



TESTIMONY

*Jon Godfread, Insurance Commissioner*  
Senate State and Local Government  
January 30, 2025

Good Morning, Chair Roers, and members of the Senate State and Local Government Committee. For the record, my name is Jon Godfread, Insurance Commissioner for the State of North Dakota. Thank you for the opportunity to provide a testify in support of SB 2251, specifically section 1 of the bill related to audit fees.

I think it's important to discuss the distinction between General Fund Agencies and Special Fund Agencies and highlight the importance of this bill. Traditionally, special funded agencies and general funded agencies have operated under distinct financial frameworks. Special funded agencies, like ours, are primarily supported by dedicated revenue sources, such as fees and specific taxes, and are intended to operate with a degree of financial independence from the state's General Fund. In contrast, general funded agencies rely directly on allocations from the General Fund, which is sourced from broad-based state revenues like income and sales taxes.

However, over time, the distinction between these two types of agencies has significantly eroded. Today, we find ourselves increasingly treated like a general funded agency, facing similar financial constraints and expectations, yet still required to pay substantial fees to other state agencies as though we remain fully independent. This dual burden undermines the very purpose of being a special funded agency, forcing us into a financial cycle that limits our ability to effectively serve the people of North Dakota.

The current system requiring our agency to pay other state agencies for services while maintaining a cap on the Insurance Regulatory Trust Fund is not only duplicative but also financially inefficient. It effectively treats our agency as a reserve for the state, despite our significant contributions to the General Fund through Premium Taxes, which are a major revenue source for North Dakota.

As a special-funded agency, we pay substantial fees to various state entities that are already funded by the General Fund. Specifically as related to SB 2251 for Audit fees:

- **Auditor's Office:**
- Agency Audit Fees: paid \$8,635 in 2019
- Agency Audit Fees: paid \$21,250 in 2022
- Agency Audit Fees: paid \$14,563.59 in 2023
- Agency Audit Fees: paid \$11,574.88 in 2024.
- Total \$56,023.47 since 2019

At the end of my testimony, I provide some examples of other fees we pay as a special funded agency. These payments are effectively redundant. The funds we pay into these state agencies ultimately cycle back to the General Fund, which these agencies rely on for their operations. This creates a scenario where our agency is contributing to the General Fund both directly through Premium Taxes and indirectly through these operational payments.

Furthermore, any funds exceeding one million dollars in the Insurance Regulatory Trust Fund at the end of each fiscal year are also transferred to the General Fund, meaning we contribute yet again.

This system places a financial burden on our agency and creates inefficiencies that undermine our operations. The cap of one million dollars on the Insurance Regulatory Trust Fund is particularly problematic, as it exacerbates cash flow issues, especially given our significant and recurring expenses, such as salaries, operating costs, NDFA payments, and forensic medical exam fees. A cap that does not account for these critical expenditures risks operational disruptions and financial instability.

SB 2251 is a step in the right direction to removing these duplicative fees and we would urge a Do Pass recommendation on this bill.

Other fees paid as a special funded agency:

- **Information Technology Department:** Total Biennium (\$324,096)
- Data Processing Technology Fee: \$2,800 per month (\$67,200 per biennium)
- Application Support (0.5 FTE dedicated): \$6,000 per month (\$144,000 per biennium)
- Desktop Support Service: \$4,600 per month (\$110,400 per biennium)
- Records Management: \$104 per month (\$2,496 per biennium)
- **Office of Management and Budget (OMB):**
- Rent for our 5th Floor Office and vaults: \$109,755.40 per year (\$219,510.80 per biennium)
- Rent includes \$16.21 per square foot for 6,740 square feet of office space
- Vaults rent at \$1.61 per square foot for 308 square feet
- Central Duplicating (Printing services): Various charges for printed and bound materials.
- Risk Management:
- Workers Compensation Premiums: Various charges.
- **Attorney General's Office:**
- Legal Fees: Various charges for legal services provided.
- Reimbursement of forensic examination fees.
- **Department of Transportation (DOT):**
- Fleet Costs: Charges related to vehicle usage and maintenance.
- **Legislative Council**
- Fees associated with the cost-benefit analysis conducted for bills that include a health insurance benefit mandate.
- NCOIL membership fees for legislators.