

2013 SENATE APPROPRIATIONS

SB 2008

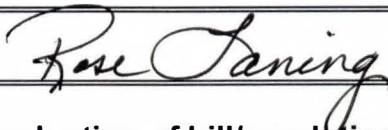
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2008
January 17, 2013
Job # 17384

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Minutes:

Testimony attached # 1.

Adam Mathiak - Legislative Council
Sheila Peterson - OMB

V.Chairman Grinberg called the committee to order on SB 2008.

Robert Entringer, Commissioner, Department of Financial Institutions

Testified in favor of SB 2008

Testimony attached # 1

(10:38) **Senator Warner:** It's been a decade since I've been on House Appropriations. I remember you had significant problems with turnovers at that time. Is this just the new normal as far as compliance officers?

Robert Entringer: It's not really a new normal for us. It's the continuing normal. We end up training them and they go to the private sector and work for banks and credit unions. We're an excellent training ground for those areas.

Senator Warner: Do you run into problems with conflict of interest with compliance officers? There's firewalls built into your system so that you're not inspecting - is there too cozy of a relationship between compliance officers and the banks in your department?

Robert Entringer: They can't access the information we have. Typically, our staff goes to work for a bank or credit union as a loan review analyst because that's where we spend the majority of our time. Compliance is more the federal regulatory sectors. We don't do that so they don't hire us for compliance, but primarily for loan review analysts or loan officers.

V.Chairman Grinberg: Clearly everyone in this room, and everyone you work with in the financial services industry, specifically the gentleman sitting behind you to your right. I'm sure he would agree. That would be you, Mr. Clayburgh. The way we perform our

business in ND, the financial institutions and the business practices did not create the problems in this country. It's with the financial breakdown. Our push with doing business is much different than many other states and banks that have contributed to this recession. There's been some talk about a concurrent resolution urging Congress to repeal Dodd/Frank. Do you have an opinion on that?

Robert Entringer: Dodd/Frank has created a huge compliance burden for banks. I've heard various numbers on - at what level a bank or credit union can continue to exist and still be viable? Ranging from \$70M to \$250M to \$500M, it depends on who you're listening to. It is a huge compliance burden and I honestly think we've got mergers pending. The reason they're doing it is because they're able to merge with a larger bank that has the compliance staff in the bank so they don't have to deal with that. It's a very very costly burden. They have to outsource that and it is extremely costly.

I don't know that you'll be successful in repealing Dodd/Frank, but that would scale it back to a community bank charter and not supply some of those criteria on the community banks. It would be extremely helpful because I think you are going to see a number of banks, not just in ND, but nationwide. They are going to continue to decline because people just are throwing up their hands. It's just too costly and too complex.

Rick Clayburgh, President and CEO of ND Bankers Association

Testified in favor of SB 2008

No testimony attached. He said Mr. Entringer did a nice job of explaining what his department does and the relationship they have with the banks. He's speaking on behalf of the banks. We only wish that the regulations that came out of Washington, and the folks that deal with that and their banks, had the same professional level that his compliance folks have when they come in to do the exams in his bank. They are certainly very strict and make sure the laws are followed, but they're also reasonable and easy to deal with in terms of our relationship with them. We support them. Our dues help finance them and we believe that their appropriation request, in terms of the banks, is a reasonable request and we support that.

We would also support the repeal of Dodd/Frank, Mr. Chairman.

Jeff Olson, VP of Advocacy for the Credit Union Association of the Dakotas.

Testified in favor of SB 2008

No testimony attached. He said they are the professional trade association for credit unions in North and South Dakota. There are nearly one hundred of them. We represent about 450,000 members in the two states - about 207 in North Dakota. They are also in support of the bill and representing those 23 state charter credit unions. We appreciate the transparency of the departments, including the credit unions and the process, and more recently too, in all the administrative codes that were completed and done at the interim level. We also are suffering the burden of the Dodd/Frank Act. They were here last session at 28 state charter credit unions and we are now down to 23. It is an issue.

V.Chairman Grinberg closed the hearing on SB 2008.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2008
February 15, 2013
Job # 19040

☐ Conference Committee

Committee Clerk Signature

Rose Lanning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Minutes:

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Legislative Council - Brady Larson

Chairman Holmberg opened the hearing on SB 2008.

Senator Carlisle: I don't think there was any subcommittee, but we know how the agency is funded. I think the bill is ok as is.

Senator Carlisle moved Do Pass on SB 2008.

Senator Krebsbach second the motion.

Chairman Holmberg: The only changes in the budget were their salary increases which was part of the governor's package. And the amendment that Brady has, that we are going to move first.

Brady Larson, Legislative Council: The committee can pass out the bill as amended. I do not have an amendment prepared yet, but we can prepare one and have it attached to the bill.

Senator Carlisle moved the amendment.

Senator Krebsbach seconded.

Voice vote on the amendment - carried.

A roll call vote was taken on SB 2008. Yea: 13 Nay: 0 Absent: 0

Senator Robinson will carry the bill.

