

**1999 HOUSE FINANCE AND TAXATION**

**HB 1307**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1307

House Finance and Taxation Committee

Conference Committee

Hearing Date January 19, 1999

Tape Number	Side A	Side B	Meter #
1		x	30.3
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

REP. ELIOT GLASSHEIM, GRAND FORKS, Testified in support of the bill. He introduced the bill at the request of the housing authority in Grand Forks who have been in contact with other housing authorities around the state. The request is simply to add housing authorities who are owed debts from people not paying, to the list of agencies which can intercept tax returns if money is owed.

JIM WEIGEL, INDIVIDUAL INCOME TAX SUPERVISOR, STATE TAX

COMMISSIONER, Testified in a neutral position. See written testimony.

REP. WINRICH Asked whether the sponsors of the bill were aware of the Tax Department's concerns?

JILL WEIGEL Stated they were in contact with one of the housing authorities, Grand Forks,

We have been in contact with them quite a bit this past year. Some of these housing authorities are not computerized, there is some thought that they could centralize, but there is no real assurance that will happen.

REP. WINRICH I was more concerned with, have you communicated with the sponsors of the bill, are they aware of these concerns of yours?

JILL WEIGEL Not with Rep. Glassheim.

REP. GROSZ What is the total offset program, how many dollars does it recover?

JILL WEIGEL Stated, currently, the child support program since 1984 - 1998, in one year, 1998, we offset \$173,550. over the total fifteen year period, that has amounted to 1.1 million dollars of child support and about eleven thousand returns. The student loan program we offset last year, \$13,500 for 156 claims. Unemployment job service program, we offset \$21,000 with 222 claims. IRS, we have offset \$75,000 for 629 claims. It keeps growing each year.

PAT FRICKE, EXECUTIVE DIRECTOR, ND HOUSING FINANCE AGENCY, Testified in a neutral capacity. He offered amendments and gave an explanation on the fiscal note. The Grand Forks Housing Authority were the primary people behind this bill, and asked that the ND Housing Finance Agency implement this. The amendment corrects the housing finance agency century code reference. The reference used is a reference used for housing finance agencies finance programs, which would not benefit from this legislation. It changes it from 54-17-07.3 to just chapter 54-17. He went on to give a background of what the housing authorities do and claims that are administered, such as damages that are done, and income that is not given correctly.

REP. KROEBER Asked whether this is about people renting from HUD?

PAT FRICKE No, they are not renting from HUD, these are folks renting from private individuals. Their monthly payment is assisted by HUD.

REP. KROEBER You are talking about a lot of individuals that have a claim against them.

PAT FRICKE Yes, there is a possibility of a lot of individuals. We have only 37 claims out of 41 receivables totaling \$22,000, so it is not a large number. That is out of a portfolio of 500 and some units and several years. Grand Forks has a much larger portfolio. I don't have those numbers.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-19-99, Tape #2, Side A, Meter #42.3

During discussion committee members had some concerns regarding some possible amendments Rep. Belter decided to hold the bill another day.

COMMITTEE ACTION 1-20-99, Tape #2, Side A, Meter 42.9

REP. MICKELSON presented a letter to the committee which was sent to Rep. Glassheim from the National Association of Housing & Redevelopment Officials, North Dakota Chapter.

The bill would be held until a later date, as amendments were being drafted.

COMMITTEE ACTION 1-27-99, Tape #2, Side A, Meter #24.7

REP. WINRICH Presented the amendments he had drafted to the bill which were prepared by the Tax Department.

REP. WINRICH Made a motion to adopt the amendments as presented.

REP. MICKELSON Second the motion. MOTION CARRIED BY VOICE VOTE.

After discussion, REP. WINRICH Made a motion for a DO PASS AS AMENDED.

REP. MICKELSON Second the motion. MOTION CARRIED

12 Yes 3 No 0 Absent

REP. MICKELSON Was given the floor assignment.

**FISCAL NOTE**

(Return original and 10 copies)

Bill/Resolution No.: \_\_\_\_\_ Amendment to: Eng. HB 1307

Requested by Legislative Council \_\_\_\_\_ Date of Request: 3-19-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

**Narrative:**

The tax department has estimated computer set-up costs of up to \$8,000 which is expected to be shared by the five (5) major participants encompassed by the bill. We are not able to estimate the potential special fund revenue recoveries. \$22,105 is presently receivable (originally paid by HUD) and virtually all of any recovery would be credited back to HUD.

