

Good morning, Chairman Headland and members of the House Finance and Tax Committee, my name is Mike Lefor, and I serve District 37 – Dickinson in the House of Representatives. Today, I bring HB 1278 to you for your consideration.

In the last legislative session, a study was brought forward and completed during the interim, providing a comprehensive cash management study on behalf of the state. HB 1278 seeks to continue the work done and to provide a pathway toward improving the return on the state's cash.

The bill provides for the creation of a board tasked with following through the recommendations provided by the interim task force. The task force includes four legislators, designees from OMB, the state treasurer and the Bank of North Dakota and another individual appointed by the governor.

In the original version of the bill, many of the duties were assigned to the state treasurer, however, after meeting with many of the principals involved, it was decided to provide an amendment which puts more of the responsibilities within the Bank of North Dakota.

This is partially due to the fact the bank has current staff who can provide the expertise needed to complete the tasks assigned by this legislation. The cash management study focused on several areas, however, some of the main areas were providing better technology to improve the speed in which the bank can properly identify the cash flow needs of each state agency working with the agency.

The idea is to provide a plan for immediate, intermediate and long-term cash needs and provide a road map for risk mitigation in each area. The goal is to improve the return on the dollars held by the state of North Dakota.

As I stated previously, the original bill draft provided for the state treasurer providing these services with the hiring of more staff. I am asking the committee to move on to the amendment. I will go through the amendment with you now.

It states the state treasurer in coordination with the Bank of North Dakota and the cash management board shall review and when necessary, develop policies and procedures for the investment and management of moneys in the state treasury.

The board is tasked with providing transparency, clarity and data to policy makers and the public regarding the state's consolidated financial position. They are to review the operational cash flow requirements of individual state agencies and forecast cash flow needs for the current and future biennium.

Further, they are to identify cash management practices that provide an opportunity to create improved cash and investment structures, managerial processes, transaction efficiency, and cash and investment holdings that closely align to expected cash inflows and outflows, for the state agencies and by extension the whole of the state.

In Section 2, the board shall review existing policies and develop policies with a goal of managing moneys in the state treasury to ensure principal preservation and adequate liquidity for the state's cash flow returns while maximizing total return based on an appropriate level of risk.

They are to create an appropriate tiered cash flow structuring practices and policies shall be used, where appropriate and in the context of the whole of the state, to optimize the state's financial position.

It goes on to provide that state agencies shall provide information to the board regarding cash flow and liquidity needs including projections for the timing of the revenues and expenditures. The board is authorized to create and implement a cash flow structuring arrangement for general and special fund agencies and commingle for investment purposes when it is determined to be advantageous.

The Bank of North Dakota shall provide staff services to the board. The board consists of:

1. The state treasurer or designee who shall serve as board chair.
2. The director of OMB or designee.
3. The president of the Bank of North Dakota or designee.
4. Two members of the House of Representatives as appointed by the Majority Leader.
5. Two members of the senate as appointed by the Majority Leader.
6. One at large member appointed by the governor.

Finally, it provides a sunset clause of June 30, 2028 unless reauthorized by the 70th legislative assembly.

Finally, the idea is to improve the process by which cash flow needs are identified by state agencies, to be placed into a tiered cash flow process to improve the returns to the state of North Dakota.

Chair Headland and members of the House Finance and Tax committee, I am requesting the amendment be placed on the bill and once amended I am asking for a "do pass" recommendation as amended.

Thank you.