

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2011

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Cherise A. Lee
Operator's Signature

10-14-03
Date

2003 SENATE APPROPRIATIONS

SB 2011

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Michaela J. Lee
Operator's Signature

10-14-03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2011

Senate Appropriations Committee

☐ Conference Committee

Hearing Date January 23, 2003

Tape Number	Side A	Side B	Meter #
1	X		0-1529
Committee Clerk Signature <i>Sandra Davison</i>			

Minutes:

Senator Holmberg opened the hearing on SB2011. All committee members are present.

This bill relates to an appropriation for defraying the expenses of the securities commissioner.

Karen Tyler, Securities Commissioner (mtr #120) - Shared information about agency and reviewed budget request (exhibit 1).

Senator Holmberg (mtr #850) - Type on green sheet from counsel, Governor did not recommend zero employees for the next biennium. The number should be eight.

Senator Mathern (mtr #888) - Regarding e-mail's from Nigeria. Is your agency involved with those?

Ms. Tyler (mtr #954) - Secret Service needs to be contacted in these cases. The Securities Commission does not get involved with this issue.

Senator Krauter (mtr #1129) - The transfer of \$600,000 from the Governors Office to your investor education and technology fund. Where did that money originate from?

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Theresa A. Lee
Operator's Signature

10-14-03
Date

Page 2

Senate Appropriations Committee

Bill/Resolution Number SB2011

Hearing Date January 23, 2003

Ms. Tyler (mtr #1163) - That may be a high number now, the source of the dollars is contributions from a local investors. Goodwill gesture to what is now the securities protection fund.

Senator Krauter (mtr #1252) - That wasn't the result of a lawsuit or claim?

Ms. Tyler (mtr #1262) - It was a goodwill gesture.

Senator Bowman (mtr #1266) - Call from constituent, free money or free grants available, add in the paper. He wanted to know if it was a scam.

Ms. Tyler (mtr #1293) - Recommend calling the Securities Commission Office or Consumer Protection or the Attorney Generals Office.

Senator Tallackson (mtr #1352) - What is your background?

Ms. Tyler (mtr #1366) - Worked in the financial securities industry for fourteen years in the Fargo and Grand Forks area.

Senator Holmberg closed the hearing on SB2011.

Senator Krauter (mtr #1529) - Regarding SB2011, would like to have the Legislative Council follow up on the \$700,000.00 settlement to go to general fund.

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Yubereva d. Lee
Operator's Signature

10-14-03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2011 vote

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 2-12-03

Tape Number	Side A	Side B	Meter #
1	X		1000-12 94
Committee Clerk Signature <i>Sandra Davis</i>			

Minutes: Chairman Holmberg opened the hearing to vote for SB 2011. (Meter 1041) Senator Tallackson explained the amendment (38034.0101) that was proposed to this bill. (Meter 1090) Senator Tallackson moved to adopt the amendment and Senator Robinson seconded. A voice vote passed the amendment. (Meter 1190) Senator Krauter explained a settlement that was settled before. There was a motion by Senator Tallackson for a Do Pass as amended and seconded by Senator Robinson. (Meter 1280) The vote was 13 yeas, 0 nays, 1 absent. (Meter 1294) Senator Tallackson to carry on the floor.

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Cherese J. Lee
Operator's Signature

10-14-03
Date

38034.0101
Title.0200
Fiscal No. 1

Prepared by the Legislative Council staff for
Senate Appropriations
February 11, 2003

903
2-12-03

PROPOSED AMENDMENTS TO SENATE BILL NO. 2011

Page 1, line 10, replace "936,741" with "926,349"

Page 1, line 12, replace "1,404,883" with "1,394,491"

Page 1, line 14, replace "1,093,303" with "1,082,911"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Commissioner - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$936,741	(\$10,392)	\$926,349
Operating expenses	468,142		468,142
Total all funds	\$1,404,883	(\$10,392)	\$1,394,491
Less estimated income	311,580		311,580
General fund	\$1,093,303	(\$10,392)	\$1,082,911
FTE	8.00	0.00	8.00

Dept. 414 - Securities Commissioner - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	TOTAL SENATE CHANGES
Salaries and wages	(\$10,392)	(\$10,392)
Operating expenses		
Total all funds	(\$10,392)	(\$10,392)
Less estimated income		
General fund	(\$10,392)	(\$10,392)
FTE	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

Amendments
voice

2011

Date:
Roll Call Vote #:

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38034.0101

Action Taken Do PASS

Motion Made By Tallackson Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓				
Senator Bowman, Vice Chair	✓				
Senator Grindberg, Vice Chair	✓				
Senator Andrist	✓				
Senator Christmann	✓				
Senator Kilzer	✓				
Senator Krauter	✓				
Senator Kringstad	✓				
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson	✓				
Senator Schobinger	✓				
Senator Tallackson	✓				
Senator Thane	✓				

Total (Yes) 13 No ✓

Absent 1

Floor Assignment Tallackson

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

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Operator's Signature

Cherese A. Lee

Date

10-14-03

REPORT OF STANDING COMMITTEE (410)
February 12, 2003 3:51 p.m.

Module No: SR-27-2482
Carrier: Tallackson
Insert LC: 38034.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2011: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2011 was placed on the Sixth order on the calendar.

Page 1, line 10, replace "936,741" with "926,349"

Page 1, line 12, replace "1,404,883" with "1,394,491"

Page 1, line 14, replace "1,093,303" with "1,082,911"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Commissioner - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$936,741	(\$10,392)	\$926,349
Operating expenses	<u>488,142</u>		<u>488,142</u>
Total all funds	\$1,404,883	(\$10,392)	\$1,394,491
Less estimated income	<u>311,680</u>		<u>311,680</u>
General fund	\$1,093,303	(\$10,392)	\$1,082,911
FTE	8.00	0.00	8.00

Dept. 414 - Securities Commissioner - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE ¹	TOTAL SENATE CHANGES
Salaries and wages	(\$10,392)	(\$10,392)
Operating expenses		
Total all funds	(\$10,392)	(\$10,392)
Less estimated income		
General fund	(\$10,392)	(\$10,392)
FTE	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

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Operator's Signature

Date

2003 HOUSE APPROPRIATIONS

SB 2011

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Cheresa A. Lee
Operator's Signature

10-14-03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2011

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 3, 2003

Tape Number	Side A	Side B	Meter #
1	XX	XX	
Committee Clerk Signature <i>Kelly Schmidt</i>			

Minutes:

Karen Tyler, Securities Commissioner presented written testimony in support of SB 2011

In a response to a question from Rep. Carlson regarding e-trading, Ms. Tyler share the entity has to be registered at the state and federal level. Her department hasn't seen a significant problem with e-trading issues.

