

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1066

2005 HOUSE NATURAL RESOURCES

HB 1066

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1066

House Natural Resources Committee

Conference Committee

Hearing Date January 13, 2005

| Tape Number | Side A | Side B | Meter # |
|-------------|--------|--------|---------|
| 1 | x | | 0-1300 |

Committee Clerk Signature *Karen Bonnet*

Minutes: Chr. Nelson opened the hearing. Roll was taken, with Rep. Porter and S. Kelsh absent.

The bill was read aloud.

Chr. Nelson: I will take testimony on HB 1066 but we won't vote this morning. We will reconvene at 2 p.m.

Rep. Drovdal, Representing Dist. 39, six counties in western ND: In support of 1066. I brought it forward because it goes back to last session when I was asked to bring a bill forward that would allow an increase in the bonding limit for vendors of hunting licenses. The auditors wanted a higher limit than the \$5,000 because some of their vendors were getting large enough that their liability was about \$5,000. We then decided that we should have three different steps (to accommodate varying liabilities.) We couldn't charge the same for all three so we'll increase the fee by increments, too. After this was decided, it came to light that this part of the bonding fund issue on hunting licenses had not had any claims. They were paying into a fund that was growing by about the limit that we had set as a minimum. We addressed this again. In the final

analysis the state of ND rated this bond fund for \$2.8 million, well over half the amount, and put it in the general fund. Meanwhile, I go to my citizens and say we have a fee (which) is for the cost of doing the service that we are doing for you. If we have money going into the general fund to run the state of ND that's my definition of a tax. Therefore my conclusion was that all we need to charge these vendors is the cost of doing business, the cost of the application. That cost must be about \$10 per gaming application. That is the cost of doing an application because even though we are increasing liability there isn't really a liability because there are no claims on it. I wanted to say, "We've reduced the cost of the \$15,000 liability to \$10 and there would be no reason to have the \$5 and \$10 (fee schedule) because it would be the same cost and we aren't increasing our liability. We take only \$5,000 of responsibility because that's all the loss would ever be. I got hold of the governor's current budget and when we were told last night that there weren't any claims I see that there is a \$350,000 loss. What happened is that the \$350,000 loss *came from other* entities, school boards, park boards, etc. Except if this fund is over \$2.5 million, they don't pay fee. We are charging our vendors to help govern a fee for the others? That's not really fair. That may need to be looked into separately. This biennium it's still at \$2.3 million and is in the governor's budget. I would be happy to make copies available but you can find it in the budget book. The projection for the next two years is to start it at \$2.3 million, but they are still projecting \$200,000 losses, but not from vendor licenses. I still fee that \$10 for the liability fee to the vendor is a fair amount for a fee and will keep this fund from growing to where we rate it and make it a tax hit. I hope you will support this bill.

Rep. Nottestad: Will there be an amendment to delete \$5 on line 10 and underline the \$10 again?

Rep. Drovdal: My intention is that it should have been \$10.

Chr. Nelson: Further clarification, if that change takes place it would change the fiscal note of -\$5,300 (negative \$5,300) would be decreased by \$3,380 with the assumption of 338 agents at another \$5. Right?

Rep. Drovdal: I would like to have that answered by the manager of the fund. It is my perception that there were very few dealers that actually used the bigger increments, so it did increase the fund income. So that fiscal note is probably going to have to be prefigured. I think it would be considerably lower than the one presented.

Rep. Nottestad: It probably would be in the best interest to have a formal amendment drawn so that it gets into the department so a change can be made on this bill.

Rep. Drovdal: If the committee chairman wishes, I will get a formal written note from them and if we cannot get an answer on the fiscal note that is a very good suggestion.

Chr. Nelson: From a logistics standpoint, we should get that fiscal note prepared because we need to kick out bills with fiscal notes by the 26th; we have two more weeks. The third is the deadline and that is a Thursday. It pushes us too close to the deadline so we want to do it prior to the end January. If you could have that fiscal note prepared that would be helpful.

Rep. Drovdal: Thank you, Chairman Nelson. I apologize that I did not catch this error earlier.

Chr. Nelson: Are there further questions? Seeing none, thank you. Is there further support for HB 1066? Opposition? Is there any neutral testimony, Mr. Johnson?

Chuck Johnson, Atty., Insurance Dept.: No we didn't. We were here in case there were any questions.

Rep. Drovdal: Mr. Johnson, could you answer the question on the fiscal note involving that figure on the bond fund?

