



HB 1005
OFFICE OF THE STATE TREASURER
House Appropriations Hearing



January 13, 2025

Chairman Monson,

Thank you for the opportunity to present our budget to you today. I look forward to working with you and members of the committee and our office is happy to be of assistance to any of you should any questions arise over the course of this session.

HB 1005 is the Budget for the Office of State Treasurer. Included in my testimony is the information that has been requested by Legislative Council, as well as some information and requests that we hope the committee will consider.

Over the last few years our team has worked to streamline our operations and improve our technology, while maintaining a very small and simple budget. We worked with Governor Burgum's office and OMB in crafting the executive budget recommendation for our office. We support their recommendations but do have some additional requests based on information that has been received since that budget preparation process concluded. In my presentation today I will highlight those requests that were included in Governor Burgum's executive recommendation, highlight the additional requests that we have, and go through the requested information that Legislative Council asked us to prepare.

With me today is the Director of Finance for our office, Nicole Krivoruchka. If you have any questions for us today, or as you work through your budget process please don't hesitate to reach out.

With gratitude,

A handwritten signature in black ink, appearing to read "T. Beadle".

Thomas Beadle
State Treasurer

Summary of requested budget items:

- **Salary Compensation Analysis Recommendation**
 - Add \$250,000 to our Salary and Benefits line
- **ITD Projects 25-27 Biennium**
 - Adds \$110,000 to support ITD projects for the 25-27 biennium
 - Adds \$7,000 as per OMB's adjustments for ITD programming cost changes
- **CO2 Payment in Lieu of Taxes appropriation**
 - Add \$2 million in General Fund Dollars for disbursement to impacted counties
- **Coal Severance Payment Increase**
 - Adds \$4,000 in additional General Fund Dollars for disbursement to impacted political subdivisions

- **Burgum Executive Budget Recommendations**
 - Cash Management Study Implementation Needs
 - Add \$1.1 million in General Fund Dollars
 - Includes 2 FTEs and \$400,000 in one-time general fund appropriation for software and setup costs
 - Move Unclaimed Property from Land Department to the Office of State Treasurer
 - Includes \$858,388 from Special Funds and 4 FTEs, along with adding \$50,000 in one-time dollars from the General Fund for office remodeling

- **Remove requested \$5,224 for DC Plan Estimated Costs**
 - This was added in error but has been approved so was included in the Executive Recommendation

AGENCY OVERVIEW

Article V, Section 2, of the North Dakota Constitution created the Office of State Treasurer and provides that the powers and duties of the state treasurer shall be prescribed by law. Chapter 54-11 of the North Dakota Century Code prescribes the powers, duties, and responsibilities of the state treasurer. The mission of the Office of State Treasurer is *“to fulfill our constitutional and statutory responsibilities, to assure sound financial oversight and transparency of all public funds, and to promote prudent practices in government.”*

We have five key management functions within the Office of the Treasurer:

- 1. Cash management** – We collect all deposits and payables from state agencies. It is our expertise that manages the daily cash flow within the state operating fund. The forecasting and cash management done by our agency is necessary to ensure the availability of sufficient funds to cover the obligations/payables while optimizing investment opportunities. The millions and billions invested in the immediate short term are where we work diligently, making wise investment decisions ensuring the State is always “making money.”
- 2. Accounting** – The Office of State Treasurer is responsible for paying all warrants (payables) or checks drawn against the state. We manage over a dozen bank accounts which are reconciled daily to ensure enough funds are available to pay all outstanding warrants/payables. We also process void check requests and stop payments. All state funds/deposits received by state agencies are deposited through the Office of State Treasurer for investment into the operating fund account. Our agency reconciles daily in three primary areas: our accounts held with the Bank of North Dakota to the State’s accounting software, PeopleSoft; state agency deposits to PeopleSoft; and Certificate of Deposit (CD) interest income between our records and the bank’s.
- 3. Investments** – Our agency serves as the custodian for all state funds, and we are responsible for the investment of the state’s general and numerous special funds, including state agriculture commodity groups and the Veterans Postwar Trust.
- 4. Revenue Collection** – The State Treasurer is responsible for the collection of various revenues from political subdivisions. Revenues include, but are not limited to, the Assessed Communications Services Fee, Civil Filing Fees, Criminal Administration Fees, Indigent Defense Administrative Fund, Medical Center Levy, Domestic Violence Prevention Fund, and numerous other district court costs.
- 5. Revenue Distribution** – The State Treasurer oversees disbursing over 30 tax distributions to political subdivisions. The office’s web-based, Tax Distribution and Outstanding Checks (TDOC) system, pulls data from a variety of sources, which streamlines our distributions and ensures greater accuracy, transparency, and efficiency.