13
2-18-13

PROPOSED AMENDMENTS TO SENATE BILL NO. 2008

Page 1, replace line 11 with:

"Salaries and wages \$5,356,855 \$712,381 \$6,069,236"

Page 1, replace line 14 with:

"Total special funds \$6,836,318 \$817,363 \$7,653,681"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2008 - Department of Financial Institutions - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$6,055,849	\$13,387	\$6,069,236
Operating expenses	1,428,445		1,428,445
Contingency	156,000		156,000
Total all funds	\$7,640,294	\$13,387	\$7,653,681
Less estimated income	7,640,294	13,387	7,653,681
General fund	\$0	\$0	\$0
FTE	29.00	0.00	29.00

Department No. 413 - Department of Financial Institutions - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Salaries and wages	\$13,387	\$13,387
Operating expenses		
Contingency		
Total all funds	\$13,387	\$13,387
Less estimated income	13,387	13,387
General fund	\$0	\$0
FTE	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

Date: 2-15-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2008

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Brady's Amendment

Action Taken

Motion Made By Carlisle ~~Krebsbach~~ Seconded By Krebsbach ~~Carlisle~~

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

voice carried

Date: 2-15-13Roll Call Vote # 2

**2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. 2008Senate Appropriations Committee☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as AmendedMotion Made By Krebsbach Seconded By Carlisle

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0Absent 0Floor Assignment Robinson

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

REPORT OF STANDING COMMITTEE

SB 2008: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2008 was placed on the Sixth order on the calendar.

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2013 HOUSE APPROPRIATIONS

SB 2008

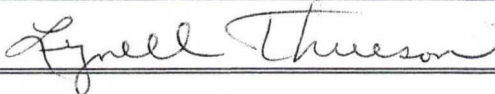
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB2008
March 11, 2013
Job 19727

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Minutes:

Testimony 1

Chairman Thoreson: Opened the hearing on SB2008.

01:00 Robert J. Entringer, Commissioner, ND Department of Financial Institutions:
See testimony attachment 1.

04:34 Chairman Thoreson: Are the five less mergers?

Robert Entringer: Its mergers.

04:52 Robert Entringer continued with his testimony.

08:10 Chairman Thoreson: What types of things are in professional development?

Robert Entringer: Professional development includes dues to various entities we are associated with.

Chairman Thoreson: Is a lot of your travel budget to meetings of those other organizations?

08:35 Robert Entringer: Some is for attendance at those annual meetings and for training.

11:32 Chairman Thoreson: What type of advantage is that to use that option?

Robert Entringer: Whenever there is a new Office version.

14:31 Representative Kempenich: Do you have any vacant FTE positions?

Robert Entringer: We have one.

15:00 Representative Kempenich: Are those examiner positions?

Robert Entringer: They are.

15:23 Representative Kempenich: What is your length of contract?

Robert Entringer: They are four years.

16:07 Representative Glassheim: The amount of money in the trust companies has grown, what explains that?

Robert Entringer: We have a trust company in Fargo called Frontier Trust Company.

16:56 Representative Glassheim: Their business is not ND but working out of Fargo?

Robert Entringer: That's correct.

Representative Glassheim: We've lost 5 state Credit Unions. What happened?

17:15 Robert Entringer: Those were all merged.

Representative Glassheim: How is your current ratio?

Robert Entringer: It depends on who you're comparing us to.

19:05 Representative Glassheim: Will the money in the governor's budget raise the starting salaries?

Robert Entringer: It will probably rise.

19:33 Representative Kempenich: Since your agency is a special funded agency, where are we at?

20:00 Robert Entringer: Generally we don't have turnover.

Representative Kempenich: Are they right out of college?

Robert Entringer: We advertise for an examiner 3 but typically our examiners are right out of college.

21:37 Chairman Thoreson: Closed the hearing on SB2008.

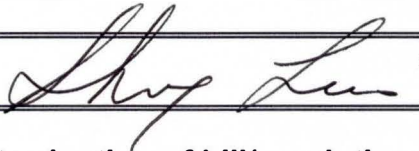
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB2008
March 12, 2013
Recording Job# 19785

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Minutes:

Chairman Thoreson: Opened the discussion on SB2008. All members were present.

Vice Chairman Brandenburg: I think we need to make some adjustments with the pay package.

Chairman Thoreson: Are you talking in regards to the same changes that were made in the first half of the session?

Vice Chairman Brandenburg: I'll make a motion that we make those adjustments according to what we did with the other budgets.

Representative Kempenich: Does that include what we're accumulating on sick leave and everything?

Chairman Thoreson: It's similar to the changes made to the House side.

Representative Kempenich: Seconded the motion.

Representative Glassheim: We know the Senate passed the governor's pay plan and we have changed everything we've sent over there. Do we have to change every bill or do we just change it in OMB?

Representative Kempenich: Every house needs to do the same thing. If we didn't change anything, we'd have to revote on the pay package. If we change everything here and the Senate changes everything back; then it can go to the OMB bill and argue about it.

Representative Glassheim: You'll have to do OMB before everything else. Theoretically, every bill will be restored in the Senate.

Representative Kempenich: You're right.

Vice Chairman Brandenburg: Looking at the OMB, it will get worked out.

Representative Glassheim: It's just that we save OMB until the last day or two.

Voice vote was made on the motion. Voice vote carried.

Representative Hawken: Made a motion for a "Do Pass as Amended".

Representative Sanford: Seconded the motion.

A roll call vote was made for a "Do Pass as Amended." 7 Yeas 0 Nays 0 Absent

Representative Hawken: Carried the bill.

Chairman Thoreson: Closed the discussion.

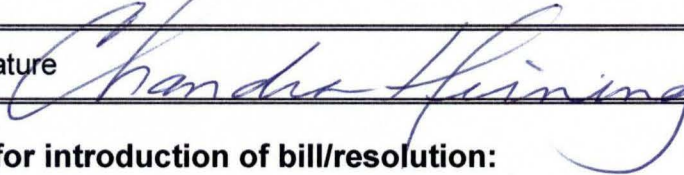
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

SB 2008
April 8, 2013
Recording Job 20990

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Minutes:

You may make reference to "attached testimony."