2. State fiscal effect in dollar amounts: (Fiscal effect to HFA only)

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	0	0	0	0	0	0
Expenditures:	0	0	0	\$1,600	0	0

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: 0
- b. For the 1999-2001 biennium: + \$1,600 operating funds
- c. For the 2001-03 biennium: 0

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Date Prepared: 3-19-99

Signed *Pat S. Fricke*

Typed Name Pat S. Fricke, Executive Director

Department ND Housing Finance Agency

Phone Number 328-8050

FISCAL NOTE

FEB 2 - 1999

(Return original and 10 copies)

Bill/Resolution No.: \_\_\_\_\_ Amendment to: HB 1307

Requested by Legislative Council Date of Request: 1-29-99

- 1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

**Narrative:**

The tax department has estimated computer set-up costs of up to \$8,000 which is expected to be shared by the five (5) major participants encompassed by the bill. We are not able to estimate the potential special fund revenue recoveries. \$22,105 is presently receivable (originally paid by HUD) and virtually all of any recovery would be credited back to HUD.

- 2. **State** fiscal effect in dollar amounts: (Fiscal effect to HFA only)

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	0	0	0	0	0	0
Expenditures:	0	0	0	\$1,600	0	0

- 3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: 0
- b. For the 1999-2001 biennium: + \$1,600 operating funds
- c. For the 2001-03 biennium: 0

- 4. **County, City, and School District** fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed Pat S. Fricke

Typed Name Pat S. Fricke, Executive Director

Department ND Housing Finance Agency

Phone Number 328-8050

Date Prepared: 2/2/99

FISCAL NOTE

JAN 15 1999

(Return original and 10 copies)

Bill/Resolution No.: HB 1307 Amendment to: \_\_\_\_\_

Requested by Legislative Council Date of Request: 1-13-99

- 1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

**Narrative:**

The tax department has estimated computer set-up costs of up to \$8,000 which is expected to be shared by the five (5) major participants encompassed by the bill. We are not able to estimate the potential special fund revenue recoveries. \$22,105 is presently receivable (originally paid by HUD) and virtually all of any recovery would be credited back to HUD.

- 2. **State** fiscal effect in dollar amounts: (Fiscal effect to HFA only)

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	0	0	0	0	0	0
Expenditures:	0	0	0	\$1,600	0	0

- 3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: 0
- b. For the 1999-2001 biennium: + \$1,600 operating funds
- c. For the 2001-03 biennium: 0

- 4. **County, City, and School District** fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed Pat S. Fricke

Typed Name Pat S. Fricke, Executive Director

Department ND Housing Finance Agency

Phone Number 328-8050

Date Prepared: 1/15/99



Please type or use black pen to complete

Date 1-27-99

Roll call vote # 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1307

House HOUSE FINANCE & TAX Committee

Subcommittee on \_\_\_\_\_

Conference Committee

} Identify or check where appropriate

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as amended

Motion Made By Rep. Winrich Seconded By Rep. Mickelson

Representatives	Yes	No	Representatives	Yes	No
BELTER		✓	WINRICH	✓	
RENNERFELDT	✓				
CLARK	✓				
FROELICH	✓				
GRANDE		✓			
GROSZ		✓			
HERBEL	✓				
KROEBER	✓				
MICKELSON	✓				
NICHOLAS	✓				
RENNER	✓				
SCHMIDT	✓				
WARNER	✓				
WIKENHEISER	✓				

Total 12 3  
(Yes) (No)

Absent 0

Floor Assignment Rep. Mickelson

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

DO NOT USE HIGHLIGHTER ON ANY FORMS

**REPORT OF STANDING COMMITTEE**  
**HB 1307: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1307 was placed on the Sixth order on the calendar.

