

2019 HOUSE APPROPRIATIONS

HB 1008

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division Medora Room, State Capitol

HB1008
1/8/2019
Recording Job# 30513

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk: Sheri Lewis

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:

Attachment A

Chairman Vigesaa: Opened the hearing on HB1008.

Lise Kruse, Commissioner, ND Department of Financial Institutions: See testimony attachment A.

Representative Kempenich: At what level do you start that type of activity? What triggers a more intense look at different institutions?

Lise Kruse: We monitor our banks and credit unions on a quarterly basis. When it gets to 30% to 40% we start paying closer attention. When they become, what we consider to be, a problem institution; we will visit an institution every 6 months and do a full scale exam every 12 months. That's in conjunction with our federal counterparts.

Lise Kruse continued with her testimony.

Representative Kempenich: What is the rate that DOT is charging?

Lise Kruse: I believe that the current rate is \$.54 per mile.

Representative Kempenich: How many people travel out of your 30 employees?

Lise Kruse: It would be about 20 that travel on a regular basis.

Representative Kempenich: Is everyone based in Bismarck?

Lise Kruse: We have an office in Grand Forks and an office in Fargo.

Representative Kempenich: How many are outside of the central office in Bismarck?

Lise Kruse: It's a little less than half. We have 6 examiners in Fargo and we have 4 in Grand Forks. The rest are located out of Bismarck.

Representative Bellew: What type of education level do you require for an examination?

Lise Kruse: Our education requirements are very specific. They have to have a bachelor's degree in either accounting or finance. They have specific requirements that they need to have a certain amount of accounting classes.

Representative Bellew: You don't require them to be CPA's?

Lise Kruse: No, we do not.

Lise Kruse continued with her testimony.

Representative Kempenich: What is your turnover rate? How many new hires have you had over the course of the last 2 or 3 years?

Lise Kruse: I don't have the exact numbers. I would say about 20 percent for our examination crew. The 7 people in the Bismarck office are all under 4 years of experience.

Representative Kempenich: Are your new hires just out of college or do you look for someone with experience? When you do an exit exam is it salaries or just looking for something different? What triggers it?

Lise Kruse: We do have an exit review with everyone that leaves and the number one concern is travel. Because there's a lot of learning involved, we've found that sometimes someone just out of college is already in that mode. Also, travel is easier when you don't have a family.

Representative Kempenich: So salary wise we're competitive that way? It's probably just the life style or is it both?

Lise Kruse: Our salary level is competitive in the state system. We're paid very well compared to other state agencies. I compare to the industry. They can make a lot more working for a credit union or bank than working for the state. We compare also to the FDIC. We are competitive with them starting out; but, then as we grow with experience, you can have a lot more lucrative offers if you go to the federal system.

Representative Kempenich: Do you run into compression from the bottom to the top?

Lise Kruse: Yes, we do.

Representative Kempenich: For your new person, you're looking at someone you can train?

Lise Kruse: Yes.

Representative Bellew: What do you do different from a private CPA firm that audits businesses?

Lise Kruse: A CPA firm will look at the financials of the institution. What we do is to look for the safety and soundness of the institution. We look beyond just the financial statements. We look at the capital, assets, management, the board of directors and if they can meet the demands of the customer. We also look at how they fluctuate with the markets. We are also the chartering authority. If a bank is doing something that they shouldn't, we have enforcement authority. The state banking board has the authority to close a bank; a CPA firm can't do that.

Vice Chairman Brandenburg: Do you have any banks that are on that list that are in that problem?

Lise Kruse: I can speak to that in generalities. In 2011 I became the chief examiner of banks and that was the height of the financial crisis. We didn't have any bank failures; but, there were banks that struggled. Overall, our institutions are very strong and healthy.

Lise Kruse continued with her testimony.

Representative Kempenich: What do you pay for rent? Is it based on square footage?

Lise Kruse: We pay for square footage. We re-negotiated our rent last year so it has gone down a little bit.

Representative Kempenich: You don't know what you're paying right now?

Lise Kruse: In Bismarck it's \$18.50 per square foot and in Fargo it's \$21.00 per square foot.