Rep. Skarphol asked about the increase in the professional development and due line item.

Karen Tyler we are creating a special fund which is be moved from the Governors office for education. This is the first time we are budgeting for these items.

Sandy, OMB indicated there are not any changes in the Governors budget.

Rep. Warner asked about the Consumer Fraud Division and the Securities Department interfacing.

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Theresa A. Lee
Operator's Signature

10-14-03
Date

Page 2

Government Operations Division

Bill/Resolution Number SB 2005

Hearing Date March 3, 2003

Karen Tyler indicated this is done on a case by case basis with the Consumer Fraud Division.

Their department currently has 2 investigators of which neither has arresting authority. She also told the committee all turn back dollars are submitted to the general fund with the exception of operating expenses. We operate on 8 cents on the dollar. The bulk of our revenue comes from registration fees collected. She share the 200,000 emergency fund is a Investor restitution fund, a go through from the violator to the investor. Our department needed the authority to distribute these funds.

Rep. Koppelman asked about the Invest ND Teachers Program

Karen Tyler The function of this program is to provide resources to teach financial concepts to students and to use personally. This is limited to 120-130 participant and is nationally recognized, it is currently being used as a model.

Rep. Kroeber asked by isn't this a special fund agency similar to the tax commissioners office.

Rep. Carlson noted a special fund is difficult to track.

Sandy, OMB also difficult to budget.

Chairman Carlisle asked who introduced SB 2084

Karen Tyler stated the department, the agency name change and the creation of a special fund was OMB initiated. In response to a question from Rep. Skarphol regarding the new web site and the discomforts with ITD. Their web site needed a link with the Governors office and the State web sites which were owned by Odney advertising. It took approximately one month to get this resolved. They worked with INET for ADA compliance issues, they were held hostage by the ITD department until certain things were done with ITD. A private company had a bad experience with ITD, it was quite offensive and addressed the companies credibility. Our agency

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10-14-03
Date

Page 3

Government Operations Division

Bill/Resolution Number SB 2005

Hearing Date March 3, 2003

was more compliant than 90% of other state agency that were on line. The cost was approximately \$25,000 paid out of the securities protection and education fund. The original cost was estimated at \$23,000. The ADA issue charges were eaten by the private contractor. This will be provided in written form.

Hearing no further testimony, the chairman closed the hearing.

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Yheresa A. Bee
Operator's Signature

10-14-03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2011

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 18, 2003

Tape Number	Side A	Side B	Meter #
1		xx	
Committee Clerk Signature <i>Kelly Schmidt</i>			

Minutes: Committee Work

Rep. Skarphol shared the written response regarding the ADA website.

Rep. Thoreson move a DO PASS on Engrossed SB 2001, second by Rep. Carlson

Roll Call Vote 9 yes 0 no 0 absent.....Motion carries.

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Theresa A. Bee
Operator's Signature

10-14-03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2011

House Appropriations Committee

☐ Conference Committee

Hearing Date 04-02-03

Tape Number	Side A	Side B	Meter #
2	X		2.0 - 8.9
Committee Clerk Signature <i>Chris S. Svedjan</i>			

Minutes:

Chairman Svedjan Opened SB 2011 for discussion. A quorum was present.

Rep. Thoreson I move amendment .0202. 2nd by Rep. Skarphol.

Rep. Thoreson This amendment reduces the IT funding from the Securities Department by \$7,680. Also, the health insurance premium is reduced from \$493 down to \$488.70 per month.

Motion Carries

Rep. Thoreson This is the budget for the Securities Commissioner. It is even smaller than the Treasurer's budget. The General Fund appropriation is \$1,082,900 prior to the amendment, now it is \$1,074,405. We didn't make any other changes.

Rep. Thoreson I move a Do Pass As Amended. 2nd by Rep. Carlisle. Motion Carries

20-0-3. Rep. Thoreson will carry this bill on the floor.

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Cheresea A. Lee
Operator's Signature

10-14-03
Date

Date:03-18-03
Roll Call Vote # 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2011

House Appropriations: Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Engrossed SB 2011

Motion Made By Rep. Thoreson Seconded By Rep. Carlson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep. Koppelman	x				
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim	x				
Rep. Kroeber	x				
Rep. Warner	x				

Total (Yes) 9 No 0

Absent _____

Floor Assignment Thoreson

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

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Theresa A. Lee
Operator's Signature

10-14-03
Date

REPORT OF STANDING COMMITTEE (410)
April 3, 2003 1:34 p.m.

Module No: HR-60-6649
Carrier: Thoreson
Insert LC: 38034.0202 Title: .0300

REPORT OF STANDING COMMITTEE
SB 2011, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)
recommends AMENDMENTS AS FOLLOWS and when so amended, recommends
DO PASS (20 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2011
was placed on the Sixth order on the calendar.

Page 1, line 10, replace "926,349" with "925,523"

Page 1, line 11, replace "468,142" with "460,462"

Page 1, line 12, replace "1,394,491" with "1,385,985"

Page 1, line 14, replace "1,082,911" with "1,074,405"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Commissioner - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$936,741	\$926,349	(\$826)	\$925,523
Operating expenses	468,142	468,142	(7,680)	460,462
Total all funds	\$1,404,883	\$1,394,491	(\$8,506)	\$1,385,985
Less estimated income	311,580	311,580		311,580
General fund	\$1,093,303	\$1,082,911	(\$8,506)	\$1,074,405
FTE	8.00	8.00	0.00	8.00

Dept. 414 - Securities Commissioner - Detail of House Changes

	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 1	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 2	TOTAL HOUSE CHANGES
Salaries and wages		(\$826)	(\$826)
Operating expenses	(\$7,680)		(7,680)
Total all funds	(\$7,680)	(\$826)	(\$8,506)
Less estimated income			
General fund	(\$7,680)	(\$826)	(\$8,506)
FTE	0.00	0.00	0.00

1 This amendment reduces funding for information technology by \$7,680 from the general fund, which represents a reduction in information technology funding of approximately 20 percent.