Page 1, line 1, after "57-38.3-02" insert "and subsection 1 of section 57-38.3-05"

Page 1, line 8, remove "a housing authority created under section 23-11-02,"

Page 1, line 9, replace "section" with "chapter"

Page 1, line 10, replace "54-17-07.3" with "54-17, or a housing authority created under section 23-11-02, except that the Grand Forks housing authority is deemed the claimant agency for all housing authorities for the purposes of submitting debtor information to the tax commissioner for fund transfers and for providing notice to the debtor as required by section 57-38.3-05"

Page 1, after line 10, insert:

**"SECTION 2. AMENDMENT.** Subsection 1 of section 57-38.3-05 of the North Dakota Century Code is amended and reenacted as follows:

1. Within a time specified by the commissioner, a claimant agency seeking to collect a debt through setoff shall supply the information necessary, in a form and in the manner prescribed by the commissioner, to identify each debtor whose refund is sought to be set off and certify the amount of the debt or debts owed by each ~~such~~ debtor."

Renumber accordingly

**1999 SENATE FINANCE AND TAXATION**

**HB 1307**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1307

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 3-1-99

Tape Number	Side A	Side B	Meter #
HB 1307	X		2780 - END
		X	0 - 940
Committee Clerk Signature <i>Shula Wald</i>			

Minutes:

Sen Urlacher opened the hearing on HB 1307. A BILL RELATING TO CLAIMANT AGENCIES FOR SETOFF OF INCOME TAX REFUNDS.

Rep. Michelson - Grand Forks Housing Authority to be a clearing house for the other housing Authority, they would receive all \$ and distribute to the 40 agencies.

Julie Love - Minot Housing Authority- There are 37 housing authorities in ND, and they are the ones that would recapture funds that are submitted to them. The \$ we are looking to recoup are from past due rent, damaged property, and fraud from tenants on Housing Assistance. We serve thousands of families across ND, and each agency can accrue dollars in bad debt over a year.

This has worked well in Minnesota.

Sen. Stenehjem - Why in Grand Forks the central agency and not the State Agency?

Julie Love - They would and have offered to be the clearing house for the other Authority agencies.

Sen Christmann - What does the Authority Agency do?

Julie Love - Operate 340 housing units for low income families, and we administer the housing assistance program. We contract with the US Housing and Urban Development so the funding flows to us and then we lease the rental for families who get subsidized.

Sen Christmann - Where does Minot Housing Authority get money for 340 homes?

Julie Love - For instance, in Minot, 220 are elderly and disabled persons that live there. We have 40 scattered units throughout the community. It is basically a contract with HUD. Federal Housing Program, that local agencies contract to administer. Housing Authorities are set up under State Law, they have a 5 member board of Directors, to run the Housing Authority

Sen. Christmann - Does the money from Federal go to different agencies to build these dwellings? Who owes you money, and how do you collect it now?

Julie Love - We work with local collection agencies. This is for unpaid rent and fraud, unreported income. We attempt to collect it, and work with the local families. A lot from fraud, they have 2 incomes and don't report this.

Sen Christmann - If this bill is passed, what will you do?

Julie Love - We will test it at the local level first. It is easier to use our collection services and our local resources to do it. If we can't collect we run it through the Grand Forks Authority and it would be through the recapture portion and we would be able to access peoples tax returns.

Sen Stenehjem - How many houses does Minot own?

Julie Love - 340 houses. We pay a payment in lieu of taxes, which is based on a percentage of rent. That is through the city, in our situation. The payment is 10% of gross rent, less utilities. We make a payment each year. We are serving low income taxes. Our issue is we want to recapture our losses.

Sen. Urlacher - Does HUD control?

Julie Love - Yes.

Sen. Kinnoin - If renter collects assistance through Soc. Services and are in arrears, can you go to the Soc. Services and garnishee their wages?

Julie Love - Miss Weigel, can better answer that. Debt comes from fraud, reporting no income.

Jill Weigel - Tax Dept.-The Tax Dept. comes in and helps recoup loses. Not all Authorities handle debt in same way, so that is why Grand Forks graciously took this on. The cost of implementing the program is \$6-7,000.

Sen Christmann - \$ dealing with here would be income tax refunds and if money owed and collected the money paid back to certain order of receivers or who would get it?

Jill Weigel - Based on who is 1st in pecking order. Amazingly there is money left over to do this.