Rep. Hawken: Introduced the bill and amendment 13.8158.02001.

Rep. Hawken **moved the adoption of the amendment .02001.** Motion **seconded** by Rep. Thoreson.

Amendment adopted on voice vote.

2:30 **Chairman Delzer:** There is contingency money. Did that bill come in separately?

2:42 **Rep. Hawken:** I'm not sure on HB 1084. We did not see that. It may have been put in on the Senate side.

Chairman Delzer: I'm surprised that that would have been in there.

3:06 **Rep. Thoreson:** The only change the Senate made was the compensation package.

Rep. Hawken: Where are you getting the amount?

Chairman Delzer: It's on the green sheet.

3:25 **Rep. Hawken:** I believe the language is in HB1084 because it is not in this bill.

Chairman Delzer: I'm surprised because 1084 was not introduced by the Governor.

3:45 **Rep. Kempenich:** The FN on 1084 was \$136,000.

Rep. Hawken: It is the licensing for the national mortgaging license system.

Chairman Delzer: Does everything get turned back, or is there authority to carry forward?

Rep. Hawken: I believe theirs gets turned back.

Rep. Kempenich: They are a self-funded agency

Rep. Hawken: They are self-funded with the fees that they charge for the audits and examinations and licensing fees. Elaborated.

4:35 **Rep. Monson:** Is HB 1084 just the policy with the money in this contingency?

4:49 **Rep. Thoreson:** Looking at my notes from the agency, it says the expense was "related to switching our consumer license to a nation-wide multi-system. As proposed in 1084, the department DFI has submitted a fiscal note." It says they budgeted it as a contingency so that in the event that 1084 did not pass, they would not need to utilize the money for the program.

Chairman Delzer: If it failed? They put it in if it passed, did they not? They'll use it if it passes.

5:32 **Rep. Thoreson:** It says, "We budgeted it as contingency so that in the event that 1084 did not pass, we would not need to utilize these moneys for the program."

5:43 **Rep. Skarphol:** I find it uncanny the prevalence of having the policy in one place and the money in another. I don't understand why this new practice is so prevalent. I wonder if we need to have some direction to this. I perceive it as an attempt to confuse.

6:17 **Rep. Kempenich:** We had a long conversation about this very subject this morning on our budget. We did attach a study. We will get into this when that budget shows up.

6:38 **Chairman Delzer:** You attached a study somewhere? This is something the budget section could address towards the end. At some point, the budget section does say how they want the bills to be. As far as introducing them, I don't know how we would say that an agency could not find a legislator to put the bill in for them. That seems to be what they're doing.

7:08 **Rep. Skarphol:** I'm not sure that we don't need to send a message by doing significant damage to something that is wanted as a lesson. I find this frustrating. It's a deceptive way to try to get us to do things.

Chairman Delzer: I don't disagree with you, but I'm not sure this is the bill to do that.

7:32 **Rep. Hawken:** It has been brought to our attention that we have asked in past sessions that these things be separated out so we could see them, so that they were not hidden in a budget bill. So now we're turning around saying that we want it the other way. Either way is fine. Part of the reason is that that is how it has been asked for in some past sessions. That idea is still out there. If that isn't what we want, then I think we need to make that clear.

Chairman Delzer: The difference is that when we've asked for it in the past and have separated them ourselves, we've separated the money along with it. This is a case where the policy goes one way, and the money goes the other way.

Rep. Hawken: But the money wasn't budgeted; it was contingency. It was done in good faith in this case. I think we're looking for boogeymen where there aren't any, particularly in this order. Maybe in other places that isn't true, but in this I think they were trying to be above board. If you read through the testimony, it certainly was not an intent to hide.

8:45 **Rep. Skarphol:** I don't disagree with that, just that in this session the money is in one chamber and the policy is in another. It is hard to synchronize that way.

Rep. Hawken **moved do pass as amended.** Motion **seconded** by Rep. Thoreson.

Roll call vote on motion for a Do Pass as Amended. Motion carried.

Yes = 21 No = 0 Absent = 1

Carrier: Rep. Hawken

YK
4/9/13
1082

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2008

Page 1, replace line 11 with:

"Salaries and wages	\$5,356,855	\$393,779	\$5,750,634
Accrued leave payments	0	120,783	120,783"

Page 1, replace line 14 with:

"Total special funds	\$6,836,318	\$619,544	\$7,455,862"
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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2008 - Department of Financial Institutions - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$6,055,849	\$6,069,236	(\$318,602)	\$5,750,634
Operating expenses	1,428,445	1,428,445		1,428,445
Contingency	156,000	156,000		156,000
Accrued leave payments			120,783	120,783
Total all funds	\$7,640,294	\$7,653,681	(\$197,819)	\$7,455,862
Less estimated income	7,640,294	7,653,681	(197,819)	7,455,862
General fund	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00

Department No. 413 - Department of Financial Institutions - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Salaries and wages	(\$197,819)	(\$120,783)	(\$318,602)
Operating expenses			
Contingency			
Accrued leave payments		120,783	120,783
Total all funds	(\$197,819)	\$0	(\$197,819)
Less estimated income	(197,819)	0	(197,819)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

²A portion of salaries and wages funding from other funds (\$120,783) for permanent employees'

2022

compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Date: March 12, 2013
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2008

House Appropriations - Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Representative Hawken Seconded By Representative Sanford

Representatives	Yes	No	Representatives	Yes	No
Chairman Thoreson	x		Representative Glassheim	x	
Vice Chairman Brandenburg	x		Representative Guggisberg	x	
Representative Kempenich	x				
Representative Hawken	x				
Representative Sanford	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Representative Hawken

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

Date: 4/8/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2008

House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number .02001

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Hawken Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

voice vote carrier

Date: 4/8/13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2008

House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 13. 8158. 02001

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Hawken Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert					
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 21 No 0

Absent 1

Floor Assignment Rep. Hawken

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

REPORT OF STANDING COMMITTEE

SB 2008, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2008 was placed on the Sixth order on the calendar.