2 Funding for state employee health insurance premiums is reduced from \$493 per month to \$488.70 per month.

2003 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2011

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Cherenda W. Lee
Operator's Signature

10-14-03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2011

Senate Appropriations Committee

☒ Conference Committee

Hearing Date 04/21/03

Tape Number	Side A	Side B	Meter #
Tape 1	x		350-End 350
Committee Clerk Signature <i>Jan Kendrick</i>			

Minutes:

Senator Schobinger begins conference committee on SB 2011. Senators Schobinger, Christmann, and Robinson and Representatives Skarphol, Svedjan, and Glassheim are all present. The committee hands out amendment .0203. Representative Skarphol moves to accept amendment.

Rep. Svedjan 2nds.

Rep. Glassheim: Did any of these have a reduction in the operating expenses or where they all 20% and 4%?

Jim Smith: If there had been reductions they would have shown up in the footnotes.

Voice vote taken on the amendment...motions carries.

Motion made by Rep. Svedjan to move bill as adopted. Rep. Skarphol 2nds.

6 Yes 0 No

Motion carries.

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Cherese A. Lee
Operator's Signature

10-14-03
Date

38034.0203
Title.0400
Fiscal No. 1

Prepared by the Legislative Council staff for
Conference Committee
April 18, 2003

JB
4-21-03

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2011

That the House recede from its amendments as printed on page 1123 of the Senate Journal and page 1244 of the House Journal and that Engrossed Senate Bill No. 2011 be amended as follows:

Page 1, line 10, replace "926,349" with "925,523"

Page 1, line 11, replace "468,142" with "466,222"

Page 1, line 12, replace "1,394,491" with "1,391,745"

Page 1, line 14, replace "1,082,911" with "1,080,165"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Commissioner - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$936,741	\$926,349	(\$826)	\$925,523	\$925,623	
Operating expenses	488,142	468,142	(1,920)	466,222	460,482	\$5,760
Total all funds	\$1,404,883	\$1,394,491	(\$2,746)	\$1,391,745	\$1,385,985	\$5,760
Less estimated income	311,580	311,580		311,580	311,580	
General fund	\$1,093,303	\$1,082,911	(\$2,746)	\$1,080,165	\$1,074,405	\$5,760
FTE	8.00	8.00	0.00	8.00	8.00	0.00

Dept. 414 - Securities Commissioner - Detail of Conference Committee Changes

	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS ¹	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE ²	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages		(\$826)	(\$826)
Operating expenses	(\$1,920)		(1,920)
Total all funds	(\$1,920)	(\$826)	(\$2,746)
Less estimated income			
General fund	(\$1,920)	(\$826)	(\$2,746)
FTE	0.00	0.00	0.00

¹ This amendment reduces funding for information technology by \$1,920 from the general fund, which represents a reduction in information technology funding of approximately 5 percent.

² Funding for state employee health insurance premiums is reduced from \$493 to \$488.70 per month.

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Operator's Signature

Date

Amendment
voice vote
motion carried

Date: 4-21-03
Roll vote # 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2011

Senate Appropriations Committee

☒ Check here for Conference Committee

Legislative Council Amendment Number 38034.0203

Action Taken House needs amendments plus amendments

Motion Made By Rep. Svedjan Seconded By Rep. Skarphol

Senators	Yes	No	Representatives	Yes	No
Senator Thorne Scobinger	✓		Representative Skarphol	✓	
Senator Schobinger Christmann	✓		Representative Svedjan	✓	
Senator Fallackson Robinson	✓		Representative Glassheim	✓	

Total (Yes) 6 No 0

Absent 0

Floor Assignment Scobinger

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

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Y. Svedjan
Operator's Signature

10-14-03
Date

REPORT OF CONFERENCE COMMITTEE

SB 2011, as engrossed: Your conference committee (Sens. Schobinger, Christmann, Robinson and Reps. Skarphol, Svedjan, Glasshelm) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 1123, adopt amendments as follows, and place SB 2011 on the Seventh order:

That the House recede from its amendments as printed on page 1123 of the Senate Journal and page 1244 of the House Journal and that Engrossed Senate Bill No. 2011 be amended as follows:

Page 1, line 10, replace "926,349" with "925,523"

Page 1, line 11, replace "468,142" with "466,222"

Page 1, line 12, replace "1,394,491" with "1,391,745"

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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Commissioner - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$936,741	\$926,349	(\$826)	\$926,523	\$925,523	
Operating expenses	468,142	468,142	(1,920)	466,222	460,462	\$5,760
Total all funds	\$1,404,883	\$1,394,491	(\$2,746)	\$1,391,745	\$1,385,985	\$5,760
Less estimated income	311,580	311,580		311,580	311,580	
General fund	\$1,093,303	\$1,082,911	(\$2,746)	\$1,080,165	\$1,074,405	\$5,760
FTE	8.00	8.00	0.00	8.00	8.00	0.00

Dept. 414 - Securities Commissioner - Detail of Conference Committee Changes

	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS ¹	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE ²	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages		(\$826)	(\$826)
Operating expenses	(\$1,920)		(1,920)
Total all funds	(\$1,920)	(\$826)	(\$2,746)
Less estimated income			
General fund	(\$1,920)	(\$826)	(\$2,746)
FTE	0.00	0.00	0.00

¹ This amendment reduces funding for information technology by \$1,920 from the general fund, which represents a reduction in information technology funding of approximately 5 percent.

² Funding for state employee health insurance premiums is reduced from \$493 to \$488.70 per month.

Engrossed SB 2011 was placed on the Seventh order of business on the calendar.