Warren Hinsz - Housing Finance Agency, The answer would be sheer volume. The assistance we administer is to persons in projects located in various communities across the State. Our volume is in unpaid rent, and damage claims. On fraud, which is the biggest area, goes back to HUD. About \$22,000 unpaid claims. Support the Grand Forks Authority to collect. We settle with HUD quarterly.

Sen. Christmann - Does the fiscal reflect this? Would these people have to be evicted?

Warren Hinsz - This gives us another avenue to collect these dollars, which we may not have access to. If there is a refund, there is a mechanism that is already in place. This would lower costs for this type of housing.

Sen Stenehjem - What if Grand Forks doesn't want to do it, and State Law now says they have to do it.

Julie Love - Grand Forks is willing and very capable to do it. We don't have a problem with one agency being the lead agency.

Sen Urlacher - closed the hearing.

DISCUSSION 3-9-99 TAPE 1360 - VOICE VOTE ON THE AMENDMENTS

PRESENTED BY SEN. STENEHJEM. 90562.0201. MOTION TO ACCEPT THE AMENDMENTS BY SEN. STENEHJEM AND SECONDED BY SEN. KINNOIN. 7-0-0. A MOTION WAS MADE TO DO PASS AS AMENDED BY SEN WARDNER, AND SECONDED BY SEN. STENEHJEM. CARRIER WILL BE SEN. STENEHJEM.

DISCUSSION 03-17-99 TAPE A, #1 0 -1300. SEN. OPENED THE COMMITTEE, ROLL TAKEN. SEN. STENEHJEM MADE A MOTION TO RECONSIDER ACTION ON 1307 AND SECONDED BY SEN. WARDNER. VOICE VOTE 7-0-0. WE HAVE THE BILL BEFORE US AND SEN. STENEHJEM MADE A MOTION TO REMOVE 90562.0201, TITLE-300. SECONDED BY SEN. WARDNER. A MOTION WAS MADE BY SEN.

STENEHJEM TO ACCEPT THE NEW AMENDMENTS - 90562.0202 AND SEN.

SCHOBINGER SECONDED. VOICE VOTE 7-0-0. SEN. STENEHJEM MADE A MOTION TO DO PASS AS AMENDED AND SEN. WARDNER SECONDED. THE VOTE WAS 6-1-0.

Date: 3-8-99  
Roll Call Vote #: ①

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

Senate Senate Finance and Taxation Committee  
H13 1307

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as Amended

Motion Made By Sen. Wardner Seconded By Sen. Stenehjem

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN		✓			
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 6 No 1

Absent \_\_\_\_\_

Floor Assignment Sen. Stenehjem

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



REPORT OF STANDING COMMITTEE

HB 1307, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed HB 1307 was placed on the Sixth order on the calendar.

Page 1, line 9, remove "or"

Page 1, line 11, replace ", except that the Grand Forks housing authority is deemed" with ". The state housing finance agency shall conduct an election by mail among housing authorities of the state during August of each year and the housing authority receiving the most votes shall act, during the twelve months beginning September first of that year, as"

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1307

Page 1, line 9, remove "or"

Page 1, line 11, replace ", except that the Grand Forks housing authority is deemed" with ". On or before September first of each year, the state housing finance agency shall conduct an election by mail among housing authorities of the state and certify to the tax commissioner which housing authority received the greatest number of votes and is capable of compliance with the duties of a claimant agency under section 57-38.3-05. During the ensuing calendar year, the housing authority certified as selected under this subsection shall act as"

Renumber accordingly

Date: 3/17/99  
 Roll Call Vote #: 2

**1999 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1307**

Senate Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as Amended

Motion Made By Stenehjem Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN		✓			
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 6 No 1

Absent \_\_\_\_\_

Floor Assignment Sen. Stenehjem

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

**REPORT OF STANDING COMMITTEE**

HB 1307, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed HB 1307 was placed on the Sixth order on the calendar.

