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2005 HOUSE POLITICAL SUBDIVISIONS

HB 1111

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1111

House Political Subdivisions Committee

Conference Committee

Hearing Date January 7, 2005

Tape Number	Side A	Side B	Meter #
1		x	15.3 to 28.9

Committee Clerk Signature



Minutes: **Rep. Devlin, Chairman** opened the hearing on HB 1111, A Bill for an Act to amend and reenact section 18-04-05 of the North Dakota Century Code relating to fire district payments by the insurance commissioner to cities, rural fire protection districts, and rural fire departments.

Doug Holloway, Deputy Commissioner, North Dakota Insurance Department appeared to testify on this bill as it is filed at the request of the Insurance commissioner. A copy of his written testimony is attached.

Rep. N. Johnson (20.8) inquired as whether the process could be started earlier.

Doug Holloway responded that information needed to finalize their compilations was late coming into the department. It is often due to the filings from the insurance companies such as hail and crop insurance being slow due to markets, weather, harvest times, etc.

Rep. Kaldor (21.9) what section of law stipulates the requirement to the Insurance Companies to report this information to the Insurance Department?

B Doug Holloway responded that Rep. Herbal, Vice Chairman was sure of the exact section but it was in 26.1 somewhere.

Rep. Kaldor: Do they violate that section of the code -- - maybe it would be worth looking into.

Doug Holloway That may be worth looking into ---I am not sure that the Insurance Companies are at fault. It maybe that they do not have the information to complete their work --- it maybe such things as the market which will very from year to year and they have to verify what they send to us.

Rep. Wrangham I would expect it would have something to do with the hail insurance season and how late in the year --- it takes a certain amount of time to get that information processed.

Do you have any knowledge whether the local entities are going to be put in a troublesome spot by not knowing this amount in preparing their budgets for the following year --- do you have any correspondence with them?

Doug Holloway: We have been in contact with several fire districts - they have said it was absolutely fine with them -- as a practical matter we don't intend to push any of this back, in fact we will still do the computations as soon as we can and hopefully have them done by September first as always. This just so that we don't end up in front of the Audit Committee on the 2nd or 3rd of 5th dates. It may be fairly uniform from year to year.

Rep.Devlin, Chairman when we first received this bill we had thought the payments were going to be pushed back. Then we found that wasn't going to be the case.

Doug Holloway: Absolutely, that isn't going to happen and again we drafted this and it only changes one word.

Rep. Kaldor: How do you get the checks out without doing the computation first?

Doug Holloway: The computation is done when the checks go out in September. Some time it is the second or sometimes the third week --- I see what you are asking ----

Rep. Kaldor My question was whether the checks would be going out in September without the Computations being done.

Doug Holloway: No , no -- no the computations will be done and we will still have those checks in the mail in September.

Rep. Koppelman : Is there any magic in the one month --- would November 15th be better for you?

Doug Holloway: One month is plenty adequate.

Rep.Devlin, Chairman: Just so that we are clear --- this will not effect the payment times, it will only be to help you with the Auditors, correct?

Doug Holloway: Correct.

Rep. Koppelman: Rep. Johnson asked you earlier and I was just wondering if you can back up the deadlines that lead up to this to an earlier time? Would September 15th be adequate?

Doug Holloway: I believe so.

Rep.Devlin, Chairman: There being no further questions and no one appearing in opposition, closed the hearing on HB 1111. (28.3)

Rep. Kretschmar moved a 'Do Pass' motion for HB 1111. **Rep. Herbal, Vice Chairman** seconded the motion. Motion carried on a roll call vote **12 ayes 0 nays 0 absent.**

Rep. Wrangham was designated to carry HB 1111 on the floor.

Date: *January 6, 2005*
Roll Call Vote:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *1111*

House POLITICAL SUBDIVISIONS

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken *Do Pass*

Motion Made By *Rep. Kretschmar* Seconded By *Rep. Herbel*

Representatives	Yes	No	Representatives	Yes	No
Rep. Devlin, Chairman			Rep. Ekstrom		
Rep. Herbel, Vice Chairman			Rep. Kaldor		
Rep. Dietrich			Rep. Zaiser		
Rep. Johnson					
Rep. Koppelman					
Rep. Kretschmar					
Rep. Maragos					
Rep. Pietsch					
Rep. Wrangham					

Total (Yes) *12* No *0*

Absent *0*

Floor Assignment *Rep. Wrangham*

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

REPORT OF STANDING COMMITTEE (410)
January 10, 2005 10:33 a.m.

Module No: HR-05-0206
Carrier: Wrangham
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1111: Political Subdivisions Committee (Rep. Devlin, Chairman) recommends DO PASS (12 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1111 was placed on the Eleventh order on the calendar.

2005 SENATE POLITICAL SUBDIVISIONS

HB 1111

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1111

Senate Political Subdivisions Committee

Conference Committee

Hearing Date February 25, 2005

Tape Number
1

Side A
X

Side B

Meter #
4250 - 4840

Committee Clerk Signature



Minutes:

Chairman Cook opened the hearing on HB 1111 relating to fire district payments by the insurance commissioner to cities, rural fire protection districts and rural fire departments.

All committee members (6) present.

Ken Rood, Accountant, North Dakota Insurance Department, introduced HB 1111. (See attachment #1)

Senator Fairfield: What is the issue; why does the month help?

Ken Root: What it does is provides us ample time to investigate to make sure all the numbers reported by the insurance companies are accurate and gives us time to investigate and make sure there are no errors or problems before we send out the checks.

No further testimony for or against HB 1111.

Chairman Cook closed the hearing on HB 1111.

Senator Triplett: Moved a Do Pass on HB 1111

Page 2
Senate Political Subdivisions Committee
Bill/Resolution Number HB 1111
Hearing Date February 25, 2005

Senator Hacker seconded the motion.