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10-14-03

2003 TESTIMONY

SB 2011

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10-11-03
Date

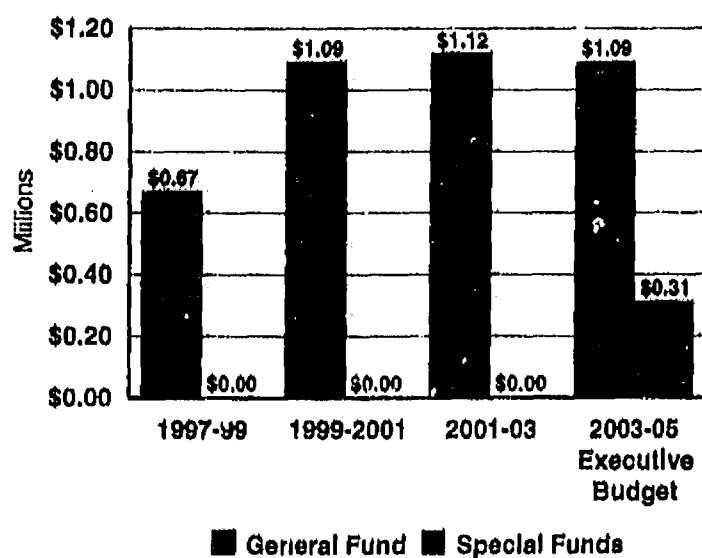
Department 414 - Securities Commissioner
Senate Bill No. 2011

	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	8.00	\$1,093,303	\$311,580	\$1,404,883
2001-03 Legislative Appropriations	8.00	1,122,947 ¹	0	1,122,947 ²
Increase (Decrease)	0.00	(\$29,644)	\$311,580	\$281,936

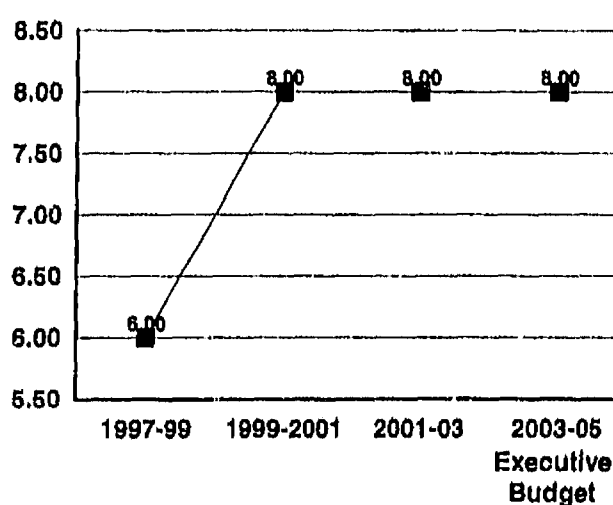
¹ The 2001-03 general fund appropriation is the amount appropriated by the 2001 Legislative Assembly and does not include a reduction of \$11,791 relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002.

² The 2001-03 appropriation amounts include \$1,706 from the general fund for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees. The 2001-03 appropriation amounts do not include \$200,000 of additional other funds authority resulting from Emergency Commission action during the 2001-03 biennium.

Agency Funding



FTE Positions



First House Action

Attached is a summary of the first house changes.

**Executive Budget Highlights
(With First House Changes Noted)**

	General Fund	Other Funds	Total
1. Provides special funds from a consent agreement executed by H. D. Vest Investment Securities, Inc., for education programs and technology		\$311,580	\$311,580

Major Related Legislation

Senate Bill No. 2084 - This bill provides for the creation of the investor education and technology fund administered by the Securities Commissioner. Currently funds for investor education and technology reside in the securities protection fund administered by the Governor's office. The estimated ending balance of \$600,000 in the securities protection fund would be transferred to the investor education and technology fund. In addition, the \$150 annual nonprofit security registration fee would be changed to an initial registration fee of \$150 and subsequently, an annual renewal fee of \$100.

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10-14-03
Date

02/21/03

STATEMENT OF PURPOSE OF AMENDMENT:**Senate Bill No. 2011 - Funding Summary**

	Executive Budget	Senate Changes	Senate Version
Securities Commissioner			
Salaries and wages	\$936,741	(\$10,392)	\$926,349
Operating expenses	468,142		468,142
Total all funds	\$1,404,883	(\$10,392)	\$1,394,491
Less estimated income	311,580	0	311,580
General fund	\$1,093,303	(\$10,392)	\$1,082,911
FTE	8.00	0.00	8.00
Bill Total			
Total all funds	\$1,404,883	(\$10,392)	\$1,394,491
Less estimated income	311,580	0	311,580
General fund	\$1,093,303	(\$10,392)	\$1,082,911
FTE	8.00	0.00	8.00

Senate Bill No. 2011 - Securities Commissioner - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$936,741	(\$10,392)	\$926,349
Operating expenses	468,142		468,142
Total all funds	\$1,404,883	(\$10,392)	\$1,394,491
Less estimated income	311,580	0	311,580
General fund	\$1,093,303	(\$10,392)	\$1,082,911
FTE	8.00	0.00	8.00

Department No. 414 - Securities Commissioner - Detail of Senate Changes

	Removes Recommended Salary Increase ¹	Total Senate Changes
Salaries and wages	(\$10,392)	(\$10,392)
Operating expenses		
Total all funds	(\$10,392)	(\$10,392)
Less estimated income	0	0
General fund	(\$10,392)	(\$10,392)
FTE	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

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Operator's Signature

Date

10-14-03

John Hoeven
Governor



Karen Tyler
Commissioner

OFFICE OF THE SECURITIES COMMISSIONER

January 22, 2003

To: Senator Bob Stenehjem Rep Rick Berg
Senate Majority Leader House Majority Leader

From: Karen Tyler
Securities Commissioner

Re: Agency Purpose/Effectiveness Measurement

1. The primary mission of the North Dakota Securities Department is to protect the North Dakota Investor. We support this mission through our efforts in four functional areas:
Regulation of the Capital Formation Process and Franchise Registration
Registration of Securities Industry Firms and Professionals
Investigation and Enforcement
Investor Education and Financial Literacy Initiatives
2. Effectiveness of the agency is monitored through the measurement of various registration revenue categories, the number of companies assisted with the capital formation process, the number of investigations opened/closed, the amount of money returned to harmed investors, the amount of civil penalties collected, and the number of participants in our various investor education and financial literacy programs.
3. Financial literacy has a direct impact on the economic health of North Dakota families and on the health of North Dakota's economy overall. The legislature can assist this agency by continuing to appropriate funds in our agency's Investor Education and Technology fund to support the financial education programs developed and delivered by this agency. Also, anything our legislators can do in their districts to help raise constituent awareness regarding the protectionary mission of this agency will make a difference. Prevention is the best defense against financial fraud. If faced with a

600 E. Boulevard Ave., 5th Floor, Bismarck, ND 58505-0510
701-328-2910 • In State Toll Free 1-800-297-5124 • FAX: 701-328-2946
E-MAIL: seccom@state.nd.us • www.state.nd.us/securities

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Operator's Signature

Date

10-14-03

questionable investment solicitation, a simple phone call to this agency can prevent a decision that could lead to financial devastation.