Chuck Johnson: I have with me Jeff Biz who is the manager of the Bond Fund. I asked him what the impact would be and he indicated that the present law allows vendors to select \$5,000, \$10,000 or \$15,000 in coverage. Most selected the \$5,000 coverage. Probably only ten or twelve would have had \$15,000 coverage. Under the existing law, the cost of the bond increases by \$5 for each \$5,000 in coverage. So for those ten or twelve individuals were paying \$15, the future impact would only be about \$50-60. It's pretty negligible. Tracking the fee from \$5 to \$10 will pretty well eliminate any fiscal impact on the general fund.

Chr. Nelson: So that I understand, the \$10 fee would cover the cost (of the bond) and any increase in the marketplace would be like \$5/\$5,000 of coverage. Is that correct?

Johnson: That's correct.

Chr. Nelson: Does that cover the cost of the bond if it was bought in the marketplace?

Johnson: The \$5 or the \$10?

Chr. Nelson: \$10.

Johnson: Jeff is shaking his head, probably not. You have to look at the cost of administering the bond, issuing the bond, collecting the monies and taking care of all that. Then there is some risk that one of the agents may abscond with some funds and there might be a reason to pay a claim. The history has been pretty favorable. We haven't had to pay any claims from someone taking money out of these funds. When you talk about cost of the bond, you have to factor in not only the administrative costs but also the risk that you might have to pay a claim. Whether \$10 or not will cover it, it should cover the administrative part of it, if claims get bad in the future

who knows, it might not cover it. Then you might have to increase the fee to return the funds. The bonding fund includes not just these type of hunting license vendors. It includes the whole state bonding, political entities, cities, subdivisions, school districts. We have had some huge claims, in fact a lady from the Eastern part of the state, the Fargo Park District, embezzled \$250,000. A hit like that drains your fund quickly. We've had a few other claims so that all of these individuals are in one big pool. It's hard to say what the cost is.

Chr. Nelson: What typically would a \$5,000 bond cost in the marketplace?

Johnson: I'm not that familiar with this. The value is going to be a lot more than \$10 on the commercial market. In the private sector bonding companies typically will take an application and before they will issue a bond to you, they will require that you have had at least \$5,000 in security someplace so that if they have to pay over on the bond they can collect from you. To go through all the investigative process of finding out how much you have in assets and making sure that those are somewhat liquid assets before they rate the bond is more than \$10, I can guarantee that.

Chr. Nelson: Thank you for your testimony. Any further testimony on HB 1066? Hearing none, I will close the hearing on HB 1066.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1066

House Natural Resources Committee

Conference Committee

Hearing Date: January 20, 2005

| Tape Number | Side A | Side B | Meter # |
|-------------|--------|--------|----------|
| 2 | | x | 900-1352 |

Committee Clerk Signature *Loren Bonnet*

Chr. Nelson: Reopened the hearing on HB 1066. All present. What are the committee's wishes?

Rep. Drovdal: I have an amendment. What the amendment does is reinstall the \$10 fee. It removes the overstrike on "ten" and strikes out "five" and puts it back into what the original bill intended, to leave the fee at the \$10 charge. That is what the county auditors had originally asked for two years ago when we passed the other bill.

Chr. Nelson: If I understand it correctly, Rep. Drovdal, the only change then would be on Line 10, the overstrike for each of five thousand dollars of coverage would remain?

Drovdal: We also have the overstrike, Mr. Chairman, on Line 17 and 18. What would remain is the \$10 fee for the \$15,000 bond.

Chr. Nelson: O.K., and do you move the amendment?

Rep. Drovdal: I move the amendment.

Rep. Solberg: Second

Chr. Nelson: The amendment has been moved by Rep. Drovdal and seconded by Rep. Solberg.

Is there committee discussion on the amendment?

Drovdal: There is a reduction for the \$15,000, but basically there were so few using the \$15,000 that it wasn't needed.

Chr. Nelson: Will we need a new fiscal note?

Drovdal: No. He gave us the figure on it. I think 12 people used it, so 12 times 20 is \$120.

You don't need a fiscal note for a \$120 deduction.

Chr. Nelson: Any further discussion on the amendment? Hearing none, I'll call for a voice vote on the amendment. All those in favor, signify by saying Aye. Opposed? Motion carried.

What's the committee's wishes?

Rep. Nottestad: Move a Do Pass as Amended on HB 1066.

DeKrey: Second

Chr. Nelson: A Do Pass motion on HB 1066 has been moved by Rep. Nottestad and seconded by Rep. DeKrey. Any discussion?

DeKrey: Question.

Chr. Nelson: Question has been called. I would ask the clerk to call the roll call vote.

