ask your support for HB 1081. I would be happy to answer any questions.