4. Use of our website is the most cost-effective and far reaching reporting mechanism for this agency. A breakdown of revenues by registration category communicates both our functionality and our effectiveness as a revenue producing agency for the state. Disclosure regarding our investigative activities, number of cases opened and closed, and the posting of enforcement related orders also communicates important information about our primary mission (investor protection) and our effectiveness in supporting that mission.

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Cherissa A. Lee
Operator's Signature

10-14-03
Date

Exhibit 1

Senate Bill 2011

Testimony of North Dakota Securities Commissioner Karen Tyler

Before the Senate Appropriations Committee

January 23, 2003

The primary mission of the North Dakota Securities Department is to protect the North Dakota Investor. We support this mission through our efforts in four functional areas:

- 1) Regulation of the Capital Formation Process and Franchise Registration
- 2) Registration of Securities Industry Firms and Professionals
- 3) Investigation and Enforcement
- 4) Investor Education and Financial Literacy Initiatives

CAPITAL FORMATION AND FRANCHISE REGISTRATION

It is a goal of this agency to help foster the formation of capital for business growth and economic development. It is imperative that the regulations governing this process serve to exact high standards of those who seek to use the money of others, protect honest enterprise from dishonest competition and require adequate and consistent disclosures to potential investors so an informed investment decision can be made. During the past 3 legislative sessions, amendments have been made to our securities laws to provide mechanisms for North Dakota companies to raise capital in a more efficient and cost effective manner, while keeping the aforementioned regulatory objectives in place.

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Karen Tyler
Operator's Signature

10-14-03
Date

Biennium to date this agency has assisted 217 companies with the process of capital formation. The original offering amounts for the related securities issues total approximately \$99,000,000. The number of businesses seeking assistance in the capital formation process is tracking lower than the previous biennium, as would be expected given the economic conditions we have experienced during this biennium. In regard to franchise registrations, there are currently 502 franchises registered in the state of North Dakota.

REGISTRATION OF SECURITIES FIRMS AND PROFESSIONALS

All securities industry firms and professionals seeking to transact securities business in the state of North Dakota must register with this agency. The protectionary examination process conducted by this agency allows for the screening of applicants with disciplinary histories or other public disclosures, by whom North Dakota Investors would not be well-served. Currently, registrant records show:

1300 Broker Dealer Firms

39169 Agents

410 Investment Advisor Firms

634 Investment Advisor Representatives

The number of BD firms doing business in the state has held steady, but the number of agents has dropped, again due to economic conditions and other recent events that have had a significant impact on the financial services industry. We have seen an increase in

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10-14-03
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the number of Investment Advisors and Investment Advisor Representative registrations, and to some degree this can be attributed to a shift in the brokerage industry away from transaction based business to fee based business.

INVESTIGATION AND ENFORCEMENT

Investigations of fraud and misrepresentation result in monies returned to North Dakota Investors through rescission, recovery and restitution. Enforcement actions protect the integrity of our capital markets and also generate state revenue through civil penalties.

The addition of two investigators to agency staff as approved in 1999, has had a tremendous impact on the agencies ability to assist harmed investors. In the fall of 2001 we settled the largest case ever handled by this office. The settlement involved the Bismarck office of a National Broker Dealer and resulted in \$3.5 million dollars being repaid to 169 investors. Also, in 2001, our enforcement staff broke up a multi-million dollar prime bank fraud scheme which was being promoted by a Minot commodities broker and various other investor/participants. Attached as exhibit A is a chart showing the classification of monies collected and distributed as a result of enforcement activity by this agency in the current biennium. We have closed 114 investigations thus far this biennium and currently have 49 investigations open. The majority of the cases we are currently working on deal with suitability issues and unregistered activity.

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Cheresea W. Lee
Operator's Signature

10-14-03
Date

INVESTOR EDUCATION AND FINANCIAL LITERACY

Enforcement actions are most commonly taken after the fact - after the fraud or violation has occurred and the financial harm has been done. The best defense against financial fraud and abuse is to prevent it from occurring in the first place, by educating investors and working to raise the level of financial literacy in the state.

Improving the level of financial literacy in North Dakota results in educated consumers making good personal financial choices, which in turn strengthens our economy in fundamental ways. A strong and flexible economy means that resources are directed to the areas of greatest need, productivity and innovation are supported, and the ability to withstand inevitable economic turbulence is greatly enhanced.

This agency develops and delivers critically important and very effective financial education programs. Many of our efforts are focused on North Dakota teachers and their students, providing them with curriculum tools and resources that allow them to integrate financial education into the classroom. The Hallmark of our various education programs is the Invest North Dakota Teacher Training event held every summer at the University of Mary. Over 1000 North Dakota teachers have participated in this event since its inception and we estimate that this biennium over 12000 North Dakota students will benefit from the financial education programs delivered by our agency.

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INDUSTRY CONSIDERATIONS/AGENCY OUTLOOK

The functionality and revenue generating ability of this agency are affected by circumstances and events on a national level. The protracted bear market that began in March of 2000, the September 11 terrorist attacks, an economic recession, corporate scandals, and the Wall Street Analyst Conflict of Interest investigations have weighed heavily on the financial services industry and more significantly on the brokerage sub-sector. Weak stock market conditions and various elements of uncertainty have combined to keep investors on the sidelines, further exacerbating problems for the brokerage industry.

The resulting layoffs, mergers, downsizing, spin-offs and simply fewer people getting into the brokerage business have had an impact on this agency's registration revenue. However, as a result of settlement revenue, we do expect to meet our projected earnings target for this biennium. There are signs that the industry may be turning a corner and moving in the other direction, as evidenced by a slight increase in the number of people taking licensing exams, but, as indicated in our projections, we don't anticipate overall registration revenue growth in the coming biennium. We have been able to cut general fund expenses to meet the 95% budget request. Exhibit B gives you a snapshot of our revenues vs. expenditures, actual and estimated. And as you can see, the picture is essentially static.