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¹This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

²A portion of salaries and wages funding from other funds (\$120,783) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

2013 CONFERENCE COMMITTEE

SB 2008

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2008 conference committee
April 17, 2013
Job # 21208

☒ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Minutes:

Legislative Council - Adam Mathiak
OMB - Sheila Peterson & Laney Herauf

Senator Gary Lee opened the conference committee hearing on SB 2008. Roll call was taken.

Senators Bowman and **Robinson** were also present as well as **Representatives Hawken, Thoreson, and Guggisberg**.

Senator Gary Lee: This looks like another one of the salary issues that we'll have to deal with and someone else will have to make those changes. Maybe the House could offer an explanation of why they made the changes just so we have a starting point in rationale.

Rep. Thoreson: From the House's perspective, we looked at the salaries on all issues and some decisions are being made at a pay grade or two above ours. Looking at some of these budgets, we thought this may be a better point for salary compensations and other things. Obviously, there are discussions going on and hopefully at a very near point, we will see some resolution to this. As of now, the House is comfortable with what they did, but with decisions being made in the near hours, we'll be willing to come back and settle.

Senator Bowman: When they agree on the final version of the salary package on all these bills, will they be amended to meet that requirement across the board or do we have to do it bill by bill?

Rep. Thoreson: I believe we have to do it in each bill from what we were explained by council during the deliberations on each of these bills.

Senator Gary Lee: We'll have to come back to make those decisions within each conference committee.

Rep. Thoreson: That was the whole of the House changes to the bill.

Senator Gary Lee adjourned the hearing.

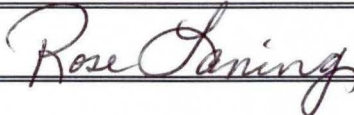
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2008 conference committee
April 22, 2013
Job # 21389

☒ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Minutes:

Amendment

Legislative Council - Adam Mathiak
OMB - Sheila Peterson

Senator Gary Lee opened the conference committee hearing on SB 2008. Roll call was taken. **Senators Bowman** and **Robinson** were also present as well as **Representatives Hawken** and **Guggisberg**. **Representative** was absent.

Senator Gary Lee handed out proposed amendment 13.8158.02002 - attached #1. The only corrections or changes were the compensation packages and Adam brought the amendments to make those changes. Could he review and explain?

Adam Mathiak: Made a brief overview. Go to the backside of the amendment with the footnote and he explained them.

Senator Robinson moved Do Pass on amendment 13.8158.02002.

Representative Hawken seconded the motion.

A roll call vote was taken.

Senators: Yea: 3 Nay: 0 Absent: 0

Representatives: Yea: 2 Nay: 0 Absent: 0

Senator Bowman moved that the House recede from the House amendments and further amend.

Senator Robinson seconded

A roll call vote was taken. Yea: 5 Nay: 0 Absent: 0

JB
4-22-13
1 of 2

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2008

That the House recede from its amendments as printed on page 1237 of the Senate Journal and pages 1313 and 1314 of the House Journal and that Senate Bill No. 2008 be amended as follows:

Page 1, replace line 11 with:

"Salaries and wages	\$5,356,855	\$518,134	\$5,874,989
Accrued leave payments	0	120,783	120,783"

Page 1, replace line 14 with:

"Total special funds	\$6,836,318	\$743,899	\$7,580,217"
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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2008 - Department of Financial Institutions - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$6,055,849	\$6,069,236	(\$194,247)	\$5,874,989	\$5,750,634	\$124,355
Operating expenses	1,428,445	1,428,445		1,428,445	1,428,445	
Contingency	156,000	156,000		156,000	156,000	
Accrued leave payments			120,783	120,783	120,783	
Total all funds	\$7,640,294	\$7,653,681	(\$73,464)	\$7,580,217	\$7,455,862	\$124,355
Less estimated income	7,640,294	7,653,681	(73,464)	7,580,217	7,455,862	124,355
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00	29.00	0.00

Department No. 413 - Department of Financial Institutions - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total Conference Committee Changes
Salaries and wages	(\$73,464)	(\$120,783)	(\$194,247)
Operating expenses			
Contingency			
Accrued leave payments		120,783	120,783
Total all funds	(\$73,464)	\$0	(\$73,464)
Less estimated income	(73,464)	0	(73,464)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

2012

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding from other funds (\$120,783) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Date 4-22-13Roll Call Vote # 1

2013 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2008 as (re) engrossedSenate Appropriations Committee

- Action Taken
- ☐ SENATE accede to House Amendments
- ☐ SENATE accede to House Amendments and further amends
- ☐ HOUSE recede from House amendments
- ☒ HOUSE recede from House amendments and amends as follows

- ☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

amendment
13.8158.02002

Motion Made by: Robinson Seconded by: Rep Hawken

Senators	4/17/13	4/22/13	Yes	No	Representatives	4/17/13	4/22/13	Yes	No
Senator Lee	✓	✓	✓		Rep. Hawken	✓	✓	✓	
Bowman	✓	✓	✓		Thoreson	✓	A	A	
Robinson	✓	✓	✓		Guggisberg	✓	✓	✓	
Total Senate Vote					Total Rep. Vote				

