

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

20005

2007 SENATE APPROPRIATIONS

SB 2005

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No 2005

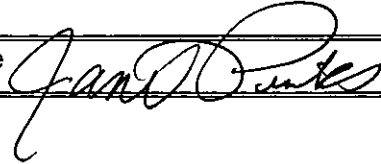
Senate Appropriations

☐ Check here for Conference Committee

Hearing Date: 01/16/07

Recorder Job Number 1158

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on SB 2005.

Kelly Schmidt, State Treasurer, presented written testimony on SB 2005 discussing the mission of the State Treasurer's Office, the accounting and receipting for all state agencies, the securities and investments, the cash management, the tax distributions, the website, the request for additional FTE, and an amendment to SB 2005.

Chairman Holmberg asked to have the extra money from the CO2 pipeline elaborated on. He then stated that if nothing is done about the additional monies it would be returned to the general funds.

Lawrence Hopkins, State Treasurer's Office, indicated that the CO2 pipeline was built by Basin Power which created an exemption for the County, Basin is not liable.

Senator Christmann clarified this money comes from the general fund.

Senator Robinson asked about the FTE work flow and work load and would the funds requested be sufficient to have a comptroller with benefits.

Chairman Holmberg indicated this bill will be discussed during a full committee hearing. He then closed the hearing on SB 2005.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2005

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 01-25-07

Recorder Job Number: 1954

Committee Clerk Signature

Alice Delzer

Minutes:

Chairman Holmberg opened the hearing on SB 2005 regarding the State Treasurer's Office.

He reviewed the bill and the request for a FTE.

Senator Grindberg moved a DO PASS, Senator Fischer seconded. There was further discussion on the FTE request. **A roll call vote was taken resulting in 11 yeas, 0 no, 1 absent. The motion carried. Senator Grindberg will carry the bill.**

The hearing on SB 2005 closed.

FISCAL NOTE
Requested by Legislative Council
01/02/2007

Bill/Resolution No.: SB 2005

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
Revenues						
Expenditures			\$8,448			
Appropriations			\$8,448			

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

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).*

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.*

Sections 2, 3, & 4 of this bill increase the statutory salary of the State Treasurer by 4% effective July 1, 2007 and another 4% on July 1, 2008.

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.*

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.*

Appropriation is increased 8,448 over the 2005-2007 biennium for statutory salary increase of the State Treasurer. The amount for increased salary and benefits is included in the executive budget and this bill.

Name:	Lawrence Hopkins	Agency:	Office of State Treasurer
Phone Number:	328-4694	Date Prepared:	01/03/2007

Date: 1-25-07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2005.

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass

Motion Made By Grindberg Seconded By Fischer

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) 11 No 0

Absent 3

Floor Assignment Grindberg

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

REPORT OF STANDING COMMITTEE (410)
January 25, 2007 4:39 p.m.

Module No: SR-17-1278
Carrier: Grindberg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2005: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS
(11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). SB 2005 was placed on the
Eleventh order on the calendar.

2007 HOUSE APPROPRIATIONS

SB 2003

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2005

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 2/21/07

Recorder Job Number: 3518

Committee Clerk Signature

Amiya Voegelé

Minutes:

Chairman Carlson opened our hearing on Senate Bill 2005.

Kelly Schmidt, State Treasurer, spoke in support of the bill. See attached testimony

2005.2.21.07 A.

Chairman Carlson: Is the re-write of the tax distribution system being created by contract or by ITD?

Kelly Schmidt: ITD.

Chairman Carlson: Why would the public need to access your website?

Kelly Schmidt: They can see how much their city or township or county received.

Chairman Carlson: How many hits does it get?

Kelly Schmidt: We do not have that report yet.

Chairman Carlson: Was the amendment for the FTE offered to the senate?

Kelly Schmidt: Yes.

Representative Williams: What was the Senate's reaction to the amendments?

Kelly Schmidt: They said they could not vote to add an FTE because they voted to eliminate the Treasurer's office all together.

Chairman Carlson: Was the decrease in funding due to the pipeline property tax funding?

Kelly Schmidt: Yes.

Chairman Carlson: Are you qualified for the equity pool?

Kelly Schmidt: Yes but I don't know how that will effect the budget.

Chairman Carlson: How much do they get from the equity pool?

Lori Laschkewitsch: \$1,344 from the equity pool for three people.

Vice Chairman Carlisle: What are you thinking for salary and benefits for the new FTE?

Kelly Schmidt: About \$120,000.

Representative Kroeber: You still have complete division of power correct? No one who handles the incoming money handles the outgoing money.

Kelly Schmidt: Yes we do but it is really hard to do when we are short staffed.

Chairman Carlson: Why wasn't this FTE funded in the Governor's Budget?

Lori Laschkewitsch: We chose to fund the new tax distribution system.

Representative Skarphol: Is the price for the tax distribution system a firm fixed price?

Kelly Schmidt: That was the amount we got from the bid.

Vice Chairman Carlisle: The new FTE would be paid by a few different funding sources correct?

Kelly Schmidt: Correct.

Representative Kempenich: I see your ITD costs are going up. Is that because of your new system?

Kelly Schmidt: That is one time funding for the new system.

Chairman Carlson: What can we expect from the new system?

Kelly Schmidt: A more effective and efficient way to update the tax rates.

Chairman Carlson: Would it take less time or less people?

Kelly Schmidt: Not really because we will have to cross-check everything.

Representative Glassheim: Could you explain the CO2 pipeline?

Kelly Schmidt: The CO2 pipeline is a continuing appropriation in our budget. In the current biennium an estimate was made on what it is going to take to redistribute the CO2 pipeline money. Those dollars are put into our budget in lieu of tax money. Then it is distributed back out to the counties. It is General Fund money.

Chairman Carlson: How long will this continue?

Kelly Schmidt: Until 2010.

Chairman Carlson: Last session you were dealing with some large errors, have they been corrected yet?

Kelly Schmidt: Not all of them. The challenge we are facing is the combined School Systems.

Chairman Carlson: How much are we down?

Kelly Schmidt: Under \$20,000.

Representative Glassheim: How much was in your 05-07 budget for the CO2 pipeline?

Chairman Carlson: \$1.545 million.

Representative Skarphol: In 03-05 that number was \$1.690million, in 05-07 it was \$1.545million, is that number going to continue to reduce, if so what is the formula that determines what that number will be?

Lawrence Hopkins: As the property values go down, it will continue to decrease.

Representative Skarphol: What is the formula for this?

Lawrence Hopkins: It goes by depreciation value.

Randy Schneider spoke in support of the bill.

Representative Williams: Would you accept the position as it is written?

Randy Schneider: The job has appeal but I am happy with my current position.

The hearing was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2005

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: March 16, 2007

Recorder Job Number: 5227

Committee Clerk Signature

Minutes:

Rep. Skarphol: As you can tell there was some discord over this particular budget. The changes on this amendment Section 5 reflects the one time funding for a computer project over which there was no discord. That was a one time funding change that we have been doing on all of these. I guess for purposes of discussion I should move .0101 to SB 2005.

Rep. Kreidt: I second that.

Rep. Skarphol: After some considerable discussion with the state treasurer on the part of our subcommittee I think our subcommittee is well convinced that she has a need for more bodies in her office. If you go back to the audit that was done of her office during the last biennium one of the statement's in the audit was it was imperative that this office have a controller that has a minimum of an accounting degree. She has one person in her office with an accounting degree. It's her deputy director who has his CPA. He is currently working 55-60 hours a week to ensure the job gets done in that office. She has another individual who has accounting skills with 20 some experience but isn't interested in going back to school to get a degree. Other than that, she doesn't have anyone in her office that has a degree. For that reason the 5 of us on Government operations division found it appropriate to allow the treasurers office to add 1 FTE with a salary of \$120,684. The addition to her budget that is reflected here is in some ways deceptive. I say that because in the analysis of her budget, in her agency she is required

to distribute what is called a CO2 Pipeline dollars. Each biennium she estimates the cost of doing that. Historically they estimate that number. There is a residual amount left because of the fact that the distributions never come quite up to the estimate. That isn't intentional. Historically there is always money left over. If you discount the computer project and discount the increased salary due to the 4 and 4, her office would turn back in somewhere around \$135,000.