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10-14-03
Date

2003-2005

In the upcoming biennium we plan to increase the number of routine versus for-cause broker-dealer and investment advisor examinations. We will launch an investor awareness campaign, which will include a senior outreach component designed to help seniors identify and avoid financial fraud. And we will go live with our new website, which among many enhancement and investor education tools, includes a new Raising Capital segment for small businesses and also offers our comprehensive Overview for Raising Capital guide.

I appreciate your time and attention this morning, and respectfully request your favorable consideration of our agency's requested budget appropriation.

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10-14-03
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SENATE APPROPRIATIONS COMMITTEE
SENATE BILL NO. 2011
JANUARY 23, 2003

Revenues and Expenditures
North Dakota Securities Department
For Bienniums Ending 2001, 2003, and 2005

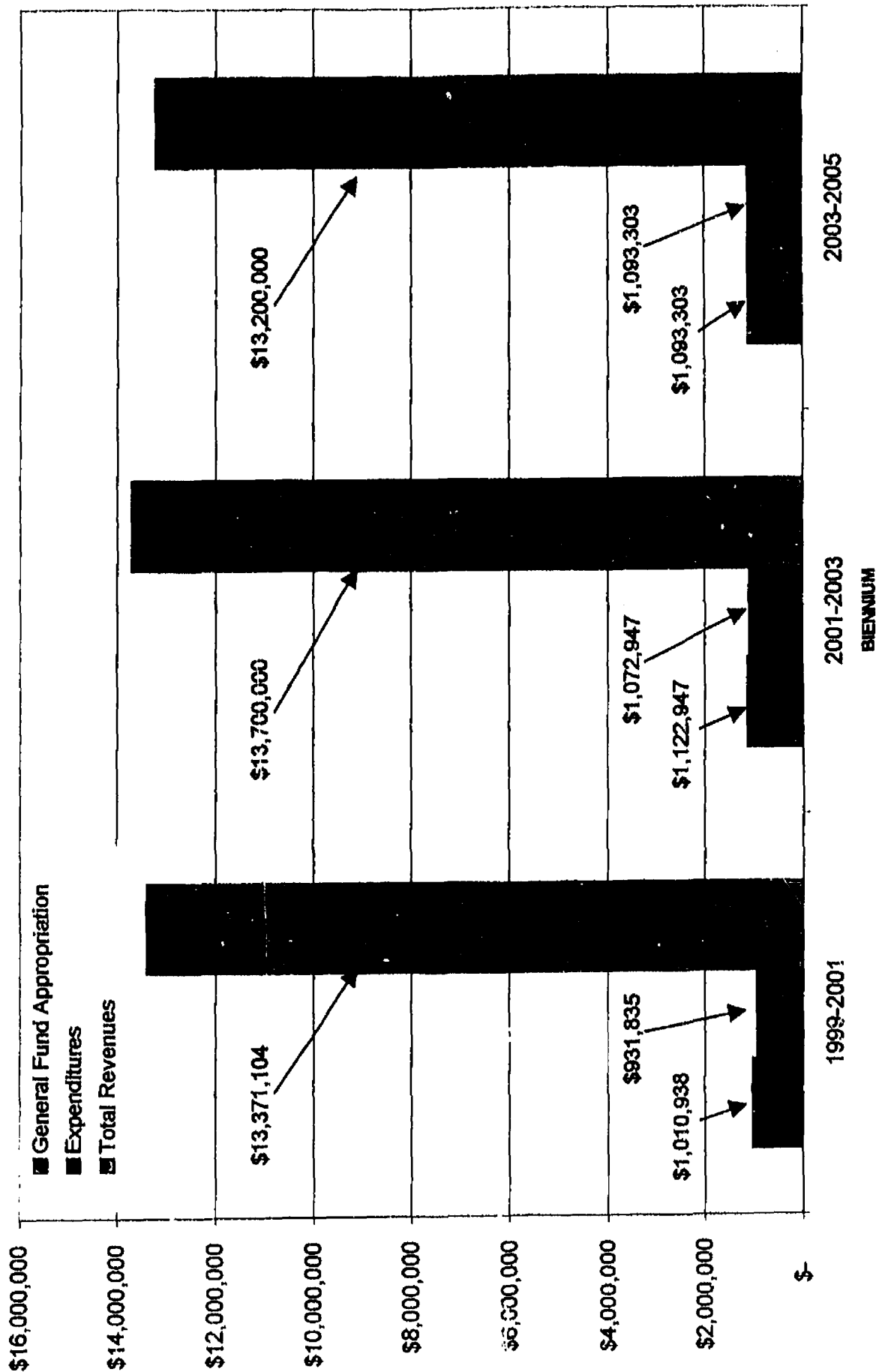


EXHIBIT B

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10-14-03
Date

Engrossed Senate Bill 2011

Testimony of North Dakota Securities Commissioner Karen Tyler

Before the House Appropriations Committee

Government Operations Division

March 3, 2003

Mr. Chairman and Members of the Committee, Good Morning. I am Karen Tyler, the North Dakota Securities Commissioner. I appreciate the opportunity to share some information with you about our agency, and to answer any questions you may have regarding our budget request as indicated in Engrossed Senate Bill 2011, which was modified by the Senate only to reflect the removal of pay increases.

The primary mission of the North Dakota Securities Department is to protect the North Dakota Investor. We support this mission through our efforts in four functional areas:

- 1) Regulation of the Capital Formation Process and Franchise Registration
- 2) Registration of Securities Industry Firms and Professionals
- 3) Investigation and Enforcement
- 4) Investor Education and Financial Literacy Initiatives

CAPITAL FORMATION AND FRANCHISE REGISTRATION

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Katherine A. Bee
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Biennium to date this agency has assisted 217 North Dakota companies with the process of capital formation. The original offering amounts for North Dakota securities offerings total approximately \$105,000,000. The number of businesses seeking assistance in the capital formation process is tracking lower than the previous biennium, as would be expected given the economic conditions we have experienced during this biennium. In regard to franchise registrations, there are currently 502 franchises registered in the state of North Dakota.