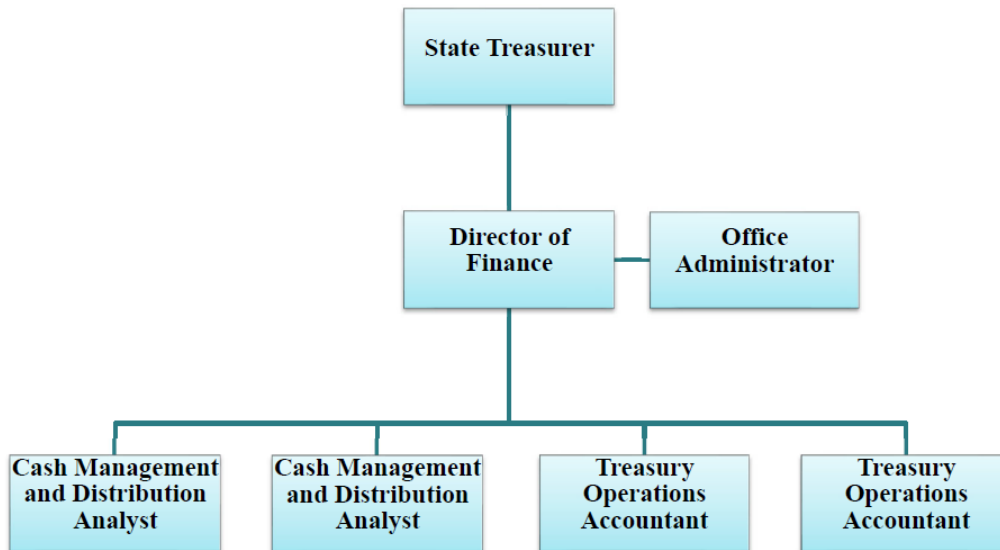
Revenue distributions assigned to the Office of State Treasurer for distribution to political subdivisions include:

Airline	Electric Generation Transmission	Primary Residence Tax Credit
Carbon Dioxide Payment In Lieu of Taxes	Flood Control	Prepaid Wireless E-911 Fee
City Cigarette Tax	Forest Service	Senior Mill Levy
City Motor Vehicle Rental Tax	Highway Tax Distribution Fund	Special Highway
City/County Occupancy Tax	Homestead Tax Credit	Special Township Road
City/County Restaurant/Lodging Tax	Legacy Earnings Highway Distribution Fund	State Aid
City & County Sales Tax	Legacy Earnings Township Highway Aid Fund	Taylor Grazing
Coal Conversion Tax	Medical Center Levy	Telecommunication Carriers
Coal Conversion Shortfall	Mineral Management	Township Road & Bridge Fund
Coal Severance Tax	Motorboat	Tribal Alcohol Tax
Coal Severance Shortfall - Tipple Share Reimbursement	Municipal Infrastructure	Tribal Cigarette Tax
County & Township Infrastructure	New Jobs Program	Tribal Highway Fund
County Aid	Oil and Gas Gross Production Tax	Tribal Sales Tax
Disabled Veterans Homestead Tax Credit	Oil Extraction/Gross Production Tax-Tribal	

The Office of State Treasurer provides analysis, data, and education of various tax distributions and state laws to legislators, employees of other state agencies, officials and employees of local political subdivisions, and the general public.

OFFICE OF STATE TREASURER ORGANIZATIONAL CHART

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BOARDS

In addition to the responsibilities of the office, as required by statute or Constitution, the State Treasurer serves on six Boards: State Investment Board, Teachers Fund for Retirement, Board of University and School Lands, State Board of Tax Equalization, State Historical Board, and the State Canvassing Board.

Following an executive order by Governor Burgum, Treasurer Beadle also serves as Co-Chair of the statewide Financial Literacy Commission.

FINANCIAL AUDIT FINDINGS

Our agency performs all our responsibilities with tremendous pride and accuracy, and we have consistently received a “clean” audit since 2009. Our most recent audit was completed in June of 2024 for the biennium ended June of 2023, with no findings. That report can be found at nd.gov/auditor/2023-treasurer-office-state.

AGENCY ACCOMPLISHMENTS

- **Tax Distributions** – Continue to make tweaks to our distribution platforms to account for statutory changes and to improve functionality.
- **“Prairie Dog” Funds** –Successful collection of 303 municipal reports and 45 county reports for dollars distributed during the 21-23 biennium. Unfortunately, despite our best efforts 12 municipalities did not submit reports and will be ineligible from the 23-35 biennium’s distribution of these funds.