DO PASS as AMENDED, 14-YEAS; 0-Nayes; 0-Absent; Carrier: Clark

FISCAL NOTE
Requested by Legislative Council
01/25/2005

Amendment to: HB 1066

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2003-2005 Biennium | | 2005-2007 Biennium | | 2007-2009 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | (\$200) | (\$200) |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2003-2005 Biennium | | | 2005-2007 Biennium | | | 2007-2009 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Amended HB 1066 is expected to have negligible impact on the North Dakota Bonding Fund. It is expected that the change in the fee charged for the bond to a flat \$10 fee from a variable fee ranging from \$5 to \$15 will impact 10 or less bonded agents and will reduce Bonding Fund revenues by no more than \$100 per year or \$200 per biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenue decrease for the Bonding Fund is less than \$100 or \$200 per biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: Charles E. Johnson
Phone Number: 328-4984

Agency: Insurance Department
Date Prepared: 01/26/2005

FISCAL NOTE
 Requested by Legislative Council
 12/20/2004

Bill/Resolution No.: HB 1066

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2003-2005 Biennium | | 2005-2007 Biennium | | 2007-2009 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |
| | | | | | (\$5,300) | (\$5,300) |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2003-2005 Biennium | | | 2005-2007 Biennium | | | 2007-2009 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1066 proposes to reduce the annual premium for a bond for agents that sell hunting and fishing licenses or stamps from \$10 per year per \$5,000 of coverage to a flat \$5 per year for \$15,000 of coverage. The majority of the agents are insured for \$5,000 and pay \$10 for the cost of the bond.

This bill will reduce the Bonding Fund revenues by \$5 for an estimated 338 agents, for a total revenue reduction for the Bonding Fund of \$2,650 per year or \$5,300 per biennium.

This bill also increased the Bonding Fund's exposure from \$5,000, \$10,000, or \$15,000 to the maximum \$15,000 for all agents, thereby increasing the Fund's exposure, depending on the size of the claims that might occur in the future. Because it is almost impossible to predict future claims, this fiscal note does not include any projected impact on the Fund from the increase in the bond amount to \$15,000 for all agents.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenue decrease for the Bonding Fund by \$2,650 per year or \$5,300 per biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*



Name: Charles E. Johnson **Agency:** Insurance Department



Phone Number:

328-4984

Date Prepared: 01/04/2005



50284.0101
Title.0200

Prepared by the Legislative Council staff for
Representative Drovdal
January 13, 2005

VK
1/21/05

HOUSE AMENDMENTS TO HOUSE BILL NO. 1066 NAT. RES. 1-21-05

Page 1, line 10, remove the overstrike over "~~ten~~" and remove "five"

Renumber accordingly

Date: 1/20/05.
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1066

House NATURAL RESOURCES Committee

Check here for Conference Committee

Legislative Council Amendment Number : 50284.0101 Title.0200

Action Taken : Do Pass as Amended

Motion Made By : Nottestad Seconded By : DeKrey

| Representatives | Yes | No | Representatives | Yes | No |
|-------------------------------|-----|----|---------------------|-----|----|
| Chairman - Rep. Jon O. Nelson | ✓ | | Rep. Lyle Hanson | ✓ | |
| Vice Chairman - Todd Porter | ✓ | | Rep. Bob Hunsakor | ✓ | |
| Rep. Dawn Marie Charging | ✓ | | Rep. Scot Kelsh | ✓ | |
| Rep. Donald L. Clark | ✓ | | Rep. Dorvan Solberg | ✓ | |
| Rep. Duane DeKrey | ✓ | | | | |
| Rep. David Drovdal | ✓ | | | | |
| Rep. Dennis Johnson | ✓ | | | | |
| Rep. George J. Keiser | ✓ | | | | |
| Rep. Mike Norland | ✓ | | | | |
| Rep. Darrell D. Nottestad | ✓ | | | | |

Total (Yes) 14 No 0

Absent —

Floor Assignment Clark

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

REPORT OF STANDING COMMITTEE

HB 1066: Natural Resources Committee (Rep. Nelson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1066 was placed on the Sixth order on the calendar.

Page 1, line 10, remove the overstrike over "~~ten~~" and remove "five"

Renumber accordingly

2005 SENATE NATURAL RESOURCES

HB 1066

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1066

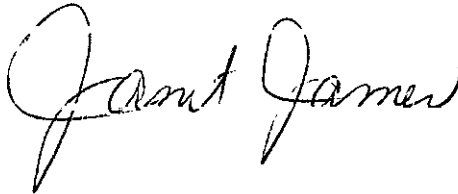
Senate Natural Resources Committee

Conference Committee

Hearing Date February 24, 2005

| Tape Number | Side A | Side B | Meter # |
|-------------|--------|--------|-------------|
| 1 | X | | 19.6 - 37.6 |
| | | X | 2.1 - 3.4 |

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened the hearing on HB 1066 relating to premiums for and coverage of bonds of agents appointed to distribute hunting and fishing licenses or stamps.