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10-14-03
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of Mary. Over 1000 North Dakota teachers have participated in this event since its inception and we estimate that this biennium over 12000 North Dakota students will benefit from the financial education programs delivered by our agency. As a result of the quality and success of this agency's financial education programs, I was appointed to serve as the Chairperson for the Investor Education Section of the North American Securities Administrators Association. It is a privilege and a pleasure to bring North Dakota's dedication to financial literacy to all NASAA jurisdictions, which include the United States, Canada, the District of Columbia, Puerto Rico and Mexico.

INDUSTRY CONSIDERATIONS/AGENCY OUTLOOK

The functionality and revenue generating ability of this agency are affected by circumstances and events on a national level. The protracted bear market that began in March of 2000, the September 11 terrorist attacks, an economic recession, corporate scandals, and the Wall Street Analyst Conflict of Interest investigations have weighed heavily on the financial services industry and more significantly on the brokerage sub-sector. Weak stock market conditions and various elements of uncertainty have combined to keep investors on the sidelines, further exacerbating problems for the brokerage industry.

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Operator's Signature

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2003-2005

In the upcoming biennium we plan to increase the number of routine versus for-cause broker-dealer and investment advisor examinations. We will launch our planned investor awareness campaign, which will include a senior outreach component designed to help seniors identify and avoid financial fraud. And we will go live with our new website, which among many enhancement and investor education tools, includes a new Raising Capital segment for small businesses and also offers our comprehensive Overview for Raising Capital guide.

I appreciate your time and attention this morning, and respectfully request your favorable consideration of our agency's requested budget appropriation.

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Operator's Signature

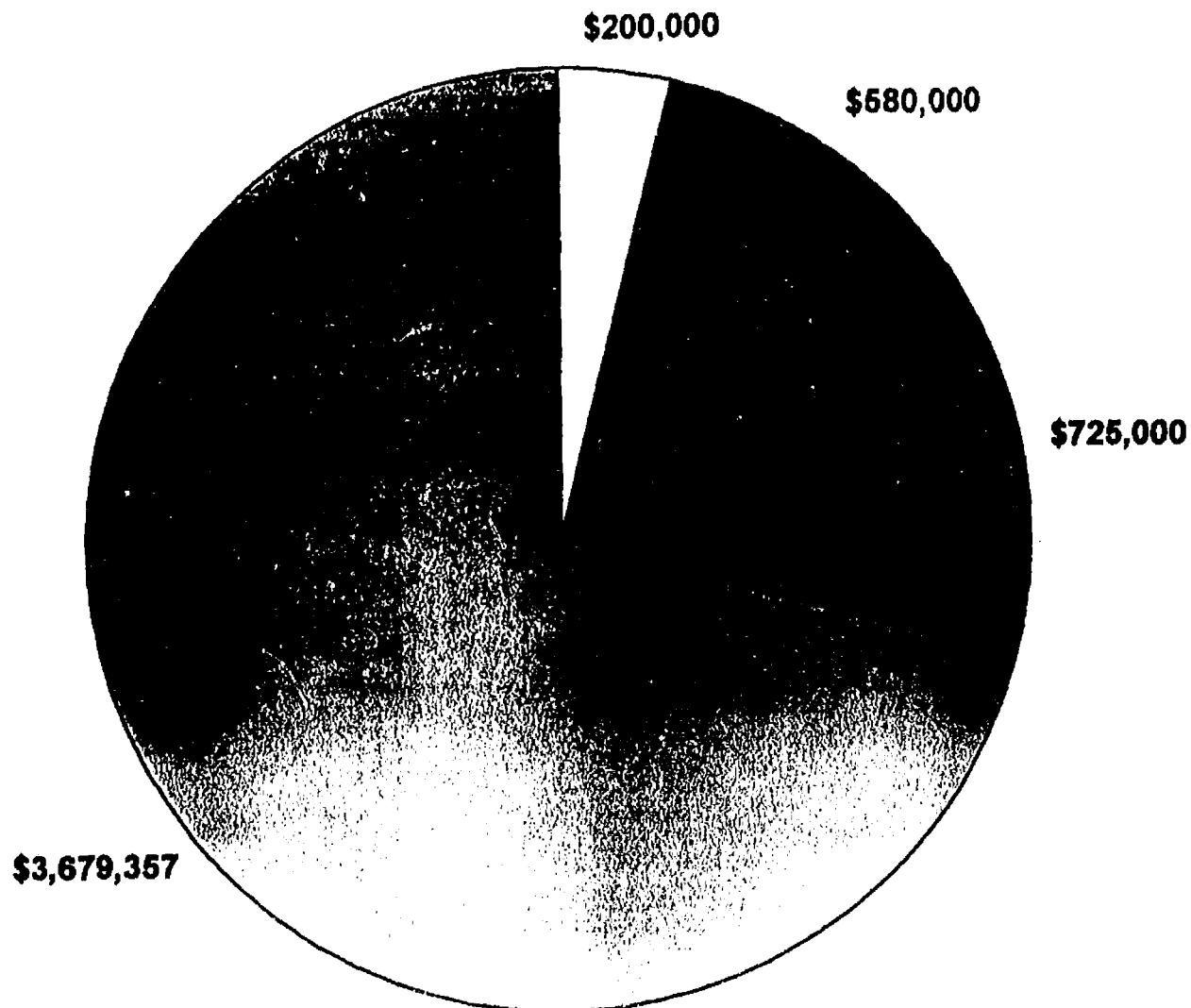
10-14-03
Date

HOUSE APPROPRIATIONS COMMITTEE
GOVERNMENT OPERATIONS DIVISION

SB 2011

MARCH 3, 2003

Fines and Forfeitures
North Dakota Securities Department
July 1, 2001 Through December 30, 2002



■ Civil Penalties Collected- Paid to Investor Restitution Fund to be paid to defrauded investors.

■ Civil Penalties Collected-General Fund.

■ Securities Protection Fund used for Investor Education and Technology.

■ Funds actually returned to Investors or offered to Investors. These funds do not come into possession of this office.

