



North Dakota House of Representatives

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COMMITTEES:

Appropriations
Appropriations - Human Resources Division

03/31/2025

House Bill 1026 Senate Industry & Business

Chairman Barta and members of the Senate Industry & Business Committee:

I am Representative Emily O'Brien, from District 42, Grand Forks, North Dakota.

House Bill 1026 is derived from your Interim Government Finance Committee and was reported to Legislative Management. This is the sister bill to House Bill 1027, that was heard back on February 18, 2025 prior to cross over.

We studied the feasibility and desirability of changing administration of the state fire and tornado fund and state bonding fund from the insurance commissioner to the director of the office of management and budget. The state fire and tornado fund, as codified in Chapter 26.1-22, was created in 1919 to insure political subdivisions and state agencies against losses to public buildings and permanent fixtures. The funds are invested by the State Investment Board and the Insurance Commissioner contracts with the North Dakota Insurance Reserve Fund (NDIRF) for the administration of the funds pursuant to continuing appropriation authority. The Insurance Commissioner administered the funds until 2019 when the Legislative Assembly provided continuing appropriations for the funds and authorized the Insurance Commissioner to contract for administration of the funds.

We received information from representatives of the Insurance Department that provided information regarding the administration of the funds and similar self-insurance programs in other states. Florida, Kentucky, and North Carolina administer similar funds under their risk management offices. The Legislative Assembly removed 3 FTE positions from the Insurance Department during the 2019 legislative session when the department started contracting for the administration of the funds.

The testimony received indicated that the department supports changing the administration of the funds from the department to Office of Management and Budget due to a conflict of interest with regulating NDIRF and contracting for administrative services from NDIRF.

During the interim, I had contacted OMB in regard to this study and proposals moving forward. The interim committee ended up receiving information from OMB and opposing the change due to concerns about administering the funds if the contracted services from NDIRF were discontinued. We also received information from NDIRF regarding the identification of undervalued properties after taking over administration of the fund and an alternative scenario in which NDIRF would issue insurance policies to political subdivisions apart from the funds.

This bill relates to changing the administration of the state bonding fund from the Insurance Commissioner to OMB. The bill changes the administration of the funds, removes obsolete references, provides updates for consistency and clarity, and require a 2-year contract for administrative services with NDIRF or another entity.

There is a fiscal note attached to House Bill 1026 that was provided by the Office of Management and Budget. The Office of Management and Budget states that they do not have the staff to directly administer the Fund should the current contractual relationship with the North Dakota Insurance Reserve Fund terminate. In Section 4, Subsection 2, the office is given the authority and may contract for administrative services.

I would recommend a do pass. I will stand for any questions.