Don Wolff: They are reducing the operating expenses by \$20,000. There is \$45,000 less in impact payments. There is a net overall addition of \$55,684 to pay for the \$120,000 for salaries and wages for the new position.

Rep. Skarphol: However, her original request lowered the amount that she requested in general fund dollars by \$135,000. Her original request was for \$135,000 less. We are adding \$55,000 back in. The net is that she will have \$80,000 less in general fund dollars.

Don Wolff: There was some additional money that \$135,000 was an original adjustment down on the tax payments on top of this \$45,000 that they are also taking on.

Rep. Skarphol: She actually has less general fund dollars in her budget than she would have last time if you were comparing apples to apples, even with the addition of this individual. Granted those dollars would go back to the general fund. She insists that the workload increase in her office was substantial enough that she has to have this individual.

Rep. Aarsvold: The \$45,000 is in low relative to the CO2 pipeline?

Rep. Svedjan: On the motion to adopt amendment .0101 to SB 2005 we will take a voice vote. All in favor say 'aye' all opposed say 'no'. The motion carries.

Rep. Skarphol: I move a do pass as amended.

Rep. Kempenich: I second that.

Rep. Svedjan: Is there discussion? If not we will take a roll call vote on SB 2005. The motion passes with a vote of 18-5-1. Is there a volunteer to carry this?

Rep. Skarphol: I will.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2005

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 3/16/07

Recorder Job Number: 2005

Committee Clerk Signature

Kanya Voegeli

Minutes:

Chairman Carlson opened the discussion on Senate Bill 2005.

Representative Skarphol reviewed the green sheet.

Amendment 78029.0101 was adopted on 3/12/07 by roll call vote with a vote of 5 Yeas, 3 Nays and 0 Absent and Not Voting. Recorder Job 4919.

Vice Chairman Carlisle: State agencies have options within their operating budgets to send people to school to take courses. My question is that you have a person that needs to have a four year degree to meet the requirements. Can we offer one of your people the opportunity to go to school to meet those requirements without adding a FTE?

Kelly Schmidt: Every person in my agency could have an accounting degree and it would still not address the issues that we are having.

A motion was made by Representative Skarphol, seconded by Representative Kempenich for a DO PASS AS AMENDED recommendation to the full committee. The committee vote was 5 Yeas, 3 Nays and 0 Absent and Not Voting. The bill will be carried by Representative Skarphol.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2005

Page 1, line 16, replace "60,733" with "181,417"

Page 1, line 17, replace "768,228" with "748,228"

Page 1, line 18, replace "(135,000)" with "(180,000)"

Page 1, line 19, replace "693,961" with "749,645"

Page 2, line 1, replace "705,493" with "826,177"

Page 2, line 2, replace "923,015" with "903,015"

Page 2, line 3, replace "1,410,000" with "1,365,000"

Page 2, line 4, replace "3,038,508" with "3,094,192"

Page 2, after line 10, insert:

"SECTION 5. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIRST LEGISLATIVE ASSEMBLY. The total general fund appropriation line item in section 3 of this Act includes \$768,228 for the one-time funding items identified in this section. This amount is not a part of the agency's base budget to be used in preparing the 2009-11 executive budget. The state treasurer shall report to the appropriations committees of the sixty-first legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2007, and ending June 30, 2009.

Rewrite of mainframe software programs relating to tax distributions \$768,228"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2005 - State Treasurer - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$705,493	\$705,493	\$120,684	\$826,177
Operating expenses	923,015	923,015	(20,000)	903,015
In lieu of tax payments	<u>1,410,000</u>	<u>1,410,000</u>	<u>(45,000)</u>	<u>1,365,000</u>
Total all funds	\$3,038,508	\$3,038,508	\$55,684	\$3,094,192
Less estimated income				
General fund	\$3,038,508	\$3,038,508	\$55,684	\$3,094,192
FTE	6.00	6.00	1.00	7.00

Dept. 120 - State Treasurer - Detail of House Changes

	ADDS 1 FTE ACCOUNTING POSITION ¹	TOTAL HOUSE CHANGES
Salaries and wages	\$120,684	\$120,684
Operating expenses	(20,000)	(20,000)
In lieu of tax payments	<u>(45,000)</u>	<u>(45,000)</u>
Total all funds	\$55,684	\$55,684

Less estimated income

General fund	\$55,684	\$55,684
FTE	1.00	1.00

¹ This amendment adds funding for 1 FTE accounting position and reduces funding for operating expenses and in lieu of tax payments.

The House added a section identifying one-time funding included in the budget and providing for a report to the 61st Legislative Assembly on the agency's use of the one-time funding.

Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2605House Appropriations- Government Operations Committee☐ Check here for Conference Committee

Legislative Council Amendment Number 18029.0101

Action Taken Adopt Amendment by ~~Vote~~ ~~Waive~~

Motion Made By Skarphoi Seconded By Kempenich

[illegible]

Total Yes 5 No 3

Absent

Floor Assignment _____

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

Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2005

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78029.0101

Action Taken Do PASS As Amended

Motion Made By Skarphol Seconded By Kempenich

[illegible]

Total Yes 5 No 3

Absent

Floor Assignment Skarpohl

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

Date: 3/14/07
Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2005

House Appropriations Full Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment Number 78029.0101

Action Taken Adopt amendment

Motion Made By Skarphol Seconded By Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleon		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Vote - carries

House Amendments to SB 2005 (78029.0102) - Appropriations Committee 03/19/2007

Page 1, line 3, after "treasurer" insert "; and to provide for a report to the legislative assembly"

Page 1, line 16, replace "60,733" with "181,417"

Page 1, line 17, replace "768,228" with "748,228"

Page 1, line 18, replace "(135,000)" with "(180,000)"

Page 1, line 19, replace "693,961" with "749,645"

House Amendments to SB 2005 (78029.0102) - Appropriations Committee 03/19/2007

Page 2, line 1, replace "705,493" with "826,177"

Page 2, line 2, replace "923,015" with "903,015"

Page 2, line 3, replace "1,410,000" with "1,365,000"

Page 2, line 4, replace "3,038,508" with "3,094,192"

Page 2, after line 10, insert:

"SECTION 5. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-FIRST LEGISLATIVE ASSEMBLY. The total general fund appropriation line item in section 3 of this Act includes \$768,228 for the one-time funding items identified in this section. This amount is not a part of the agency's base budget to be used in preparing the 2009-11 executive budget. The state treasurer shall report to the appropriations committees of the sixty-first legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2007, and ending June 30, 2009.

Rewrite of mainframe software programs relating to tax distributions \$768,228"

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2005 - State Treasurer - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$705,493	\$705,493	\$120,684	\$826,177
Operating expenses	923,015	923,015	(20,000)	903,015
In lieu of tax payments	<u>1,410,000</u>	<u>1,410,000</u>	<u>(45,000)</u>	<u>1,365,000</u>
Total all funds	\$3,038,508	\$3,038,508	\$55,684	\$3,094,192
Less estimated income				
General fund	\$3,038,508	\$3,038,508	\$55,684	\$3,094,192
FTE	6.00	6.00	1.00	7.00

Dept. 120 - State Treasurer - Detail of House Changes

ADDS 1 FTE ACCOUNTING POSITION ¹	TOTAL HOUSE CHANGES
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Salaries and wages	\$120,684	\$120,684
Operating expenses	(20,000)	(20,000)
In lieu of tax payments	<u>(45,000)</u>	<u>(45,000)</u>
Total all funds	\$55,684	\$55,684
Less estimated income	<hr/>	<hr/>
General fund	\$55,684	\$55,684
FTE	1.00	1.00

¹ This amendment adds funding for 1 FTE accounting position and reduces funding for operating expenses and in lieu of tax payments.

The House added a section identifying one-time funding included in the budget and providing for a report to the 61st Legislative Assembly on the agency's use of the one-time funding.