Vote Count Yes: 5 No: 0 Absent: 1Senate Carrier Lee House Carrier HawkenLC Number 13.8158 . 02002 of amendmentLC Number 13.8158 . 02000 of engrossment

REPORT OF CONFERENCE COMMITTEE

SB 2008, as engrossed: Your conference committee (Sens. G. Lee, Bowman, Robinson and Reps. Hawken, Thoreson, Guggisberg) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ page 1237, adopt amendments as follows, and place SB 2008 on the Seventh order:

That the House recede from its amendments as printed on page 1237 of the Senate Journal and pages 1313 and 1314 of the House Journal and that Senate Bill No. 2008 be amended as follows:

Page 1, replace line 11 with:

"Salaries and wages	\$5,356,855	\$518,134	\$5,874,989
Accrued leave payments	0	120,783	120,783"

Page 1, replace line 14 with:

"Total special funds	\$6,836,318	\$743,899	\$7,580,217"
----------------------	-------------	-----------	--------------

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2008 - Department of Financial Institutions - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$6,055,849	\$6,069,236	(\$194,247)	\$5,874,989	\$5,750,634	\$124,355
Operating expenses	1,428,445	1,428,445		1,428,445	1,428,445	
Contingency	156,000	156,000		156,000	156,000	
Accrued leave payments			120,783	120,783	120,783	
Total all funds	\$7,640,294	\$7,653,681	(\$73,464)	\$7,580,217	\$7,455,862	\$124,355
Less estimated income	7,640,294	7,653,681	(73,464)	7,580,217	7,455,862	124,355
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00	29.00	0.00

Department No. 413 - Department of Financial Institutions - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total Conference Committee Changes
Salaries and wages	(\$73,464)	(\$120,783)	(\$194,247)
Operating expenses			
Contingency			
Accrued leave payments		120,783	120,783
Total all funds	(\$73,464)	\$0	(\$73,464)
Less estimated income	(73,464)	0	(73,464)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding from other funds (\$120,783) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Engrossed SB 2008 was placed on the Seventh order of business on the calendar.

2013 TESTIMONY

SB 2008



State of North Dakota

DEPARTMENT
of FINANCIAL
INSTITUTIONS

SB 2008

#1

Robert J. Entringer
Commissioner

Aaron K. Webb
Assistant Commissioner

I. Lise Kruse
Chief Examiner - Banks

Corey J. Krebs
Chief Examiner - Credit Unions

CSBS ACCREDITED 1993
NASCUS ACCREDITED 2000

DATE: January 17, 2013
TO: Senate Appropriations Committee
FROM: Robert J. Entringer, Commissioner
SUBJECT: Testimony in Support of Senate Bill No. 2008

Chairman Holmberg and members of the Senate Appropriations Committee, thank you for the opportunity to testify in support of the Department of Financial Institutions 2013-2015 appropriation of \$7,640,294.

DEPARTMENT SUPERVISORY AUTHORITY

The Department of Financial Institutions supervises state-chartered banks, credit unions, trust companies, and other financial corporations which include: collection agencies, money brokers, deferred presentment service providers (payday lenders), money transmitters, mortgage loan originators and debt settlement service providers. The Department also has examination responsibilities for the Bank of North Dakota.

The Department is a special fund, self-supporting agency, with no general fund dollars. The Department's budget consists of three cost centers: (1) banks and trust companies, (2) credit unions, and (3) consumer

licensees. Banks, trust companies, and credit unions pay annual assessments that cover all direct examination costs and allocated overhead for the respective cost centers. The State Banking Board and State Credit Union Board set the assessment formula to cover the examination and allocated overhead costs for the respective industry. In addition, trust companies pay examination fees for their safety and soundness examinations; by statute the commissioner sets the examination fee at an amount sufficient to recover all costs including salaries and benefits, and travel costs (mileage, meals and hotel expenses). Consumer licensees pay the following fees for the processing and supervisory responsibilities related to the consumer cost center: investigation fees upon initial licensing, annual license fees, and examination fees when an examination is performed. Again, the examination fee is set by the commissioner at an amount sufficient to recover all costs including salaries and benefits, and travel costs.

State-Chartered Banks

Currently, there are 75 state-chartered banks, plus the Bank of North Dakota, which compares with 77 state-chartered banks two years ago. The number of banks has remained relatively stable over the past several years although we continue to see merger and consolidation activity. While we have seen a reduction in the total number of banks over the past decade,

assets continue to grow from \$12.308 billion on September 30, 2010 to \$14.977 billion on September 30, 2012, a nearly 22% increase. The continued increase in the asset base correspondingly increases the Department's responsibilities and time needed to conduct examinations. As the asset base increases, overall loan volume continues to grow and places additional time constraints on examiners; loan review and analysis is one of the primary areas of emphasis during a bank examination. Not only has loan volume grown, but many of the commercial loans we review have become increasingly complex. The Department has 16 field bank examiners who conduct examinations throughout the State of North Dakota, and 3 field office locations: Grand Forks, Fargo, and Bismarck.

State-Chartered Credit Unions

Currently, there are 23 state-chartered credit unions, which is five less than two years ago. Credit unions also continue to show asset growth, with total assets increasing from \$1.893 billion on September 30, 2010, to \$2.376 billion as of September 30, 2012, representing a 25.5% increase. Again, asset growth translates into increased loan volume thereby putting time constraints on our credit union examiners. The credit union division has three examiners to conduct the examinations of state-chartered credit unions.