Discussion; None

Roll call vote: 6 Yes 0 No 0 Absent

Carrier: **Senator Triplett**

Date: 2-25-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1111

Senate Political Subdivisions

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass

Motion Made By Senator Triplett Seconded By Senator Hacker

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman	X				
Senator Nicholas P. Hacker, VC	X				
Senator Dick Dever	X				
Senator Gary A. Lee	X				
Senator April Fairfield	X				
Senator Constance Triplett	X				

Total Yes 6 No 0

Absent

Floor Assignment Senator Triplett

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

REPORT OF STANDING COMMITTEE (410)
February 25, 2005 1:17 p.m.

Module No: SR-35-3714
Carrier: Triplett
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1111: Political Subdivisions Committee (Sen. Cook, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1111 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

HB 1111

HOUSE BILL NO. 1111

**Presented by: Doug Holloway
Deputy Commissioner
North Dakota Insurance Department**

**Before: House Political Subdivisions Committee
Representative William R. Devlin, Chairman**

Date: January 7, 2005

TESTIMONY

Mr. Chairman and members of the Committee:

My name is Doug Holloway, I am Deputy Insurance Commissioner. On behalf of the Insurance Department, I come before you to introduce House Bill No. 1111, pertaining to fire district payment calculations.

By way of background, you may be aware that the Insurance Department collects insurance premium taxes from all insurance companies that do business in the state. The premium tax varies, depending on the line of insurance. Life insurance, for instance, carries a 2% premium tax. Property and casualty lines have a 1.75% tax on premiums.

A portion of these premium tax dollars are distributed to fire departments and fire districts across the state in September of each year. This is the process that is set forth in Chapter 18-04 of the North Dakota Century Code.

In 2003, the Legislature appropriated \$5.2 million for the biennium -- \$2.6 million per year in 2003 and 2004 -- to be distributed to the fire districts.

Under N.D. Cent. Code § 18-04-05, the distribution to each fire department and fire district is in proportion to the fire insurance premiums and multi-peril insurance premiums written in those districts. For example, the citizens and businesses of Fargo in 2003 paid 10.5% of all fire and multi-peril insurance premiums in the state. Accordingly, the Fargo Fire Department received 10.5% of the total appropriated funds. Thus, the Fargo Fire Department received \$279,000, which was 10.5% of the \$2.6 million appropriated to the fire districts through the program.

The program provides a significant benefit to smaller cities and rural areas across the state as well. There are 89 fire districts in the state. Casselton Fire Department and the Casselton Rural Fire Department received \$19,500 last year, Grafton Fire Department and the Grafton Fire Protection District received \$27,000, the Mayville Fire Department received \$9,600, just to provide you a few examples.

I provide this information only by way of background. House Bill No. 1111 does not in any way change this process. It does not in any way change the distributions or the timing of the distributions. Whether or not House Bill No. 1111 is enacted into law, the Insurance Department will make these payments to the fire districts in September of each year.

Instead, the only issue House Bill No. 1111 addresses is the precise timing requirement for completing all calculations and computations. N.D. Cent. Code § 18-04-05 currently states that the computation shall be completed on or prior to September 1. There appears to be no leeway, no flexibility, and no ambiguity as to that September 1 date.

As a practical matter, we can envision circumstances beyond our control that could possibly make strict adherence with the September 1 deadline impossible. The Department must verify that every insurance company has reported their premium taxes, and that the numbers reported by the insurance companies are correct. The Department analyzes the information both from the perspective of the insurance company – i.e., are the numbers consistent with the information the company has

provided in other reports – and from the perspective of each fire district – i.e., are the numbers consistent with the numbers for the fire district in previous years.

We occasionally find variances, requiring us to contact the insurance companies and attempt to reconcile the numbers. Certain lines of insurance have tended to require more time and effort to reconcile the data than other lines. In any regard, once all the data is verified, the information is used to create an abstract for payment to the fire districts and the distributions are made.

We want the distributions to be accurate, and we believe the law requires us to ensure that the distributions are accurate. Simply put, to ensure accuracy, we believe it would be beneficial to grant the Department some leeway past September 1, if such additional time is needed to verify and authenticate the data and complete the computations.

In any event, the calculations will be completed in September, and checks will be issued in September, just as they are today.

We hope you would agree that, as long as the distributions continue to be made to the fire districts in September, and the distributions are accurate and correct in amount, strict compliance with the September 1 deadline for computation is not imperative. This bill would afford the Insurance Department a small amount of leeway in fulfilling its obligation.

We would appreciate a Do Pass recommendation from this committee on House Bill No. 1111.

HOUSE BILL NO. 1111

Presented by: Ken Rood
Accountant
North Dakota Insurance Department

Before: Senate Political Subdivisions Committee
Senator Dwight Cook, Chairman

Date: February 25, 2005

TESTIMONY

This bill would amend Section 18-04-05 of the North Dakota Century Code by replacing the word "September" with "October" relating to annual fire district payments funded by insurance premium taxes.

Fire District Payments

For more than 10 years, the payments have been made to the fire districts from the first \$2.6 million of premium taxes collected each fiscal year from property and casualty insurance policies sold in the state.

The Legislature appropriates a lump sum amount for each biennium and the sum is prorated annually to each fire district in proportion to the premiums on certain lines of property and casualty insurance policies within that district.

Present Law

The present law provides that the fire district calculations are to be completed by the end of August even though the checks do not have to be mailed until the end of September.

The Commissioner asks that the law be changed so that the time period for finalizing the fire district payments coincides with the time period for mailing the checks. The change will not impact the fire districts, since the checks will continue to go out to the fire districts in September.