

# MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

1360

2007 HOUSE AGRICULTURE

HB 1360

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1360

House Agriculture Committee

☐ Check here for Conference Committee

Hearing Date: **2-8-07**

Recorder Job Number: **3168**

Committee Clerk Signature
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Minutes:

**Chairman Johnson:** committee member the hearing on HB 1360 is now open.

**The bill is relating to investment of the credit-sale contract indemnity fund: and to provide a continuing appropriation.**

**Representative Headland:** I represent Dist. 29. I am here to introduce HB 1360. 1360 is a simple bill. It will just move the indemnity fund from the Bank of North Dakota to Treasurer's office. Allow the indemnity fund to get a higher rate of interest.

**Are there any questions?**

**Rep. Boe:** This would not be insured?

**Rep Headland:** The Treasurer's office could put money in rural banks and the rural bank would lend the money out.

**Chairman Johnson:** Are there any others in support of this bill?

**Rep Brandenburg:** I support this bill.

**Is there any opposition to 1360?**

**We will close the hearing on HB 1360.**

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1360

House Agriculture Committee

☐ Check here for Conference Committee

Hearing Date: 2-8-07

Recorder Job Number: 3181

Committee Clerk Signature

*Edward D. Elson*

Minutes:

**CHAIRMAN JOHNSON: COMMITTEE MEMBERS, THE BILL THAT WE HEARD THIS MORNING ON INVESTING MONEY FOR THE INDEMNITY FUND.**

**REPRESENTATIVE BRANDENBURG MADE A MOTION FOR A DO PASS.**

**REPRESENTATIVE UGLEM: SECONDED THE MOTION.**

**THE CLERK WILL CALL THE ROLL ON HB 1360.**

**THE CLERK TOOK THE ROLL. THERE WERE 13 YES 0 NO ABSENT.**

**CHAIRMAN JOHNSON: DO I HAVE A CARRIER PLEASE?**

**REPRESENTATIVE WALL WILL CARRY HB 1360.**

**COMMITTEE HEARING CLOSED ON HB 1360.**

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/16/2007

Bill/Resolution No.: HB 1360

**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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	(\$80,000)	\$196,000	(\$80,000)	\$196,000
<b>Expenditures</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$0	\$0

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The credit-sale contract indemnity fund's money is currently deposited at the Bank of North Dakota and earns interest at BND's Money Market Rate via the State's interest allocation process. This bill authorizes the State Treasurer to invest these dollars using the prudent investor rule.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 lines 9,10,11 authorize the State Treasurer to invest the indemnity fund dollars using the prudent investor rule. It is anticipated that the Treasurer will be able to increase the rate of return for this fund by using a more diverse investment portfolio.

**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.*

Funds invested at the Bank of North Dakota currently earn 1% more than the bank's money market rate. The difference between the money market rate and the actual amount earned is credited to the General Fund. We estimate the General Fund will lose out on approximately \$80,000 a biennium if the indemnity funds are removed from the State's current interest allocation process. However, it is anticipated that the return on the indemnity fund will increase by \$196,000 a biennium if the Treasurers Office uses a more diversified investment strategy.

**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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Lawrence Hopkins	<b>Agency:</b>	Office of State Treasurer
<b>Phone Number:</b>	701 328-4694	<b>Date Prepared:</b>	01/22/2007

Date: 2-8-07  
Roll Call Vote #:

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House HB 1360 Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken DO PASS

Motion Made By BRANDENBURG Seconded By UGLEM

Representatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson	✓		Tracy Boe	✓	
Vice Chair Joyce Kingsbury	✓		Rodney Froelich	✓	
Wesley Belter	✓		Phillip Mueller	✓	
Mike Brandenburg	✓		Kenton Onstad	✓	
Craig Headland	✓		Benjamin Vig	✓	
Brenda Heller	✓				
John D Wall	✓				
Gerry Uglem	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment REP WALL

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

**REPORT OF STANDING COMMITTEE**

**HB 1360: Agriculture Committee (Rep. D. Johnson, Chairman)** recommends **DO PASS**  
(13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1360 was placed on the  
Eleventh order on the calendar.



2007 SENATE AGRICULTURE

HB 1360

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1360

Senate Agriculture Committee

☐ Check here for Conference Committee

Hearing Date: March 2, 2007

Recorder Job Number: 4263

Committee Clerk Signature

*PASSIA KOLB*

Minutes:

**Sen. Flakoll** opened the hearing on HB 1360, a bill relating to investment of the credit-sale contract indemnity fund. Members (6) present, absent (1)-Sen. Wanzek.