State-Chartered Trust Companies

There are currently three state-chartered trust companies for which the Department has oversight responsibility. The independent trust company examinations are conducted by bank examiners who have acquired specialized trust examination training. The total combined fiduciary assets as of September 30, 2012 of the three independent trust companies was \$32.850 billion which compares to \$23.498 billion as of September 30, 2010; this represents nearly a 40% increase and is due primarily to our largest independent trust company. Currently, the Department has 2 examiners trained or being trained in the area of trust company/trust department examinations.

Consumer Licenses

The consumer division licenses a combined 1,663 entities including collection agencies, money brokers, mortgage loan originators, deferred presentment service providers (payday lenders), and money transmitters. The breakdown of the licensees includes 775 mortgage loan originators, for which we are responsible to track the pre-licensing and continuing education requirements. The remaining 888 consumer licensees represent: 522 collection agencies, 50 deferred presentment service providers (payday lenders), 273 money brokers (primarily mortgage lenders), 42 money

transmitters, and 1 debt settlement service provider. Our consumer division also conducts examinations of the various entities we license.

OVERVIEW

Per your request Mr. Chairman, I would like to focus on the areas of the current and proposed budget as you had requested.

Our current budget and our estimated spending are as follows:

	<u>2011-2013 Budget</u>	<u>Estimated Spending</u>
Salaries	\$5,356,855	\$5,001,533
Operating Exp.	\$1,459,463	\$1,269,032
Contingency	\$20,000	\$20,000

The reason for the difference in the salaries line item has to do with turnover. During this biennium we received resignations from two Supervising Examiners, a senior Examiner III, and an Examiner II, all taking positions in the private financial sector; one Examiner I resigned to return to school. In addition to the turnover, promotions have occurred on slower pace than was projected.

While we did not have any one-time funding items, we did have an operating expense which we viewed as a one-time expense, accounting for the majority of the reduced expenditure. The expense was within our IT Data Processing and was related to an additional license type added to our

regulatory oversight in the last legislative session. The one-time expense was for changes to our online application and renewal system and our records management database. The IT portion of the one-time expense budgeted was approximately \$116,000; however, our actual cost was significantly less, as we changed our plan to provide an online application and allowed only an online *renewal* application. This decision was based on our intent to introduce legislation in the 2013 session that would switch all of our consumer license types to a nationwide multistate licensing system.

Our proposed budget represents an 11.8% increase over the current biennium. The major operating expense variances are as follows:

Travel expenses are increased approximately \$42,000 or 9%. The Department's travel expenses continue to rise with the increased costs of traveling to the banks and credit unions (in particular the in-state lodging costs in western North Dakota), and for training, much of which is conducted outside the state. Registration fees and airline costs continue to escalate; however, this training is necessary in order to keep examination staff updated with respect to the most recent laws and examination issues and techniques.

Supplies/IT software increased \$22,000 or 140%; the majority of this expense is related to our desire to take advantage of the Volume Licensing for Microsoft Office Professional.

IT Equipment is down \$47,000 or 74%; as we replaced our computers in the current biennium. Since our Department is on a 4-year computer replacement cycle, we would plan to budget for computer replacement in the 2015-2017 biennium.

Office rent relating to the Department's three office locations is increasing by \$30,000 or 17%; these increases are based on terms included within the Department's existing leases.

IT Data Processing is down \$136,000 or 44% due to the one-time expense referred to earlier.

Professional development is increased \$49,000 or 35% as a result of significant increases in association dues, and our office is scheduled for an onsite reaccreditation review this year from the Conference of State Bank Supervisors.

Operating fees and services increased approximately \$13,000 or 16%.

Finally, professional services are down \$21,000 or 23%.

The major variance for the contingency line is the \$136,000 estimated expense related to programming a data download into our records

management system. This expense relates to switching our consumer licensees to a nationwide multistate licensing system as proposed by the department in HB 1084; our department submitted a fiscal note on this bill. The nationwide multistate licensing system would enable all licensees to apply for and renew their licenses on this system; we would then download the information into our records management database. We budgeted for this as a contingency so that if HB 1084 would not pass we would not need these monies for the programming.

Salaries and benefits continues to be the largest budget item for the department comprising 79% of our budget as proposed, and represents a 13% increase in this line item. Approximately one-half of the increase is related to bringing salaries in conformance with the Hay Group Study. The remainder of the increase is related to projected promotions of existing staff. As mentioned earlier, the Department continues to struggle with turnover, but hopes to remain competitive with the banking and credit union industries as well as the other regulatory agencies. The Department turnover is still impacted by the large amount of travel required for examiners and competitive salary pressure from both the private and federal government sectors.

Mr. Chairman and members of the Committee thank you for your time and I would be happy to answer any questions you may have.



State of North Dakota

DEPARTMENT
of FINANCIAL
INSTITUTIONS

SB2008
March 11, 2013
Attachment 1

Robert J. Entringer
Commissioner

Aaron K. Webb
Assistant Commissioner

I. Lise Kruse
Chief Examiner - Banks

Corey J. Krebs
Chief Examiner - Credit Unions

CSBS ACCREDITED 1993
NASCUS ACCREDITED 2000

DATE: March 11, 2013

TO: House Appropriations Committee-
Government Operations Division

FROM: Robert J. Entringer, Commissioner

SUBJECT: Testimony in Support of Engrossed SB No. 2008

Chairman Thoreson and members of the House Government Operations Committee, thank you for the opportunity to testify in support of the Department of Financial Institutions 2013-2015 amended appropriation of \$7,653,681.