- **Process Updates** – Updated office processes to allow for efficient and effective remote work which provides added flexibility to our team and increases efficiency and effectiveness of the whole office.

AGENCY CHALLENGES

- **Turnover and Compensation** – We are a small agency. When we have vacancies, whether they be due to employee time off or due to a departure, it hits our office hard. This past biennium we worked through this challenge, but we've had to do so with what feels like one hand behind our back. I've attached a compensation analysis study that was put together by HRMS that highlights this challenge for our office.
- **IT Costs** – One of the major challenges we face relates to our day-to-day IT costs. We continue to receive excellent service from ITD, but we want to make you aware that what feels like minor and obvious adjustments to our systems does have a significant impact on our budget.

Throughout session, we will continue to monitor bills that will affect our agency and analyze the potential IT costs which may be associated with implementing a formula change or new distribution.

2025-2027 BUDGET

As with prior biennia, the Office of State Treasurer's budget consists of two major items – salaries and information technology fees. The vast majority of our current biennium costs have fallen into one of those two categories and from an operations standpoint that will continue. Our office relies heavily on our people and on the technology needed to help them do their jobs efficiently and effectively.

There are four primary adjustments being requested in our 25-27 biennium budget from the 23-25 budget that were requested by our office in the Decision Package and accepted in the Executive Budget recommended by Governor Burgum.

First, our office has had an analysis done by the Human Resources team at OMB evaluating our current positions and the correlated salaries. This was prompted due to challenges we've faced with turnover and the risk that our current employee compensation levels pose to future turnover. Over the last year, our office has experienced a turnover rate of 34.8%, compared to state average of 11%. This rate is skewed a bit as it is primarily one position that has continued to turn over, but it highlights a potentially critical problem that we face. Due to the size of our agency and our focused budget, we do not have wiggle room to reflect the current market when hiring, provide compensation adjustments or reward current, tenured employees. Over the years, we have been blessed with good retention because we have family atmosphere, and our team has been willing to step up and help each other. Per the engagement survey done by HRMS and Gallup, the Office of State Treasurer has an employee engagement mean of 4.69 out of 5 and our office ranks higher than 91% of those in the Gallup Overall database. We know we

can provide an environment in which team members excel, however due to our continued lean budget, compensation has not kept us in line with the market. Analysis performed by HRMS; our team significantly lags the median compared to other state agencies. In fact, our current salaries fall short of the starting wages other agencies can offer, despite our average length of employment with our agency being 7 years. The current system incentivizes job hopping, and that's not something that we can afford to handle without seeing significant impacts to our ability to perform critical services. As a result, we are requesting a \$250,000 adjustment to our base funding level for the biennium to address this gap.

Second, you will see two separate requests for ITD dollars in our decision package. \$110,000 was added to support projects throughout the 25-27 biennium, and \$7,000 was added to cover continuing cost changes as a result of ITD updating their rate schedule.

Third, you will see a request for \$2.0 million from the General Fund for a statutorily required payment to counties to cover a payment in lieu of taxes for Carbon Dioxide (CO₂) pipelines as per NDCC 57-06-17.1 and 57-06-17.2. This has been in statute for decades, but we haven't had a project qualify for 15 years. The dollar amount we have requested for this upcoming biennium is based off an estimate provided by the Tax Department as plans should be finalized for another company to qualify for the exemption. Currently, two counties qualify and will receive distribution in February 2025. We did receive Emergency Commission and Budget Section approval to cover a shortfall for the amount certified by the Tax Department in December of '24.

Fourth, our decision package included a request for an additional \$4,000 to increase the Coal Severance Shortfall payment to political subdivisions to more closely reflect the dollars owed. This brings the total payment to \$122,000 for the 25-27 biennium.

There were two additional recommendations that were included in the Executive Budget that were not a part of our Decision Package request.

First, our office played a significant role in the Cash Management study that was completed throughout the interim. One of the key results of this was that we have an opportunity to improve earnings for the people of North Dakota, but that will require an improvement in the current process. In the Burgum administration's budget, our office was provided with 2 new FTEs and \$1.1 million in General Fund appropriations to support the advancement of the state's cash management practices. This included \$400,000 of one-time funds for software and setup costs.

Second, Governor Burgum's budget made the recommendation to move the unclaimed property division from the Land Department to the Office of State Treasurer. This is a recommendation that came out of the red tape reduction task force. There are some natural fits for them to join our team, in large part because the National Association of Unclaimed Property Administrators falls under the umbrella of the National Association of State Treasurers. Putting the division under an elected official ensures that leadership has a vested

interest in returning the dollars that are held in trust back to the rightful owners. Governor Burgum's budget recommended moving the 4 FTEs in that division over to our office, along with the correlated \$921,300 in special funds appropriations and an additional \$50,000 in one-time general fund dollars to assist with office remodeling to make it happen.