**Rep. Headland**, district 29, testified in favor of the bill.

**Rep. Headland**- I am here to ask for your support of this bill. This bill would just transfer the handling of the fund from the Bank of ND to the treasurers office and it would allow them to invest this money in local areas in this state and garner a better interest rate then it is currently getting.

**Sen. Klein**- what is the current rate that we are getting?

**Rep. Headland**- I was just informed that we are getting 2.45% and the treasurer indicated that she could get double that.

**Sen. Taylor**- it references 21-10-07 what are the accordance's of that?

**Rep. Headland**- that would be a question for the treasurer.

**Kelly Schmidt**, state treasurer, testified in favor of the bill. See attached testimony.

**Sen. Behm**- where do these dollars come from?

**Kelly Schmidt**- the dollars in the indemnity fund are dollars that are being collected by our farmers.

**Sen. Taylor-** what is the term are they invested annually?

**Kelly Schmidt-** we do invest them annually unless we get a good rate, we ladder them out.

**Sen. Flakoll-** who does the interest accrued go to?

**Kelly Schmidt-** it would go back into this fund.

**Sen. Klein-** we are covered under the FDIC hundred thousand dollar per institution or how does that work?

**Kelly Schmidt-** there is a way for us to get a higher FDIC approval rating, I have found that by working with other groups that is it easier for me and easier for people to understand that by putting these in one hundred thousand dollar increments.

**Sen. Klein-** so you are saying that is what we would cap it at then?

**Kelly Schmidt-** we can go higher but it is much easier this way.

**Sen. Flakoll-** in the bill line 10, what would be the action that you would go through with this process? Are you subject to their approval as far as investments?

**Kelly Schmidt-** it allows me to invest it in approved areas but we will be working hand in hand with the public service commission and they will make sure that their needs will be met by the way that we manage these dollars.

**Rep. Brandenburg,** district 28, testified in favor of the bill.

**Rep. Brandenburg-** I also stand in support of this bill.

No opposition to the bill.

**Sen. Flakoll** closed the hearing.

**Sen. Klein** motioned for a Do Pass and to be rereferred to Appropriations and was seconded by **Sen. Erbele**, roll call vote 1: 6 yea, 0 nay, 0 absent. **Sen. Erbele** was designated to carry the bill to the floor.

Date: March 2, 2007  
Roll Call Vote #: 1

**2007 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1360**

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass rerefered to Appropriations

Motion Made By Klein Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman			Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Sen. Erbele

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

**REPORT OF STANDING COMMITTEE (410)**  
March 2, 2007 1:33 p.m.

**Module No: SR-40-4360**  
**Carrier: Erbele**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1360: Agriculture Committee (Sen. Flakoll, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1360 was rereferred to the Appropriations Committee.**

2007 SENATE APPROPRIATIONS

HB 1360

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1360

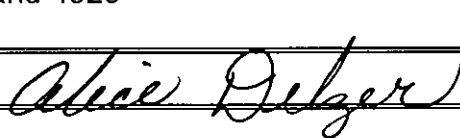
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-12-07

Recorder Job Number: 4928 and 4929

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on HB 1360 at 3:00 pm on March 12, 2007 regarding Investment Credit-Sale Indemnity Fund.

**Representative Craig A. Headland, District 29** gave an overview of the bill. He is a co-sponsor of the bill. He stated this bill would move the credit-sales Indemnity Fund from the Bank of North Dakota (BND) to the State Treasurer's Office.

**Senator Robinson** asked what is the rational for the move. He was told back in 2003 Legislative Session the Legislative bodies created this fund which would cover losses to producers in a situation where an elevator would go broke and they had credit-sales on the books that are not currently covered by their bond. Credit-sales include deferred contracts as well as delayed price contracts. The State Treasurer indicated she was getting about double the interest rate and I was thinking what better way to grow this fund than to use the interest there. I don't believe it was ever the intent of the Legislative bodies to use this money for general fund purposes. Because it really is unfair, and that's debatable, however, it is a tax on producers.

**Senator Tallackson** has there ever been a claim that's been paid out He was informed there has never been a claim against this indemnity.

**Senator Lindaas** asked what is the assessment.

He was told the assessment is two tenths of a penny per bushel.

**Senator Wardner** stated the fund is there now and we have a cap but he asked if there is another bill where we set the cap on this. He was informed yes and it is in the Senate now.