DEPARTMENT SUPERVISORY AUTHORITY

The Department of Financial Institutions supervises state-chartered banks, credit unions, trust companies, and other financial corporations which include: collection agencies, money brokers, deferred presentment service providers (payday lenders), money transmitters, mortgage loan originators and debt settlement service providers. The Department also has examination responsibilities for the Bank of North Dakota.

The Department is a special fund, self-supporting agency, with no general fund dollars. The Department's budget consists of three cost centers: (1) banks and trust companies, (2) credit unions, and (3) consumer licensees. Banks, trust companies, and credit unions pay annual assessments that cover all direct examination costs and allocated overhead for the respective cost centers. The State Banking Board and State Credit Union Board set the assessment formula to cover the examination and allocated overhead costs for the respective industry. In addition, trust companies pay examination fees for their safety and soundness examinations; by statute the commissioner sets the examination fee at an amount sufficient to recover all costs including salaries and benefits, and travel costs (mileage, meals and hotel expenses). Consumer licensees pay the following fees for the processing and supervisory responsibilities related to the consumer cost center: investigation fees upon initial licensing, annual license fees, and examination fees when an examination is performed. Again, the examination fee is set by the commissioner at an amount sufficient to recover all costs including salaries and benefits, and travel costs.

State-Chartered Banks

Currently, there are 75 state-chartered banks, plus the Bank of North Dakota, which compares with 77 state-chartered banks two years ago. The

number of banks has remained relatively stable over the past several years although we continue to see merger and consolidation activity. While we have seen a reduction in the total number of banks over the past decade, assets continue to grow from \$12.308 billion on September 30, 2010 to \$14.977 billion on September 30, 2012, a nearly 22% increase. The continued increase in the asset base correspondingly increases the Department's responsibilities and time needed to conduct examinations. As the asset base increases, overall loan volume continues to grow and places additional time constraints on examiners; loan review and analysis is one of the primary areas of emphasis during a bank examination. Not only has loan volume grown, but many of the commercial loans we review are becoming increasingly complex. The Department has 16 field bank examiners who conduct examinations throughout the State of North Dakota, and 3 field office locations: Grand Forks, Fargo, and Bismarck.

State-Chartered Credit Unions

Currently, there are 23 state-chartered credit unions, which is five less than two years ago. Credit unions also continue to show asset growth, with total assets increasing from \$1.893 billion on September 30, 2010, to \$2.376 billion as of September 30, 2012, representing a 25.5% increase. Again, asset growth translates into increased loan volume thereby putting time

constraints on our credit union examiners. The credit union division has three examiners to conduct the examinations of state-chartered credit unions.

State-Chartered Trust Companies and Bank Trust Departments

There are currently three state-chartered independent trust companies for which the Department has oversight responsibility and 11 banks which exercise trust powers. The independent trust company examinations are conducted by bank examiners who have acquired specialized trust examination training. The total combined fiduciary assets as of September 30, 2012 of the three independent trust companies was \$32.850 billion which compares to \$23.498 billion as of September 30, 2010; this represents nearly a 40% increase and is due primarily to our largest independent trust company. As of December 31, 2012 the banks with trust powers had combined fiduciary assets of \$4.648 billion, compared to \$3.748 billion on December 31, 2010. Currently, the Department has 2 examiners trained or being trained in the area of trust company/trust department examinations.

Consumer Licenses

As of mid-January 2013 the consumer division licensed a combined 1,663 entities including collection agencies, money brokers, mortgage loan originators, deferred presentment service providers (payday lenders), and money transmitters. The breakdown of the licensees includes 775 mortgage

loan originators, for which we are responsible to track the pre-licensing and continuing education requirements. The remaining 888 consumer licensees represent: 522 collection agencies, 50 deferred presentment service providers (payday lenders), 273 money brokers (primarily mortgage lenders), 42 money transmitters, and 1 debt settlement service provider. Our consumer division also conducts examinations of the various entities we license.

APPROPRIATION 2011-2013 VERSUS 2013-2015 REQUEST

The 2011-2013 Appropriation was \$6,836,318; the majority of the Department's appropriation has always been in the salary line item. For the current biennium, roughly 78% or \$5,356,855 of our appropriation was for salaries and benefits. The remainder of the appropriation was operating expenses of which 32% - travel, 21% - IT Data Processing, 12% - office rent and nearly 10% - professional development. A large portion of the IT Data Processing was related to a new licensing authority granted in the 2011 Legislative Session and the need to update our Records Management system to keep track of that information.

Based on current projections we are estimating ending the biennium with total spending of approximately \$6,300,000. The estimated spending is

broken down between salaries of \$5,002,000 and operating expenses of \$1,298,000.

The 2013-2015 amended appropriation request is for \$7,653,681 and includes \$6,069,236 for salaries and benefits or 79% of the appropriation request. The majority of the remainder of the appropriation request is composed of operating expenses of \$1,428,463; major items in the operating line item include travel of \$504,920, office rent of \$204,000, IT data processing of \$169,000, professional development of \$189,800, operating fees and services of \$89,000, and professional services of \$72,000. As you can see 35% of operating is travel, 14% is office rent, 12% is IT data processing, 13% is professional development, 6% is operating fees and services, and 5% is professional services. Finally, the Contingency portion of the appropriation request is \$156,000, up from \$20,000. I will discuss the reason for the increase later in my testimony.

Major variances in the current budget's salary line has to do with turnover. During this biennium we received resignations from two Supervising Examiners, a senior Examiner III, and an Examiner II, all of whom accepted positions in the private financial sector; one Examiner I resigned to return to school. In addition to the turnover, promotions have occurred on slower pace than was projected.