Date: 3/16/07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2005

House Appropriations Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78029.0101

Action Taken No Pass as amended

Motion Made By Skarphol Seconded By Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleon	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson		✓			
Representative Carlson		✓	Representative Glassheim	✓	
Representative Carlisle		✓	Representative Kroeber		✓
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson		✓			
Representative Wieland	✓				

Total (Yes) 18 No 5

Absent 1

Floor Assignment Skarphol

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

REPORT OF STANDING COMMITTEE

SB 2005: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (18 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). SB 2005 was placed on the Sixth order on the calendar.

Page 1, line 3, after "treasurer" insert "; and to provide for a report to the legislative assembly"

Page 1, line 16, replace "60,733" with "181,417"

Page 1, line 17, replace "768,228" with "748,228"

Page 1, line 18, replace "(135,000)" with "(180,000)"

Page 1, line 19, replace "693,961" with "749,645"

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Rewrite of mainframe software programs relating to tax distributions \$768,228"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2005 - State Treasurer - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$705,493	\$705,493	\$120,684	\$826,177
Operating expenses	923,015	923,015	(20,000)	903,015
In lieu of tax payments	<u>1,410,000</u>	<u>1,410,000</u>	<u>(45,000)</u>	<u>1,365,000</u>
Total all funds	\$3,038,508	\$3,038,508	\$55,684	\$3,094,192
Less estimated income				
General fund	\$3,038,508	\$3,038,508	\$55,684	\$3,094,192
FTE	6.00	6.00	1.00	7.00

Dept. 120 - State Treasurer - Detail of House Changes

	ADDS 1 FTE ACCOUNTING POSITION 1	TOTAL HOUSE CHANGES
Salaries and wages	\$120,684	\$120,684
Operating expenses	(20,000)	(20,000)
In lieu of tax payments	<u>(45,000)</u>	<u>(45,000)</u>
Total all funds	\$55,684	\$55,684
Less estimated income	<hr/>	<hr/>
General fund	\$55,684	\$55,684
FTE	1.00	1.00

¹ This amendment adds funding for 1 FTE accounting position and reduces funding for operating expenses and in lieu of tax payments.

The House added a section identifying one-time funding included in the budget and providing for a report to the 61st Legislative Assembly on the agency's use of the one-time funding.

2007 SENATE APPROPRIATIONS .

CONFERENCE COMMITTEE

SB 2005

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2005 Conference Committee

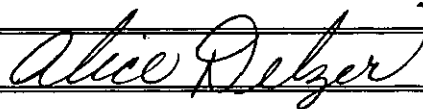
Senate Appropriations Committee

☒ Check here for Conference Committee

Hearing Date: **April 4, 2007 pm**

Recorder Job Number: **5745**

Committee Clerk Signature



Treasurer's Budget

Chairman: This is fairly straightforward, reducing operating expenses by \$20,000, reduce tax payments by \$45,000 and added an FTE at \$128,684.00.

Rep. Skarphol: What the amendment does not reflect is the fact that the budget has nearly \$19,000 LESS in general fund dollars than for the upcoming biennium than it does for the current biennium, the reason for that is that there was a reduction in the amount of money that needed to be appropriated for the CO2 property tax distribution and the amount asked for by the treasurer's office where the FTE and salary and benefits associated with that is less than the amount reduced. That would be a \$20,000 shift in operating.

Chairman: What does that entail in lieu of \$20,000?

Rep. Skarphol: It is an effort in the treasurer's part to try to make sure that the added FTE was really reflective of the fact that there would be less cost associated with operating costs, less temporary overtime and is reflected properly in our budget. Section 5 language, it is a one time expenditure cost for a new computer system in the office, for all tax distributions and that does cause more money to be appropriated general fund dollars, if you discount that one-time expenditure, it would be \$19,000 less.

Sen. Krebsbach: Once again the one-time funding reflects what?

Rep. Skarphol: Just the cost of the computer project.

Sen Krebsbach: What about software programming?

Rep. Skarphol: The office has been sorely neglected, is probably the right term with regard to the technical advancements in the last two years. This is needed so that when they do change a tax or distribution, they can deal with it without having to reconfigure multiple places within the system.

Person: We've all had our opinions over the years, and the need for a treasurer's office, there's been various levels of performance, I struggle with adding, I supported getting rid of the treasurer's office, and I struggle adding an FTE to this budget based on the other department. It's not that they're not doing a great job, but its philosophical struggle I have with adding an FTE, but reducing the budget, which over the last 8 years we have not supported, and now we are here with a \$500 million surplus and we're adding all over the board. I recognize that it is a small budget and small issue, our good friend Sen. Andrist said, "this business could make a difference to anybody."

Rep. Skarphol: With regard to eliminating the office, I guess the voters of ND made a decision about that, and since they decided to retain the office, we have a responsibility to some extent to insure that the office has the tools it needs to work with. The treasurer's office to day is managing an awful lot of money compared to what it has in the past and that takes time and effort, not doubt about it. I think she's doing a fine job in the office with what she has to work with, but think some people in the office don't have what should be appropriate, and for that reason, I believe an FTE is warranted and if the new computer program gives her the ability to reduce staff in the future, I would expect her to do that, quite frankly.

Chairman: Did you have any discussion if OMB could step in and provide some of these services?

Rep. Skarphol: We did not, because, like I said, the voters said that the office is going to stay, and there's not doubt that the OMB could provide services, but I would assume that we would also need personnel to do that job.

Chairman: It certainly is sizeable, and we could absorb some of the duties and not necessarily have an FTE.

Sen. Tallackson: Was this request in the governor's budget? Update and software?

Rep. Skarphol: Yes it was, it was on the green sheet, \$768,000 was in the Governor's budget. The only reason it's referenced in the amendment is because of the one time language referencing it as one-time funding. It's not going to be added to the baseline, it's going to be one-time funding only, next biennium, it's anticipated that it will not be included in our budget, nor should it be.

Voice: We approved it,., with that in there.

Sen. Krebsbach: Is there any dollar change, and the fact of that is that they have one full time employee and with that you reduced, in lieu of tax payment, and operating expenses. The operating expenses may have been for temporary help, or something of that nature?

Rep. Skarphol: There was a reduction in the need for general fund dollars in the distribution of the pipeline, I think around \$140,000. Legislative council can more adequately explain why it is drafted this way, but the treasurer's office indicated willingness to reduce her operating line by \$20,000. The position is funded because of the ability to reduce the distribution number.

Voice: There is a section in the Century Code, Section 570617.2 and it provides for counties to receive payments in lieu of the carbon pipe lines. The state treasurer's office comes up with an estimate of what those payments are going to be based upon the historical figures and there are some things that go on with that. It has been decreasing. Based upon the most recent estimates, last biennium the payments of \$1.5 million, at the start part of the

recommendation, the amount was reduced down to \$1.4 million and the state treasurer's office was estimating that another \$135,000 less was needed for these payments. These extra deductions applied to offset the costs of \$120,000. Along with the \$20,000 reduction in operating cost that they'll have to absorb within their own budget.

Voice: So there's no more increase in general funds?

The increase in general funds is \$55,684.00.

Rep. Skarphol: "Although the executive budget allowed agencies to reflect funding at 100%, the treasurer's office lowered their requests by \$135,000." That's due to the CO2 pipeline distribution reduction. "After adding the 4% salary increases, our budget is still at \$74,000 lower than in the current biennium." So even with the salary increases, they are still \$74,000 lower since the beginning of the process. They're asking for \$55,000 of that amount to be returned to the treasurer's office, \$20,000 removed from the current operating line, and \$45,000 from the CO2 pipeline, for a total of \$120,000 to be used to fund this. The net affect is that there will be about \$19,000 less than the current general fund appropriations for '05-'07 even with the addition of this employee.

Sen. Krebsbach: I understand that Rep. Skarphol is saying, however, there is in the general fund at this time of the budget processing, there would be an additional \$55,000 from the previous budget, and yet they have reduced, that would be \$19,000 after all of this. But from the Governor's budget that was presented of what the Senate passed over, there would be an increase in the general fund's spending, am I correct in this?