In lieu of the amendments printed on page 663 of the Senate Journal, Engrossed House Bill No. 1307 is amended as follows:

Page 1, line 9, remove "or"

Page 1, line 11, replace "except that the Grand Forks housing authority is deemed" with ". On or before September first of each year, the state housing finance agency shall conduct an election by mail among housing authorities of the state and certify to the tax commissioner which housing authority received the greatest number of votes and is capable of compliance with the duties of a claimant agency under section 57-38.3-05. During the ensuing calendar year, the housing authority certified as selected under this subsection shall act as"

Renumber accordingly

**1999 HOUSE FINANCE AND TAXATION**

**HB 1307**

**CONFERENCE COMMITTEE**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1307

House Finance and Taxation Committee

Conference Committee

Hearing Date March 30, 1999

Tape Number	Side A	Side B	Meter #
1	x		0
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. MICKELSON, Chairman of the conference committee called the meeting to order.

A short discussion was held.

REP. WINRICH Made a motion that the house accede to the senate amendments.

REP. HERBEL Second the motion. MOTION CARRIED.

5 Yes    1 Absent

90562.0203  
Title.0400

Adopted by the Senate Finance and Taxation  
Committee

March 17, 1999

*903*  
*3/17/99*  
*Fin 3/9*

*Senate*

~~PROPOSED~~ AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1307

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Renumber accordingly

(Bill Number) HB 1307 (, as (re)engrossed):

Your Conference Committee

For the Senate:

	Yes	No
<u>Sen. B. Stenehjem</u>	<u>A</u>	
<u>Sen. Urlacher</u>	<u>✓</u>	
<u>Sen. Kinnoin</u>	<u>✓</u>	

For the House:

	Yes	No
<u>Rep. Mickelson</u>	<u>✓</u>	
<u>Rep. Herbel</u>	<u>✓</u>	
<u>Rep. Winrich</u>	<u>✓</u>	

recommends that the (SENATE HOUSE (ACCEDE to) (RECEDE from)  
723/724      725/726      S724/H726      S723/H725  
the (Senate/House) amendments on (SJ/HJ) page(s) 967 - \_\_\_\_\_

and place \_\_\_\_\_ on the Seventh order.  
727

, adopt (further) amendments as follows, and place  
\_\_\_\_\_ on the Seventh order:

having been unable to agree, recommends that the committee be discharged  
and a new committee be appointed. 690/515

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

DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

CARRIER: \_\_\_\_\_

LC NO. \_\_\_\_\_ of amendment

LC NO. \_\_\_\_\_ of engrossment

Emergency clause added or deleted \_\_\_\_\_

Statement of purpose of amendment \_\_\_\_\_

(1) LC (2) LC (3) DESK (4) COMM.



Insert LC: .

**REPORT OF CONFERENCE COMMITTEE**

**HB 1307, as engrossed:** Your conference committee (Sens. B. Stenehjem, Urlacher, Kinnoin and Reps. Mickelson, Herbel, Winrich) recommends that the **HOUSE ACCEDE** to the Senate amendments on HJ page 967 and place HB 1307 on the Seventh order.

Engrossed HB 1307 was placed on the Seventh order of business on the calendar.

**1999 TESTIMONY**

**HB 1307**

# Testimony before the House Finance and Taxation Committee

## House Bill 1307

January 19, 1999

Prepared by Jill Weigel, Individual Income Tax Supervisor  
North Dakota Office of State Tax Commissioner

Mr. Chairman, and Members of the House Finance and Taxation Committee, my name is Jill Weigel. I am the Individual Income Tax Supervisor with the North Dakota Office of State Tax Commissioner. I am here today on behalf of the Tax Commissioner.

Our agency administers the set off of income tax refunds (commonly referred to as the "refund offset program") for claimant agencies provided for in Chapter 57-38.3 of the North Dakota Century Code, which this bill is amending. This has brought excellent results for those agencies currently participating in the refund offset program. We also do refund offsets for the Internal Revenue Service (IRS). All maintenance of computer programs, beyond the initial programming costs to set up an agency, as well as the administrative costs, are funded by our agency. While the Commissioner does not oppose the addition of more agencies, there are three items of concern the Commissioner wishes to point out for the Committee to review.