EXHIBIT A

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Y. Beresova

Date

10-14-03

HOUSE APPROPRIATIONS COMMITTEE
GOVERNMENT OPERATIONS DIVISION
ENGROSSED SB 2011
MARCH 3, 2003

Revenues and Expenditures
North Dakota Securities Department
For Biennium's Ending 2001, 2003, and 2005

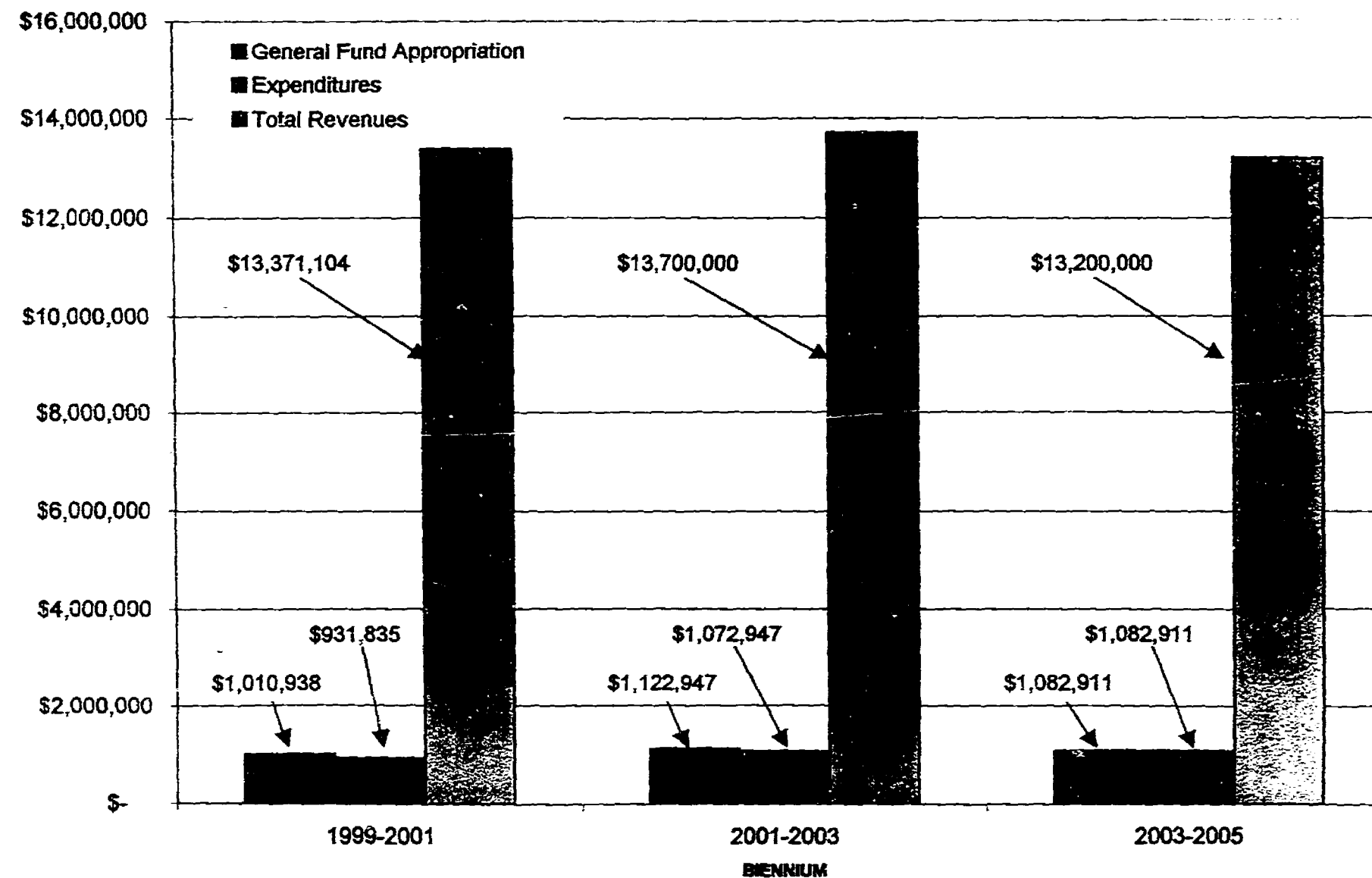


EXHIBIT B

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Operator's signature

[Handwritten Signature]

10-14-03
Date

16: 55 2011 ND Securities Commissioner



2219 East Main Ave. Suite A
Bismarck ND 58501

March 17, 2003

Karen Tyler
Commissioner
ND Securities Department
600 East Boulevard Ave.
Bismarck ND 58505-0510

Dear Karen:

As requested, I am providing you with information regarding the North Dakota Securities web site and the additional work our firm completed and for which we did not invoice your department for post-launch activities related to ND Information Technology requests.

Our firm understands the desire that ITD has to provide consistency in internet use. Our firm is in agreement that there are laws and other requirements that are necessary for appropriate delivery of electronic government initiatives and we support expanding web-based services to citizens of North Dakota and across the globe. I can support the additional time that we were unable to invoice the ND Securities Department by our detailed time-keeping records. I do want to explain the rationale behind the calculations and why additional time was required.

Making a web site compliant with the American Disabilities Act section 508 and the policies and guidelines set forth by ITD is a daunting task, but we also agree that doing so makes the internet a better place for all to use. The intent of the ADA law is to allow individuals with disabilities be able to use web sites as easily as those without disabilities. The policies set forth by ITD further define the federal laws and other guidelines. The federal laws regarding accessibility are clear, and ITD has presented the guidelines that state agencies are required to follow. Those guidelines are not the point of this discussion. The point of discussion is this: How much time did iNet Technologies accrue in non-billed activities as a result of needing to launch the web site as a result of ITD information presented that was unclear or difficult to interpret?

The variety of issues presented by ITD as needing attention according to the ADA and other ITD guidelines included the presenting of the state portal banner at the top of the page, XHTML compliance, meeting level two ADA Bobby compliance, META content, navigation color contrast, banner exception application review, meeting with ITD, meeting with iNet Technologies staff internally, responses to ITD, and responses to staff at the ND Securities Department.

The costs for which our firm did not bill the ND Securities Department, which includes time spent on meetings, reviews, responses to the ND Securities Department, and reviewing the error reports from ITD, amounted to approximately \$3,300. This cost does not reflect the time spent on legitimate errors that were corrected by iNet Technologies as illustrated by ITD. I hope this clarifies the issue. If you have any further questions, please let me know.

Thank you,

Jeff Essler
CEO
iNet Technologies

\$1,700
+ 3,300

5,000

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Operator's Signature

Date

10-14-03