Chairman: I'm looking at this executive version vs. house. That would be correct. \$3 million 38 thousand, 508 dollars as compared to 3 million 94 thousand, 92 dollars.

Sen. Krebsbach: If you look at the 05-07 legislative appropriations, \$2, 344,000 +. If you add \$786,000 to that you come up with 3 million one.

Rep. Skarphol: It's contributable to the reduction in lieu of addition. Having not adding the FTE, I'd admit there would be more money going to the general fund, no doubt about it. This is one of the few

Sen Krebsbach: I need to be refreshed again with the additional employee requested, was it requested in the Governor's budget? It was not requested at that time. This came to light, after?

Chairman: It was part of the treasurer's testimony, a request of us.

Rep. Skarphol: The Senate did not grant it, but the House did.

Sen. Krebsbach: Ok

Chairman: What I'd like to do is ask council to put the data together on help over the last 3 bienniums, I understand we would be talking about operating expenses? Present biennium requirements, too? That would shed some light on the outsourcing of temporary help that has been described.

- The temporary should be funded out of salaries and wages.

Chairman: We could pull that out so we can see what...

Rep Skarphol: I'd like to ask that also be included in that an estimate of the current practices on how much time people are putting in over and above their normal 40 hours.

Chairman: I'm not sure that this would be a formal request, but I'll visit with OMB about this. We had several discussions about this in crossover about what will they provide assistance with?

Rep. Skarphol: I can't give you specifics, but the treasurer assures me that there are things that they passed back to them that they have not have handled in the recent past and other agencies have absorbed those duties and know when the treasurer's office seems to be operating more efficiently, there is more responsibility being handed back, not statutorily, just

by agencies that really weren't responsible for this, we've been taking care of it, we no longer want to. It is your role in the industry.

Chairman: So, what goes around, comes around?

How would we get a handle on that, Lori?

Lori: I believe that Kelly would be able to provide us with.

Chairman: I don't think we visited about that on our side, we can do that as well. There might be a light at the end of the tunnel.

Adjourned.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2005 Conference Committee**

Senate Appropriations Committee

☒ Check here for Conference Committee

Hearing Date: **April 6, 2007 pm**

Recorder Job Number: **5807**

Committee Clerk Signature



Session opened on Treasurer's budget.

Record shows all present at the hearing on this Good Friday.

Requested that the Treasurer read through information.

Kelly: As requested at the last conference committee, you asked us to include any duties that have been added or returned to us during the last biennium. 1. Payment renewal tax return from the auditor's office. This is required to the federal government relating to forestry and a couple of other sub divisions which we prepare reports and it goes back to the federal government. The auditors have been preparing this for several years. 2. Payroll, processing of any changes in payroll and hires, vacation issues, and what have you and were doing the maintenance work on the payroll which we are now doing. Interest allocations is something that is done monthly with OMB, and that is scheduled to be returned to us. 2005 legislation added the duties of the senior mill levy. It is not a difficult task to distribute the dollars, although it is a challenging and time consuming task to collect the data. We have found that to be a little bit more so than we had anticipated. Creation of implementation of Peoplesoft. For us to daily reconcile our records, we have gone from a 1 ½ hour daily process to a 4 hour daily process. We are now up to 8 queries a day, which we have 2 queries previously, so that has become a cumbersome task which we continue to work with OMB, as a matter of fact we had a meeting with them last week to try to continue to fine tune the process we're always looking for ways

that we can make this better. We attained, in 2007, notice of legislation for investment services for the veterans cemetery, which I will say is a small part, \$100,000 is all, but it still takes time and it takes talent to make sure it gets done. We had a FTE in our office for 10 years when I took office which we were not supposed to have, and that person was released in March of 2005, and the things that that person had been providing our agency were redistributed out throughout our staff. Bid ND program. As mentioned in previous testimony, in bringing back dollars into the state of ND so that we can invest them in our local financial institutions. I can share with you, this time, during the last biennium, our office was managing 89 CD's. Yesterday when I counted the CD's that we're managing, 187. So the time that's being consumed, and it's not all been CD's, 90 of them are general fund CD's, but the person that was doing other duties is now really spending the majority of time processing the state's dollars, it's a good program to have, because we have those dollars. Contract services, self explanatory. The \$20,000 that we put forward is that \$20,000 that we had in contract services that was for a CPA to come into our office and do duties that we need to have done by a high caliber person. In the current administration, we average 11.5 additional hours per week from our staff, every week, and that's from our employees, not to mention the additional time. The request is to get the work, not just to fix the preparation situation.

Rep. Tallackson: Are there additional duties assigned from the legislature?

Kelly: The duties that I have noted that came from the '05 legislation are duties that came from the legislature, the other ones were duties that were moved. I wasn't here. All I can tell you is that when we got here, we were having folks knock at our door and tell us that we were getting them back.

Rep. Skarphol: How often does Senior Mill Levies change? Is this something you have to update whenever you're going to do a distribution to make sure whether or not they have th

ability to change, or are you notified by the entity that makes the change, that they've made a change.

Kelly: The data is collected by our Senior Service Centers, that data is collected and put together and sent to the County Auditor who is responsible to make sure the data is correct, finding it and sending it off to them. 8 out of 10 times, the information that we receive is not correct and we have to go to the direct source to make sure that what is required by law is recorded by law before the dollars can be distributed.

Remind us again of the present FTE level and describe the organization chart.

Kelly: We have 6 FTE in our agency including myself. We have looked at PIQ's, we have tried to work duties around them and have done the very best with what we have. The FTE's that we are requesting would be a budget analyst 2 or 3 and is in reference to an audit funding that has been tacked on to the state treasurer's office for the last 2 state audits. We do not have an auditor, or accountant in the state treasurer's office. My deputy has a CPA degree, but he is a non-classified position, and should I not be there, it would be the choice of whoever serves in my capacity to appoint that person, and we don't know if that person would have CPA credentials. The audit finding requires us to have someone with a minimum of 4 year accounting degree that can help process and do the calculations and tax distributions in which we do to 500 different distributions, 500 political subdivisions.

Tell us again why the Governor did not put it in your budget.

Kelly: You would have to ask OMB that, because I don't claim to know what the Governor is thinking.

Good answer.

Sen. Tallackson: What is the rationale for the 2 cuts of \$20,000 out of \$45,000 operating expenses?

Rep. Skarphol: Those parts were used to fund the position in all actuality, or the partial funding of the position.

I think at the next meeting, we'll have OMB come through and give their perspectives on this list. I had one side bar, and again, in the big picture, this is not a big issue for any of us on this issue, but from a philosophical prospective, it is something that we need to do, given the relationship with OMB. I think we'll have them walk through on the perspectives. We are not supportive of adding an FTE. They just don't feel it matches this sub committee, at least the Senate's actions just from the standpoint, we have to draw the line somewhere. I don't see us going on 15 meetings with this either, so.

How will the cuts of \$20,000 affect you?

Kelly: The \$20,000 is what we had spent in the biennium for contract services, we have asked that that be moved from an operating line to a summary line to accommodate the support of the FTE. I guess it's our way of saying, if you believe this is an important position, we're willing to move to help support it.

I would hope to settle this if there is another meeting.

Rep. Skarphol: If I can comment on the response to it. If you asked or checked the Gasby recommendations with regard to auditing, and the segregation of duties of state government, I think you would find that the Gasby would recommend the duties of this office could not in good conscience be provided by OMB, quite frankly.

Is Gasby the ____?

Rep. Skarphol: We realize that we do things that aren't necessarily the best practice, but I don't think it actually reflects well on us to do things that aren't in the best practice.

We're consistent then.

Page 5
Senate Appropriations Committee
Bill/Resolution No. **SB 2005 CC**
Hearing Date: **April 6, 2007**

Rep. Skarphol: Yes

ADJOURN

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2005 Conference Committee**

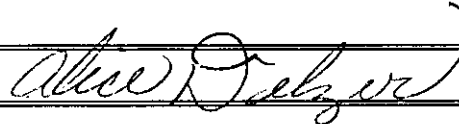
Senate Appropriations Committee

☒ Check here for Conference Committee

Hearing Date: **April 9, 2007**

Recorder Job Number: **5830**

Committee Clerk Signature



Session opened, all members present.