### **Multiple housing authorities**

The first addresses the language in the bill referring to "a housing authority created under section 23-11-02." This statute provides for any city or county to approve a housing authority. Currently, there are 32 county, 5 city, and 5 tribal housing authorities. If all of these housing authorities choose to participate in the program, the Commissioner is concerned about the increased workload our agency would be required to handle. For several years, only the child support unit of the Department of Human Services was a claimant agency. In 1995, the Bank of North Dakota's guaranteed student loan program was added to the law. The 1997 legislative session added Job Service North Dakota and the Workers Compensation Bureau. One employee, part-time, currently handles the offsets for the 4 state agencies, as well as the IRS. This legislation has the potential of adding up to 43 agencies to the program which could significantly affect our resources in administering the program. We took steps in 1997 to automate as much of the refund offset program as possible, which enabled us to maintain one employee, part-time, to

administer the program. However, some manual processes are inevitable. To keep the number of participants in the refund offset program manageable, we would like to see one housing authority be a central depository for all the housing authorities in the state.

**The format in which the claimant agency's refund offset information is provided**

Much of our administration of the Refund Offset Program relies on our computer system to cross-check the returns as they are processed against the lists of debtors identified by each claimant agency. The statute does not require a specific format in which these lists are provided to the Commissioner. Current participants have worked with our agency to provide them electronically. This has not presented much of a problem for the agencies, who are all computerized and have the capability to generate information electronically. This may not be the case with many of the housing authorities. Some, as we have been informed, do not even have a computer. In order to efficiently administer the program, the Commissioner requests that any claimant agency be able to provide and receive the refund offset information in a format the Commissioner prescribes.

**Priority of claims**

Under Chapter 57-38.3, the child support unit of the Department of Human Services has priority over all claims in setting off any refund. Other claims are ranked by date of certification and the order of receipt from claimant agencies. This means that each year the priority for refund offsets can change, because the order is based on who gets their list to the Commissioner first. This becomes important when multiple claims occur against an individual taxpayer's refund. Currently, the problem of sorting out multiple claims involves only 3 agencies: the Bank of North Dakota, Job Service North Dakota, and the Workers Compensation Bureau. Fortunately, we have not faced the dilemma of receiving all three agencies' lists on the same day, but we are only into the second year with them. We would prefer not to contemplate what could happen with up to 43 agencies vying for the lead position. The likelihood of multiple offsets occurring is greater than one would think. It happened several times last year. The Commissioner would prefer not to have to re-prioritize these agencies every year. This adds to our programming costs to reset

the priority each year, requires additional staff time to re-learn the priorities for offsets that cannot be automatically generated, and places us in the awkward position of having to decide whose list was received first, if delivered on the same day. The Commissioner respectfully asks that the Committee give consideration to establishing a set priority for current and new claimant agencies.

If the Committee has any questions, I would be happy to respond to them.



**MOUNTAIN PLAINS**

**N**ational **A**ssociation of **H**ousing and **R**edevlopment **O**fficials

**NORTH DAKOTA CHAPTER**

*Handout presented by  
Rep Mickelson for  
Rep. Glassheim*

January 20, 1999

Mr. Eliot Glassheim  
State Capitol  
Bismarck, ND 58505

Re: HB 1307 - Income Tax Refund Set Off / Revenue Recapture Program.

Dear Mr. Glassheim:

As president of North Dakota NAHRO, I am writing to you to thank you for sponsoring HB 1307. I would also like to express our support for this bill. We feel that this will be an excellent avenue for recovering funds for the housing authorities across the state.

We have been working with the Grand Forks Housing Authority on this program, and they have agreed to be the "Central Depository" for housing authorities across the state. They will work with the state tax department to implement this program with the initial start-up and monthly updates as needed. Any funds recovered as a result of this bill, will be sent to Grand Forks Housing Authority, and they will issue checks to the original authority that had the loss due to damage claims, fraud, etc. This agreement came about after several consultations with the state tax department on the best way in which to administer this program for the benefit of the housing authorities without overburdening the state tax department personnel. We feel that any issues have been resolved and that the only thing left is to get this bill passed.

We sincerely thank you for your time and effort put forth on our behalf and are looking forward to the implementation of this program in the near future. If at any time, you wish to speak to me on this matter, please feel free to call me.

Sincerely,

Julie J. Love, President  
ND NAHRO

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