All members of the committee were present.

Senator Lyson opened the hearing for testimony as the sponsor of the bill will not be available until latter.

Senator Lyson needed to testify in another committee and turned the hearing over to Vice **Chairman Senator Ben Tollefson**.

Paul Schadewald, Chief of Administrative Services Division of the North Dakota State Game and Fish Department testified the department did not request the bill, but is a financial protection for the county auditors that set up the 500 license agents around the state. If the agents do not turn over the money collected from licenses fee, under proper procedures, collection can be

obtained from the bond. There has been few collections from the bonds. The bill will adjust the amount of coverage and the premium paid for the bonds.

Jeff Bitz, Administrator of the State Bonding Fund testified that basically the bill reduces the fee paid and the bond coverage to a flat rate. The flat \$10.00 fee for \$15, 000.00 bond will have a negative effect on the state bonding fund. The majority of agents are presently carrying a \$5000.00 bond. He further stated he was not aware any collections through the bonding process in the name of the North Dakota State Game and Fish Department.

Senator Rich Wardner asked about the present schedule of bonding fees.

Jeff Bitz answered that presently it is \$10.00 fee for each increment of \$5000.00 bond coverage.

Senator Traynor asked what the largest amount of licenses sold by one vendor.

Paul Schadewald answered that there are large vendors like sporting goods store that sell as much as \$50,000.00 worth. With the smaller vendors, the auditors often sell a second bond after they have reached the max of the first. The computerized systems selling licensees shut down after the limit is reached and the money needs to be transferred before they can issue again.

Senator Heitkamp asked if the game and fish have ever been ripped off.

Paul Schadewald said the department has had to face some bankruptcies, some embezzlements and these have been handled a variety of ways. The department has been fortunate and has always had the matters settled.

Dean Hildebrand, Director of the North Dakota State Game and Fish Department commented that thousands of licenses had been sold through the county auditors over the years. A good relationship with the auditors is important as they are the key to making things happen. As things become electronic, the auditors will not be used and the small vendors will also not be used.

Licenses will still be available by telephone and credit cards at the small shops. He asked the committee to keep in mind that if the number of different types of licenses can be simplified, it would be much easier and less complicated for all involved.

Senator Tollefson asked for opposing and neutral testimony of HB 1066

The hearing was left open for the prime sponsor to testify.

Senator Lyson reopened the hearing on HB 1066.

Representative David Drovdal of District 39 prime sponsor of HB 1066. Several years ago, the auditors requested a bill to develop a bond schedule for three different levels of coverage. Then it was realized there had not been any claims and because these fees more than covered the administrative costs of the fund it now became a tax. Another issue is if there is private insurance that would cover the bonds, then the government would then be competing with private enterprise. Another option would be a private investment of money to be used as a bond to cover damages if necessary. Finally, he stated that if \$10.00 is all it costs to administer the bonding fund then that is all that should be charged.

Senator Lyson closed the hearing on HB 1066.

Tape #1 Side B, 2.1 - 3.4

Senator Stanley Lyson opened the committee work on HB 1066.

Senator Layton Freborg made a motion for Do Pass of HB 1066

Senator Michael Every second the motion.

Roll call vote for a Do Pass of HB 1066 was taken indicating 7 YEAS, 0 NAYS AND 0 ABSENT OR NOT VOTING.

Senator Freborg will carry HB 1066.

Date: 2-24-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1066

Senate Senate Natural Resources

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Pass

Motion Made By

Freborg

Seconded By

Every

| Senators | Yes | No | Senators | Yes | No |
|-----------------------------------|-----|----|-----------------------|-----|----|
| Senator Stanley Lyson, Chairman | ✓ | | Senator Joel Heitkamp | ✓ | |
| Senator Ben Tollefson, Vice Chair | ✓ | | Senator Michael Every | ✓ | |
| Senator Layton Freborg | ✓ | | | | |
| Senator Rich Wardner | ✓ | | | | |
| Senator John Traynor | ✓ | | | | |

Total (Yes)

7

No

0

Absent

0

Floor Assignment

Freborg

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

REPORT OF STANDING COMMITTEE (410)
February 24, 2005 1:33 p.m.

Module No: SR-34-3592
Carrier: Freborg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1066, as engrossed: Natural Resources Committee (Sen. Lyson, Chairman)
recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1066 was placed on the Fourteenth order on the calendar.