Pam Sharp from OMB discussing providing assistance.

I'll first start out, the topic is the FTE, the thing that we did not include in the treasurer's office in the governor's recommendation, we did include 3/4ths of a million dollars for a system re-writes and to tell you the truth, we were looking at the big picture. In looking at adding that much money in the treasurer's office, that was a considerable increase. We were also concerned with sustaining the ongoing expenditures for the entire budget, already had added several FTE's with which we are required to add. It really was a matter of we had to draw the line somewhere and that is why we didn't include CFTE's for the treasurer's office. We work with the treasurer's office a lot, our accounting staff. We've assisted them a lot in cash reconsiliation and a lot of catch-up work to do, and particularly reconciling cash has been an issue in the years past. Our accounting staff has helped them a lot. The staff does the interest allocation for the treasurer's office and I believe that they do want to take that back at some point. It is a fully automated interest allocation. I would imagine it's a spreadsheet, or, I know that they have it very well automated when it does go back to the treasurer's office, I think the entire automation goes back.

We also provided a service for a while for small agencies for payroll and we did that for the treasurer's office for quite awhile too, we just thought that the agencies that needed some

assistance in doing their payroll, we actually did the treasurer's office payroll for awhile and not it has gone back to you now, is that correct?

Some other things we took into consideration, when we didn't provide the FTE, and the I know the treasurer's office feels they're very short-staffed, I know we've done some other things with Peoplesoft, that alleviates a little bit of their workload. For instance, in just the last several months, we don't have any, maybe less than 100, are printed out. Employees have to log on to Peoplesoft and print out their page, rather than having them all printed out and distributed by the treasurer's office. In addition, more and more checks are being done on the card which eliminates the distribution from the Treasurer's office. I've been asked if there are any duties that the OMB could take over, any functions of the treasure's office, and I don't think there are any duties that we can take from the treasurer's office because, I believe they are all statutory, with the exception of the interest allocation. I think everything else is statutory, I'm sure the treasurer can address that. Most of the duties are statutory.

Rep. Skarphol: Pam, when you were doing the budget for the treasurer's office, and the FTE was considered, was the \$20,000 out of operating and the \$45,000 considered or not considered in making these changes in the budget.

Pam S: I have to direct that to Lori, I don't know the answer.

Lori: Since the budget came out, they found they could reduce \$20,000 from their operating, and also looked at projections with tax was provided to them, we do see that \$45,000.

Rep. Skarphol: I don't know if Pam or Lori wants to answer, if you discount the computer system and don't count the computer system and you discount the inflationary increases in wages and benefits, is not the treasurer's budget LESS than what you had last time, by about \$19,000?

Lori: That is correct, but this was not taking into account the reduction.

Rep Skarphol: I believe there has been a projection made on what is required, and typically it comes in less than what the projection is, to insure that there is sufficient money available and it depreciates on an annual basis and therefore there is usually turnbacks.

Chair: *Is that going to continue to decline?*

Rep. Skarphol: I would assume the appreciation rates should decline as well, so there will always be some amount of money in leu of taxes.

Chair: *And we statutory assigned that to the treasurer's office?*

Pam S: Yes

Chair: *What if we statutory assigned it to OMB?*

Pam S: Then it would run through OMB. Lori...

Lori: It's just a special line in the treasurer's office, and it makes that payment.

I think this has been going on for the last 3 or 4 bienniums.

Rep. Skarphol: I would submit to you that there is somewhat of a separation of powers on checks and balances entered into this and having the treasurer's office disperse those types of funds. One thing for OMB to do payroll, it's another for it to be distributing tax dollars back to Political Subdivisions.

Rep. Glasheimer: I thought there was some talk of taking over responsibilities back from OMB and other departments?

Lori: I'm the only one that I'm aware of is that interest allocation, that one of our accounts is doing right now, that's the only one that I'm aware of that we're doing in our office.; I don't know about other agencies.

Rep. Skarphol: How much consideration did your office give to the auditor's recommendation? They need to have an accountant with a 4-year accounting degree on staff?

Lori: I believe Lawrence is a CPA, and has a degree.

Rep. Skarphol: That's correct, he's also a non-classified employee, and in the interest of continuity, I think the auditor's office felt rather strongly that based on previous problems that there could be continuity and he recommended a 4-year accounting degree to be a classified employee in that department.

Lori: No, if there is a recent recommendation, I guess I'm not aware of that. I don't remember having discussions about that.

Chair: We'll have another meeting and have the auditor here.

Adjourn the third meeting

Will schedule another meeting

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2005

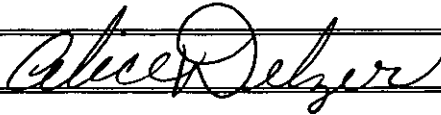
Senate Appropriations Committee

☒ Check here for Conference Committee

Hearing Date: 04-11-07

Recorder Job Number: 5923

Committee Clerk Signature



Minutes:

Chairman Grindberg opened the hearing at 3:30 pm on April 11, 2007 regarding SB 2005.

Let the record show that all conferees are present. They are Senators Krebsbach and Tallackson; Representatives Skarphol, Thoreson, Glassheim. Allen Knudson from Legal Council and Lori Lashkowitch from OMB were also present.

Gordy Smith, State Auditor's Office shared that back in 2003 and 2005 there were audits done. He explained that back in February of 2002 a controller position was filled and should have been filled with someone with an accounting degree. The State Treasurer hired someone without that training and subsequently went and had the position reclassified so that action downgraded the controller position. Because of this our staff who came in and worked with the Treasurer's Office regarding reconciling cash felt that this was a significant relationship to the inability to reconcile cash. Once PeopleSoft was installed the reconciling the cash was off by more than \$1 million. Comment was also made regarding colleges not being to reconcile after going on PeopleSoft. He referred to CAFR, the State's financial statements and comments regarding bonding companies. He stated prior to February 2002 the position was filled by an accountant. (03.03) Reconciliation needs to be done every day.

Chairman Grindberg commented that he recalls the colleges having issues with PeopleSoft. Many accountants could not figure it out. Discussion followed regarding the position and

responsibility of the Deputy in the Treasurer's Office. He commented that it is his/her responsibility to see conversion goes well. He asked what other problems or issues may arise because of unqualified person in that position.

Gordy Smith stated the Deputy is a CPA and that is a good decision. Our people have stated that his help has been very beneficial and he is reconciling or trying to keep up to date with reconciling cash. Part of his duties are to reconcile cash and oversee the process of distributions.

Chairman Grindberg stated this is all about prior years and does not apply to our current Treasurer. She and the Deputy are doing a great job. The question is do we need the office. In my opinion we do because the people have voted they want it but do we need to expand the office.

Gordy said that they did not do a man power study. He feels if they had the position in question filled it would eventually free up our office. We are always willing to help and the Treasurer's Office has not hesitated to ask for our help when they need it, which we appreciate very much. It also depends on who they hire concerning the learning curve. He shared some thoughts on that issue. (11.35) If Legislature decides to grant that position and after a few years they get caught up and don't need that position anymore they can remove it.

Chairman Grindberg asked if there were any other questions for Gordy. Seeing none he thanked him for coming. He commented that was good information. He stated he had a request to hold the bill.

Senator Tallackson asked if the detention is the one employee.

Chairman Grindberg said yes it is the FTE. He said our leader wants to talk to the House leader regarding this bill. The hearing was adjourned on SB 2005.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2005

Senate Appropriations Committee

☒ Check here for Conference Committee

Hearing Date: 04-17-07

Recorder Job Number: 6076

Committee Clerk Signature



Minutes:

SB 2005

Senator Grindberg opened SB 2005 all present

Senator KrebsBach introduced amendment meant to add requested FTE but limit . It is the intent of the Legislative Assembly to limit future FTE's in the Treasurer's Office thereby addressing the concern of this request.