While we did not have any one-time funding items, we did have an operating expense which we viewed as a one-time expense, accounting for the majority of the reduced expenditure. The expense was within our IT Data Processing and was related to an additional license type added to our regulatory oversight in the last legislative session. The one-time expense was for changes to our online application and renewal system and our records management database. The IT portion of the one-time expense budgeted was approximately \$116,000; however, our actual cost was significantly less, as we changed our plan to provide an online application and allowed only an online *renewal* application. This decision was based on our intent to introduce legislation in the 2013 session (HB 1084) that would transition all of our consumer license types to a nationwide multistate licensing system.

Our proposed budget represents a 12% increase over the current biennium. The major operating expense variances are as follows:

Travel expenses are increased approximately \$42,000 or 9%. The Department's travel expenses continue to rise with the increased costs associated with travel to the banks and credit unions (in particular the in-state lodging costs in western North Dakota), and for training, much of which is conducted outside the state. Registration fees and

airline costs continue to escalate; however, this training is necessary in order to keep examination staff updated with respect to the most recent laws and examination issues and techniques.

Supplies/IT software increased \$22,000 or 140%; the majority of this expense is related to our desire to take advantage of the Volume Licensing for Microsoft Office Professional; an option we were not able to avail ourselves prior to the upcoming biennium.

IT Equipment is down \$47,000 or 74%; as we replaced our computers in the current biennium. Since our Department is on a 4-year computer replacement cycle, we would plan to budget for computer replacement in the 2015-2017 biennium.

Office rent relating to the Department's three office locations is increasing by \$30,000 or 17%; these increases are based on terms included within the Department's existing leases.

IT Data Processing is down \$136,000 or 44% due primarily to the one-time expense referred to earlier.

Professional development is increased \$49,000 or 35% as a result of significant increases in association dues, and our banking division is scheduled for an onsite reaccreditation evaluation this year from the Conference of State Bank Supervisors.

Operating fees and services increased approximately \$13,000 or 16%.

Finally, professional services are down \$21,000 or 23%.

The major variance for the contingency line is the \$136,000 estimated expense related to programming a data download into our records management system. This expense relates to switching our consumer licensees to a nationwide multistate licensing system as proposed by the department in HB 1084; our department submitted a fiscal note on this bill. The nationwide multistate licensing system would enable all licensees to apply for and renew their licenses on this system; we would then download the information into our records management database. We budgeted for this as a contingency so that in the event that HB 1084 did not pass we would not need to utilize these monies for the programming.

Salaries and benefits continues to be the largest budget item for the department comprising 79% of our budget as proposed, and represents a 13% increase in this line item. Approximately one-half of the increase is related to bringing salaries in conformance with the Hay Group Study. The remainder of the increase is related to projected promotions of existing staff. As mentioned earlier, the Department continues to struggle with turnover, but hopes to remain competitive with the banking and credit union industries as well as the other regulatory agencies. The Department turnover is still

impacted by the large amount of travel required for examiners and competitive salary pressure from both the private and federal government sectors.

Mr. Chairman and members of the Committee thank you for your time and I would be happy to answer any questions you may have.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2008

Page 1, replace line 11 with:

"Salaries and wages	\$5,356,855	\$393,779	\$5,750,634
Accrued leave payments	0	120,783	120,783"

Page 1, replace line 14 with:

"Total special funds	\$6,836,318	\$619,544	\$7,455,862"
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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2008 - Department of Financial Institutions - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$6,055,849	\$6,069,236	(\$318,602)	\$5,750,634
Operating expenses	1,428,445	1,428,445		1,428,445
Contingency	156,000	156,000		156,000
Accrued leave payments			120,783	120,783
Total all funds	\$7,640,294	\$7,653,681	(\$197,819)	\$7,455,862
Less estimated income	7,640,294	7,653,681	(197,819)	7,455,862
General fund	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00

Department No. 413 - Department of Financial Institutions - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Salaries and wages	(\$197,819)	(\$120,783)	(\$318,602)
Operating expenses			
Contingency			
Accrued leave payments		120,783	120,783
Total all funds	(\$197,819)	\$0	(\$197,819)
Less estimated income	(197,819)	0	(197,819)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

²A portion of salaries and wages funding from other funds (\$120,783) for permanent employees'

compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2008

That the House recede from its amendments as printed on page 1237 of the Senate Journal and pages 1313 and 1314 of the House Journal and that Senate Bill No. 2008 be amended as follows:

Page 1, replace line 11 with:

"Salaries and wages	\$5,356,855	\$518,134	\$5,874,989
Accrued leave payments	0	120,783	120,783"

Page 1, replace line 14 with:

"Total special funds	\$6,836,318	\$743,899	\$7,580,217"
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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2008 - Department of Financial Institutions - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$6,055,849	\$6,069,236	(\$194,247)	\$5,874,989	\$5,750,634	\$124,355
Operating expenses	1,428,445	1,428,445		1,428,445	1,428,445	
Contingency	156,000	156,000		156,000	156,000	
Accrued leave payments			120,783	120,783	120,783	
Total all funds	\$7,640,294	\$7,653,681	(\$73,464)	\$7,580,217	\$7,455,862	\$124,355
Less estimated income	7,640,294	7,653,681	(73,464)	7,580,217	7,455,862	124,355
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00	29.00	0.00

Department No. 413 - Department of Financial Institutions - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total Conference Committee Changes
Salaries and wages	(\$73,464)	(\$120,783)	(\$194,247)
Operating expenses			
Contingency			
Accrued leave payments		120,783	120,783
Total all funds	(\$73,464)	\$0	(\$73,464)
Less estimated income	(73,464)	0	(73,464)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding from other funds (\$120,783) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.