**Senator Robinson** asked what the balance is in the fund. He made comments concerning a bill that he had regarding the license plates and the Veteran's Cemetery Maintenance Fund and that was a smaller fund but we have to consider the fact that this is a large amount to consider moving, and asked how many funds do we have that are not generating much interest on. He was informed there is \$3.7 million in the fund and Rep. Headland did not know how many funds we have that are not generating any interest. It would be of interest for the committee to get a handle on this.

**Don Wolf, Legislative Council** stated there are several.

**Senator Bowman** asked if we're going to incur a greater rate of interest the funds will grow faster, is there any limit to how big this fund to get and it continues to grow, where is the end? He was informed that the interest will be deposited in the fund and at some point of time a future legislative body will need to decide where to use that money.

**Chairman Holmberg** stated you can count on it, maybe even this week.

**Senator Wardner** asked about the other bill and the dollar amount. He was told there is a cap of \$10 million on the bill. There is another piece of legislation that I have sponsored to try to lower that cap, at least the collection cap, where the farmers are paying the tax on the fund. They are beginning to gripe about it. The reason we allowed the cap to continue to grow is to make both pieces of the legislation more compatible and to eventually get to the \$10 million.

**Senator Wardner** then asked if they wouldn't stop the check off then and let it collect interest and whenever it's used, it's used. He was informed that if HB 1481 would pass collections would stop at \$6 million.



**Chairman Holmberg** closed the hearing on HB 1360. However further discussion followed.

**Senator Mathern** stated according to the fiscal note there's more money made by this fund in the bank, 5%, than the Treasurer could get, looks like we can keep it where it's at.

**Don Wolf** stated he talked to the Treasurer's Office they thought they could do 2% better than the BND and that's the reason behind this request.

**Senator Grindberg** asked if the Treasurer's Office invests in securities. He was informed yes.

**Chairman Holmberg** stated we had a request to hold on to it, so we will not do any action today on this bill. The hearing was closed on HB 1360.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1360**

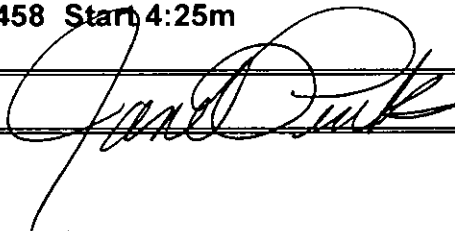
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: **March 22, 2007**

Recorder Job Number: **5458** ~~Start~~ **4:25m**

Committee Clerk Signature



**S Holmberg** HB 1360 has an \$80,000 reduction in the general fund. I have a fiscal note.

The bill apparently has not been changed. *Reviewed the minutes*

**S Krauter** stated this indemnity fund that farmers pay into on credit sales, deferred contracts, deferred payment contracts, and right now that indemnity fund is growing at a good interest.

The state treasurer can invest it to a higher rate of concern, so it's straight forward.

**S Tallackson Motion for a Do Pass**

**S Krauter 2<sup>nd</sup> motion**

**S Krauter** this refers to all credit sales, deferred contracts, deferred payment contracts, etc.

*Comment- I like this bill because we killed that other bill where we didn't raise anything and this allows some more income and offsets it a little bit.*

**Roll call on a DO PASS on 1360 – Passed**

**Goes back to the Ag Committee**

Date: 5/22  
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1360

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DP

Motion Made By Tallackson Seconded By Krauter

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern		
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Enbule Ag

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

**REPORT OF STANDING COMMITTEE (410)**  
March 22, 2007 10:47 a.m.

**Module No: SR-54-5884**  
**Carrier: Erbele**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1360: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS**  
(13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1360 was placed on the  
Fourteenth order on the calendar.

2007 TESTIMONY

HB 1360

Testimony of  
Kelly Schmidt  
State Treasurer

In Support of HB 1360

HB 1360 moves the investment of these dollars to the State Treasurer. This would allow us to invest these dollars in through our BidND program...which would, at current rates, nearly double the return.

Introduced in July of 2005, BidND has touched nearly 60 North Dakota communities and has invested close to \$6 million in financial institutions across North Dakota. BidND invests custodial funds, such as funds from the Veterans Post War Trust Fund and 10 different Agricultural Commodity groups in financial institutions across the state through a bid process. CD's are invested in the financial institution which offers the highest rate of return. Recently, BidND rates ranged from 4.2% to 5.65%.....dollars. Dollars were awarded to banking institutions in Parshall, Mandan, Jamestown, Langdon, and Kenmare.