Senator Grindberg indicated it is the desire of Senate to not add more FTE's.

Representative Skarphol as long as new duties not added this would be fine.

Senator Tallackson indicated we can only state this for two years.

Representative Glassheim if it means something its fine to add an amendment but do we need a symbolic statement to not expand. It is difficult to cut employees, you either have it or don't. Why would we even state anything about limiting?

Senator Grindberg asked if we want another meeting on this.

Representative Skarphol stated in other words we are stating the Treasurer's Office won't expand.

Senator Krebsbach motioned the Senate accede to house and further amend, Representative Skarphol seconded. The roll call vote was taken resulting in 5 yes, 1 no. The motion passed.

Senator Grindberg dissolved the conference committee on SB 2005.

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number 2005 (, as (re)engrossed):

Date: 4/12/07
4/17/07

Your Conference Committee Sen approp

For the Senate:

For the House:

	4/12	4/17				4/12	4/17			
✓ <u>Brundberg</u>		✓				<u>Skarphol</u>		✓		✓
✓ <u>Krebsbach</u>		✓				<u>Thompson</u>		✓		✓
✓ <u>Tallackow</u>		✓				<u>Glassheim</u>		✓		no

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the Senate (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

_____ and place _____ on the Seventh order.

_____, adopt (further) amendments as follows, and place _____ on the Seventh order:

having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____

HOUSE CARRIER: _____

SENATE CARRIER: _____

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: Krebsbach

SECONDED BY: Skarphol

VOTE COUNT: _____ YES _____ NO _____ ABSENT

REPORT OF CONFERENCE COMMITTEE

SB 2005: Your conference committee (Sens. Grindberg, Krebsbach, Tallackson and Reps. Skarphol, Thoreson, Glassheim) recommends that the **SENATE ACCEDE** to the House amendments on SJ page 1123, adopt further amendments as follows, and place SB 2005 on the Seventh order:

That the Senate accede to the House amendments as printed on page 1123 of the Senate Journal and pages 1164 and 1165 of the House Journal and that Senate Bill No. 2005 be further amended as follows:

Page 1, line 1, after "treasurer" insert "; to provide legislative intent"

Page 1, line 2, remove the first "and"

Page 2, after line 10, insert:

"SECTION 5. LEGISLATIVE INTENT - FUTURE ADDITIONAL EMPLOYEE POSITIONS. It is the intent of the sixtieth legislative assembly that future legislative assemblies not approve any additional employee positions for the office of the state treasurer and that any future expansion of administrative duties or responsibilities relative to state treasury activities be assigned to the office of management and budget."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2005 - State Treasurer - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$705,493	\$705,493	\$120,684	\$826,177	\$826,177	
Operating expenses	923,015	923,015	(20,000)	903,015	903,015	
In lieu of tax payments	<u>1,410,000</u>	<u>1,410,000</u>	<u>(45,000)</u>	<u>1,365,000</u>	<u>1,365,000</u>	
Total all funds	\$3,038,508	\$3,038,508	\$55,684	\$3,094,192	\$3,094,192	\$0
Less estimated income						
General fund	\$3,038,508	\$3,038,508	\$55,684	\$3,094,192	\$3,094,192	\$0
FTE	6.00	6.00	1.00	7.00	7.00	0.00

Dept. 120 - State Treasurer - Detail of Conference Committee Changes

	ADDS 1 FTE ACCOUNTING POSITION ¹	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	\$120,684	\$120,684
Operating expenses	(20,000)	(20,000)
In lieu of tax payments	<u>(45,000)</u>	<u>(45,000)</u>
Total all funds	\$55,684	\$55,684
Less estimated income		
General fund	\$55,684	\$55,684
FTE	1.00	1.00

¹ This amendment adds funding for 1 FTE accounting position and reduces funding for operating expenses and in lieu of tax payments. The conference committee agreed to this position.

The House added a section identifying one-time funding included in the budget and providing for a report to the 61st Legislative Assembly on the agency's use of the one-time funding. The conference committee agreed to this action.

The conference committee added a section of legislative intent that future legislative assemblies not approve any additional employee positions for the State Treasurer's office and that any future expansion of duties relating to state treasury-related activities be assigned to the Office of Management and Budget.

SB 2005 was placed on the Seventh order of business on the calendar.

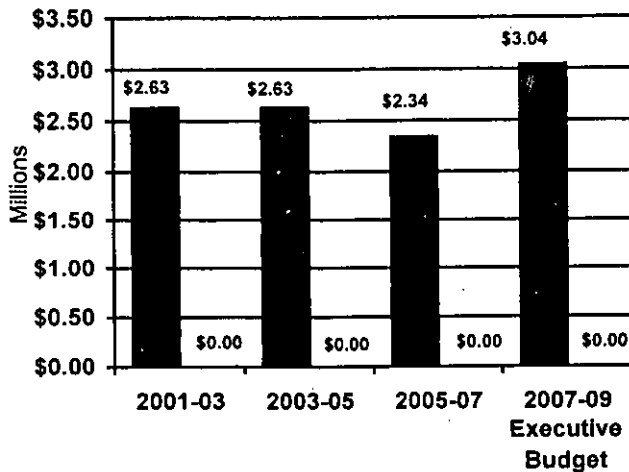
2007 TESTIMONY

SB 2005

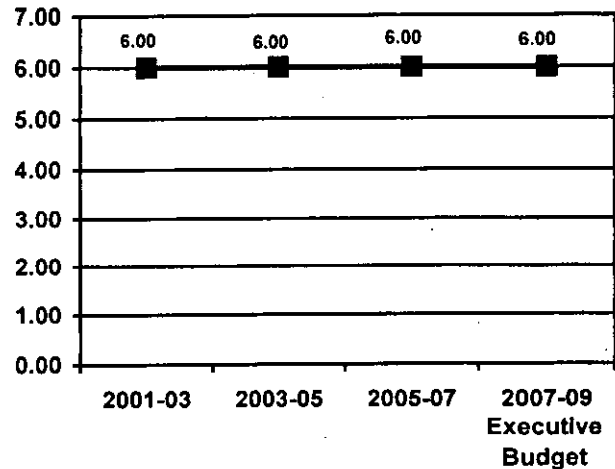
Department 120 - State Treasurer
Senate Bill No. 2005

	FTE Positions	General Fund	Other Funds	Total
2007-09 Executive Budget	6.00	\$3,038,508	\$0	\$3,038,508
2005-07 Legislative Appropriations	6.00	2,344,547	0	2,344,547
Increase (Decrease)	0.00	\$693,961	\$0	\$693,961

Agency Funding



FTE Positions



■ General Fund □ Other Funds

First House Action

The Senate did not change the executive budget recommendation for the State Treasurer.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Decreases funding for payments to counties in lieu of property taxes on carbon dioxide pipeline property from \$1,545,000 to \$1,410,000, pursuant to North Dakota Century Code Section 57-06-17.2	(\$135,000)		(\$135,000)
2. Adds funding for information technology contractual services to rewrite mainframe software programs relating to tax distributions (executive budget identified as one-time funding)	\$768,228		\$768,228

Other Sections in Bill

Section 4 of Senate Bill No. 2005 provides for the statutory changes necessary to increase the State Treasurer's salary as follows:

Annual salary authorized by the 2005 Legislative Assembly:

July 1, 2005	\$66,802
July 1, 2006	\$69,474

Proposed annual salary recommended in the 2007-09 executive budget:

July 1, 2007	\$72,253
July 1, 2008	\$75,143

The executive budget recommendation provided funding for elected officials' salary increases equal to 4 percent of salaries, effective July 1, 2007, and 4 percent, effective July 1, 2008.

Continuing Appropriations

No continuing appropriations for this agency.

Major Related Legislation

At this time, there is no major legislation affecting this agency.