There was one item that was included in the Decision Package that we submitted and approved in the Executive recommendation that is not needed. We had requested an increase of \$5,224 into our salaries and benefits line because there was an error in the computation for the potential impacts of the DC plan as employees start onboarding onto that. We asked OMB to remove it, but at that point it was too late to pull that request, so we are bringing it to your attention.

SALARIES AND WAGES:

Our agency consists of seven full time employees, including the Treasurer. We are not requesting any adjustments to our number of FTEs this biennium. The current fiscal staff is made up of two Cash Management and Distribution Analysts, two Treasury Operations Accountants, and a Director of Finance. As a testament to the complexity of the work we perform, all fiscal positions require a minimum of a four-year college degree and varying levels of work experience to be qualified. With the timing and complexity of everything we do in our office, we are very fortunate to have an excellent team that is eager to cross train and work collaboratively with each other.

With the duties required of our office, this level of staffing is vitally important not only to be able to perform these duties, but also to provide the essential checks and balances so that one person is not handling all stages of a process. This is true not only with daily depositing to and reconciling of the state's checkbook, but also with our revenue distribution processes for all the funds we send out to the political subdivisions.

OPERATING EXPENSES:

Our operating expenses consist mainly of amounts paid for data processing and other services provided by ITD. These costs primarily include data processing, desktop support, and telecommunication service charges from ITD. Our office has always been heavily reliant on this technology and improvements over the last few years have allowed for efficient and effective remote work which provides added flexibility to our team and increases efficiency and effectiveness of the whole office.

COAL SEVERANCE SHORTFALL:

As a separate line in our budget, NDCC 57-62-02(5) requires the Office of State Treasurer to include in our biennial budget request funds for the purpose of reimbursing coal-producing counties for 30% of coal severance tax funds paid to non-coal-producing counties from coal-producing counties.

The 2023-25 amount was set at \$118,000. During the 2017 session, the statute pertaining to this payment was modified to reduce the annual amount paid. This phased-in change in statute

is now fully implemented. Because of this, the total needed to pay the statutorily mandated amounts has been reduced significantly from previous biennia. The Office of State Treasurer did request adding \$4,000 to this line to bring it up to \$122,000 to provide the support to the impacted political subdivisions

2023-2025 ONE-TIME FUNDING REQUESTS

The Office of State Treasurer was provided with \$27,825 in one-time general fund appropriations during the 23-25 biennium for information technology programming costs. Unfortunately, these dollars did not go as far as projected. We were able to accomplish the priority items related to implementing the new distributions and update to infrastructure reporting but were unable to complete some smaller items.

2025-2027 ONE-TIME FUNDING REQUESTS

The Office of State Treasurer has requested \$110,000 in one-time funding from the general fund for multiple ITD projects related to TDOC and making our current processes more effective saving time and reducing touchpoints.

As always, we also are monitoring for any potential one-time funding needs related to costs associated with coding changes required by any statutory changes made by the 69th Legislative Assembly in respect to distributions or other activities performed by our office. Substantive changes to distribution formulas generally require some level of rewriting of our Tax Distribution and Outstanding Checks (TDOC) system to comply with the changes made to statute. These would include changes to the oil and gas gross production tax distribution, the highway tax distribution, and any of the other distributions we currently administer. This would also be true for any new distributions added to our statutory responsibilities.

AGENCY COLLECTIONS

Our office is responsible for the collection of various revenues from political subdivisions throughout the state. Mainly court fines and fees collected by the County Clerks of Court and Assessed Communication fees and Medical Center Levy tax revenues collected by County Auditors. Of these, a significant number are deposited directly into the general fund while others are deposited into special funds. Due to the nature of these collections, we do not anticipate any significant changes in revenue amounts for the coming biennium.

AGENCY REQUEST VS. EXECUTIVE BUDGET

As previously mentioned, the two primary items added in the Executive Budget that went beyond our Agency request were to allow us to implement changes recommended by the Cash Management Study, and for the transfer of the Unclaimed Property Division from Land into our office.

The only additional items that I'd highlight are that OMB did include back the dollars that had been removed from our budget for the New and Vacant FTE funding pool. We will be requesting all our dollars back for the 23-25 biennium that had been removed. In the Executive Budget OMB did not include salary dollars for the cost to continue, and so we trimmed our

already tight operating line by \$14,372 to try and make up for that difference when we submitted our budget for consideration. This was largely completed by reducing travel (\$5,742), IT software and supplies (\$2,160), and lease-rental operating expenses (\$3,500). We would greatly appreciate the restoration of those dollars.