Office of State Treasurer

SB 2005

Duties which have been added or returned from the last biennium

- Federal Payments in Lieu of Taxes returned from the Auditor's Office
- Payroll returned from OMB
- Interest Allocations – OMB (scheduled to be returned)
- Senior Mill Levy (2005 legislation)
- Added workload created from the implementation of PeopleSoft, daily reconciliation increased from a 1.5 hr process to 4 hour process.
- Investment Services for the Veterans Cemetery (2007 legislation)
- Investment Services for the Credit-Sales Contract Indemnity Fund (2007 legislation)
- Re-distribution of duties from the half time temporary employee who was released in March 2005 and had been here for over 10 years.
- BID-ND Program which has increase revenue to the general fund and numerous political subdivisions.

Contract Services and Temporary Salaries

- 01-03 Biennium \$15,383.50
- 03-05 Biennium \$ 10,705.34
- 05-07 Biennium \$ 20,071.20

Additional work hours provided by staff

- 03-05 Biennium – 6 months the current administration is estimated at 520 total hours.
- 05-07 Biennium to date = 1058 hours....we average 11.5 additional hours per week.

Senate Bill 2005

Testimony

Kelly Schmidt
North Dakota State Treasurer

Senate Appropriations
January 16, 2007

The primary mission of the State Treasurer's Office is to fulfill our constitutional and statutory responsibilities in order to assure sound financial oversight and absolute safety of all public funds collected, managed and disbursed. We support this mission through our efforts in four functional areas:

1. Accounting and Receipting
2. Securities and Investments
3. Cash Management
4. Tax Collections and Distribution

The State Treasurer's Office is a small agency with 6 full time employees, including myself.

Accounting and Receipting

The State Treasurer's Office processes the receipts and income deposits for all state agencies as well as the reconciliation of their accounts. Friday alone, we processed \$16 million in deposits, \$34 million in checking transactions.

We are proud of our relationship with the Bank of North Dakota. It is through this partnership and the implementation of their new core

banking system we continue to improve our processes and find efficiencies throughout state government.

Securities and Investments

The Treasurer serves as the custodian for all state funds and is the fiduciary of many. Our office provides investment management services for state agencies as well as many trust funds throughout state government. These funds include, but are not limited to:

- The General Fund
- Abandoned Mine Reclamation Fund
- Oil Tax Resource Fund
- Veteran's Post War Trust Fund

We also provide investment management for over 10 agriculture commodity groups across the state of North Dakota. The majority of these investments are made through our **BidND** program.

Introduced in July of 2005, BidND has touched around 60 North Dakota communities and has invested nearly \$ 7 million in financial institutions across the state. By investing North Dakota dollars in North Dakota, BidND has strengthened local communities and enhanced opportunities for growth. I believe we are asking others to invest in North Dakota; it's time we invest in ourselves.

BidND works through a bid process administered through the State Treasurer's Office. We send out email bids...the highest rate receives the

invested funds, the majority invested in 12 month CD's. Last week we received bids ranging from 3.8% to 5.5%....the most recent communities to received BidND dollars are Mandan, Fingal, Finley and Parshall.

Cash Management

The Treasurer's cash management responsibility extends to all areas of State Government. Cash management involves expediting the receipts and deposits of income and investing state funds to maximize returns, all while minimizing risk and maintaining cash flow.

Our interest income levels have far exceeded the legislative forecast...in some cases over 900% for 3 reasons.

1. We have more dollars to invest
2. Interest rates have gone up
3. Effective cash management.

This is where we shine.....we have been able to move the management of cash to a new level in North Dakota.

From our vantage point we are able to view the cash flow of each agency in state government. By empowering people through education and communication we have been able to maximize our returns like never before.

For Example:

- Higher Education
- Department of Human Services
- Department of Transportation

In this day and age of immediate transactions communication is the key.

Tax Distributions

The State Treasurer's Office is responsible for allocating the funds of nearly 30 separate tax distributions to over 500 political subdivisions.

The executive budget recommendation for the 07-09 biennium includes funding for the re-writing of our Tax Distribution system in the amount of \$768,288. This is a **one time** expenditure....maintenance costs after completion of this project are already included in our present operating budget.

Our Tax Distribution program was written in the early 1970's in natural language. These 6 separate programs are used to distribute millions of dollars to hundreds of political subdivisions. These funds include the Highway Tax, Estate Tax, Oil and Gas, State Aid (Revenue Sharing), Township Road, Cigarette and the Outstanding Check System.

In order to provide accurate and timely tax distributions we need a system that is adaptable to change. The current system significantly limits our ability to update for any change without programming from ITD.

Re-writing these programs in a user friendly environment will allow us to maintain and update system tables which currently require ITD programming. Additional functionality will be added allowing us the opportunity to make changes. Currently any corrections made to previously entered data, requires ITD to restore the previous days backup...which then requires us to re-input the entire days work just to

change one number. This is labor intensive, inefficient and cost prohibitive.

As the number of programmers, who can maintain our system, decreases; the responsiveness to system failures or legislative changes will take longer to implement and could adversely affect the timeliness and accuracy of all state tax distributions.

Our IT costs have more than doubled from the last biennium as we continue to address the issues associated with this antiquated system.

Our recent state audit report states "The tax distribution system is a high risk IT system critical to the State Treasurer's Office." ITD estimates this project to take 23 months to complete. The SITAC committee placed this project 3rd on their list of 14 in the order of importance. We are at a critical point.

We have a request in addition to the Executive Recommendation and would like to submit an amendment for the addition of an FTE.

We have accomplished much but there is so much more to do. It is crucial we continue to build on our successes but to move forward we need to have the resources to complete our day to day obligations....obligations which have not been addressed for years. We continue to bob just above the oceans surface.

This FTE would help us to address the issues of:

1. Work Flow/Segregation of duties:
2. Two time audit finding which requires us to have a Controller with a 4 year accounting degree
3. Work load - which was redirected from the release of a ½ FTE. This person was in the office and paid out of operating line for 10 years as a contract employee. This position was eliminated in February 2005 because it exceeded our FTE authority.

With this amendment, we are requesting \$55,000 new dollars for the addition of a FTE. We have \$20,000 from our operation line which has been spent on contract services. We request this be moved to the salary line to help offset the cost of this new position. We have also found an additional \$45,000 from the Co2 pipeline line item which we ask be moved to the salary line.

If we exclude the one time expenditure for the Tax Distribution system, our '07-'09 appropriation request, including the additional FTE, is approximately \$19,000 less than what was appropriated in the '05-'07 biennium.

Website

We have reached a new level in the advancement of technology with the development of our new website. Our website was designed through the cooperative effort of ITD and a web design student at Bismarck State College. This partnership helps us to provide information to the citizens of North Dakota which has never before been available all while maximizing

our budget dollar and providing opportunities in education. This is the first step in moving our agency forward as a ...seamless, paperless, defect free operation.

The Tax Distribution portion of the sight uploads from our Tax Distribution system which is used not only by those in state government, but also the 500 political subdivisions we distribute dollars to on a regular basis. We are in the process of weaning these entities from paper notification to looking to the website for distribution information. This will save us dollars in labor, postage and paper.

We have had positive comments from auditors out in the field using the site, legislative council and citizens across the state. I encourage you to check out the site www.nd.gov/ndtreas I believe this will be of great asset to you as we move through the legislative session.

I am so grateful to have the opportunity to serve as your 33rd State Treasurer. Public Service requires a solemn oath to do your very best. I am committed to an agenda that places the public interest at the center of every task, every day. The State Treasurer's Office will always be accountable and responsive to you and the people of North Dakota. You can count on it!

PROPOSED AMENDMENTS TO SENATE BILL NO. 2005

Page 1, line 16, replace "\$60,733" with "\$181,417"

Page 1, line 17, replace "768,228" with "748,228"

Page 1, line 18, replace "(135,000)" with "(180,000)"

Page 1, line 19, replace "\$693,961" with "\$749,645"

Page 2, line 1, replace "\$705,493" with "\$826,177"

Page 2, line 2, replace "923,015" with "903,015"

Page 2, line 2, replace "1,1410,000" with "1,365,000"

Page 2, line 4, replace "\$3,038,508" with "\$3,094,192"

Office of State Treasurer
FTE Request

House Appropriations
Government Operations

- **Agency Operation Audit Finding**

Biennium ended June **2003**

Biennium ended June **2005**

"The Office of State Treasurer has a controller position which is responsible for various professional accounting duties. Based on these duties and the function of the State Treasurer's Office, **it is imperative that the office have a controller that, at a minimum, has an accounting degree.** The classifications that most closely fit the duties of the controller are either an Accounting Manager or an Accounting/Budget Specialist II or III."

- **State Agency Processes**

Identify and address efficiencies throughout state government.

Cooperative changes in how we process finances will not only bring dollars to the bottom line of our agency, but others as well. To date - we have identified Game & Fish, BND, DHS and Central Duplicating. Processing changes to Game and Fish alone would bring as much as \$350,000 in savings annually throughout 4 state agencies.

Our agency continues to find efficiencies and savings in our processes which move us towards our goal of being a seamless, paperless, defect free operation...value to the bottom line.

Expand the BidND program. To date BidND has placed \$7 million dollars in nearly 60 communities throughout the state. We are currently managing 93 CD's for BidND alone. 2007 legislation will add millions of dollars to this program... which require labor resources.

Cash Management. Our role is to take advantage of our state's strong fiscal position and leverage the dollars to their greatest capacity. We have demonstrated our ability to do this by adding \$23 million in interest income to the general fund. January numbers placed us at 473% over the legislative forecast for interest income. Investing dollars takes time and talent...we are currently managing 90 general fund CD's...we anticipate this number will continue to grow.

- **Funding**

Although the Executive budget allowed agencies to request funding at 100%, the Treasurers Office lowered our request \$135,000. After adding the 4% Salary increases our budget is still \$74,000 lower than the 05-07 biennium. We are asking that \$55,000 of this amount be returned to the Office of State Treasure so that it may be combined with \$20,000 from our current operating line (which was used for contract services) and \$45,000 from the CO2 pipeline for a total 120,000. All said...our general fund appropriated budget for 2007-09, minus the one time expenditure for the Tax Re-write, will be \$19,000 less than our current general fund appropriation for 05-07.

Senate Bill 2005

Testimony

Kelly Schmidt
North Dakota State Treasurer

House Appropriations
Government Operations

February 21, 2007

The primary mission of the State Treasurer's Office is to fulfill our constitutional and statutory responsibilities in order to assure sound financial oversight and absolute safety of all public funds collected, managed and disbursed. We support this mission through our efforts in four functional areas:

1. Accounting and Receipting
2. Securities and Investments
3. Cash and Process Management
4. Tax Collections and Distribution

The State Treasurer's Office is a small agency with 6 full time employees, including myself.

Accounting and Receipting

The State Treasurer's Office processes the receipts and income deposits for all state agencies as well as the reconciliation of their accounts. Last week alone, we processed \$59.3 million in deposits, \$ 52.5 million in checking transactions. Yesterday, we had \$631 million held at the Bank of North Dakota; currently we are invested out 104 days. Both numbers continue to be at record levels.

We are proud of our relationship with the Bank of North Dakota. It is through this partnership and the implementation of their new core banking system we continue to improve our processes and find efficiencies.

Securities and Investments

The Treasurer serves as the custodian for all state funds and is the fiduciary of many. Our office provides investment management services for state agencies as well as many trust funds throughout state government. These funds include, but are not limited to:

- The General Fund
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BidND works through a bid process. We send out email bids...the highest rate receives the invested funds, the majority are invested in 12 month CD's. Last week we received bids ranging from 4.2% to 5.65%....recent communities to

received BidND dollars are Kenmare, Parshall, Langdon, Edgeley, Mandan and Fingal.

Cash Management

My role as treasurer is to take advantage of our state's strong fiscal position and leverage the dollars to their greatest capacity through effective cash management. Our cash management responsibility extends to all areas of State Government. Cash management involves expediting the receipts and deposits of income and investing state funds to maximize returns, all while minimizing risk and maintaining cash flow.

Our interest income levels have far exceeded the legislative forecast...in some cases over 900%. To give you a comparative –

- December of 2004 interest income was \$310,736
- December of 2006 interest income to the general fund was \$1,546,392 this was a 397% increase for the month of December alone.

These increases have been achieved for 3 reasons:

1. We have more dollars to invest
2. We have experienced an increase in interest rates – which has now leveled off
3. The effective **management of cash** and the **management of processes throughout state government.**

Process Management

From our vantage point we are able to view the cash flow of each agency in state government. By empowering people through education and communication we have been able to maximize our returns like never before. For Example:

- Higher Education **(draw downs are now being done a regular basis)**

- Department of Human Services (the person responsible for the federal draw downs was taking Friday's off on a regular basis, someone has now been trained to make the draw down in her absence. State funds are dispersed on Tuesday and reimbursed by the Fed's on Friday....we don't want to wait until Monday or Tuesday to recoup our expenses.)
- Department of Transportation (They now advise us of any expenditures over \$5 million)

In this day of immediate transactions efficiency and communication is the key. There are many more opportunities to be identified which will bring dollars to the bottom line.

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Our recent state audit report states "The tax distribution system is a high risk IT system critical to the State Treasurer's Office." ITD estimates this project to take 23 months to complete. The SITAC committee placed this project 3rd on their list of 14 in the order of importance. We are at a critical point.

The Senate approved our budget with this one time expenditure to re-write our Tax Distribution Program.

Website

We have reached a new level in the advancement of technology with the development of our new website. Its design is a result of the continuous efforts of our office to modernize and make processes more efficient. Our website was designed through the cooperative effort of ITD and a web design student at Bismarck State College. This partnership has helped us to provide information to the citizens of North Dakota which has never before been available all while maximizing our budget dollar and providing opportunities in education. This is the first step in moving our agency forward as a ...seamless, paperless, defect free operation.

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We have had positive comments from auditors out in the field using the site, legislative council and citizens across the state. I encourage you to check out the site www.nd.gov/ndtreas I believe this will be of great asset to you as we move through the legislative session.

Additional Request

We have accomplished much but there is so much more to do. It is crucial we continue to build on our successes but in order to move forward we need to have the resources to complete our day to day obligations....obligations which

have not been addressed for years. We continue to bob on the oceans surface.

We had requested an additional FTE when we submitted our budget which was not included in the Executive Recommendation. We would like to address that request today and offer an amendment for the addition of a FTE for your review.

Over the course of the last two years we have taken back duties which are required of our office but were being done elsewhere in state government.

For Example:

- Federal Payments in Lieu of Taxes – Auditor's Office
- Interest Allocations – OMB (scheduled to be returned)
- Senior Mill Levy (added duties from last session)

2007 Legislation would add the investment services of the Veterans Cemetery Fund (passed in the Senate) and the Credit-Sale Contract Indemnity Fund. (passed in the House)

This FTE would allow us to address many issues including:

- Our work flow and the segregation of duties – this is a challenge with a staff of 6.
- Audit Recommendations – twice the Office of State Treasurer has received an audit finding for our controller position, which the auditor's office recommends hold a 4 year degree in accounting.
- Work load – In addition to the duties mentioned above, work was redirected from the release of a ½ FTE. This person was in the office and paid out of the operating line for 10 years as a contract employee. This person did not meet the state requirement of a contract employee and was eliminated in February 2005 because it exceeded our FTE authority.

With this amendment, we are requesting **\$55,000 new dollars for the addition of a FTE**. We have \$20,000 from our operation line which has been spent on contract services. We request this be moved to the salary line to help offset the cost of this new position. We have also found an additional \$45,000 from the Co2 pipeline line item which we ask be moved to the salary line.

If we exclude the one time expenditure for the Tax Distribution system, our '07-'09 appropriation request, including the additional FTE, is approximately **\$19,000 less than what was appropriated in the '05-'07 biennium**.

I am so grateful to have the opportunity to serve as your 33rd State Treasurer. Public Service requires a solemn oath to do your very best. I am committed to an agenda that places the public interest at the center of every task, every day. The State Treasurer's Office will always be accountable and responsive to you and the people of North Dakota. You can count on it!