Representative Beadle: Is that gross rent or is there cam on top of that?

Lise Kruse: It's with the cam.

Lise Kruse continued with her testimony.

Vice Chairman Brandenburg: I'm looking at the back page of the green sheet. You go from 30 to 31; but, I thought you mentioned two FTE's?

Lise Kruse: That's because with the 90% reduction, that we gave the governor, that was to cut one FTE to 29.

Lise Kruse continued with her testimony.

Representative Kempenich: It would be more of the operating added to the salary item. Letting you move back and forth on that is probably one of the problem areas.

Lise Kruse: I want to point out that that transfer ability already has been authorized for the Legislative and Judicial branches without any limitation. For our agency it would be helpful we could sometimes more easily play with the salary line item. This is something I just can't do; there will be transparency in this. We would have to notify OMB and the Legislative Council of any transfer that's made.

Representative Kempenich: I don't disagree. I'm just saying that that is one of the criticisms.

Lise Kruse continued with her testimony.

Representative Mock: What's the difference between DFI, FDIC and SUA? Do you work simultaneously with them? Or do you do something different from their oversight?

Lise Kruse: Our department also has a consumer division. On the banking side we work in conjunction and cooperate with the federal SUA and FDIC. SUA and FDIC are very similar; they're insurance companies. We care about the charter. We do every other FDIC and us and we share information. When there are larger institutions, complexities or problems, we go in together.

Representative Mock: When a bank or credit union is undergoing a required stress test, are you performing the stress test or are they? Do you receive that information if it's done federally?

Lise Kruse: There's no formal stress test requirements for the community institutions; because they're not at that size level. Any work and any communication the FDIC sends to a bank, I get immediate notification of that.

Representative Mock: I recall when we had a credit union situation where unsafe and unsound practices were found in that credit union. Was that found by DFI?

Lise Kruse: Yes, it was and in conjunction with SUA examiners.

Representative Mock: On page 5 safety and security is "S&S"?

Lise Kruse: Safety and soundness.

Representative Mock: That's just general operations and management controls, etc?

Lise Kruse: Yes.

Representative Mock: BSA is Bank Secrecy Acts?

Lise Kruse: Yes.

Representative Mock: That is more your money laundering?

Lise Kruse: Money laundering and terrorist financing.

Representative Mock: IT would be where your cybersecurity is performed? What inspections are performed under the trust section?

Lise Kruse: If a bank has trust powers, we will examine just like we would a trust company.

Representative Mock: Most closely aligned with the safety and soundness aspects of the other inspections?

Lise Kruse: Yes.

Chairman Vigesaa: The numbers for the number of banks and the number credit unions. Those are individual banks; not locations?

Lise Kruse: Yes.

Chairman Vigesaa: Could we get the number of locations also?

Lise Kruse: Yes.

Representative Mock: With the number of banks and financial institutions, are there any that operate in North Dakota that aren't overseen and included in that count? Are there large enough institutions that would not be under your jurisdiction?

Lise Kruse: Yes. Any national charter. Wells Fargo and US Bank are overseen by the OCC.

Representative Mock: I would like to know what those banks are that we have in the state that are not under your jurisdiction.

Lise Kruse: I will get that to you.

Jeff Olson, Credit Union Association of the Dakotas: Testified in support of HB1008.

Rick Clayberg, President and CEO, ND Bankers Association: Testified in support of HB1008.

Representative Kempenich: When you have these special funded agencies, we've let them get to where they need to be. What do you bring in for revenue or do you just charge what you need?

Lise Kruse: We charge what we need.

Barry Haugen, Independent Community Banks of North Dakota: Testified in support of HB10008.

Representative Mock: Lise can you provide how you allocate or assess those fees in the various institutions?

Lise Kruse: Yes.

Chairman Vigesaa: Closed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division Medora Room, State Capitol

HB1008
1/18/2019
Recording Job# 31034

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk: Sheri Lewis

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:

Attachment A

Chairman Vigesaa: Opened the hearing on HB1008.

Roll call taken.

Lise Kruse, Commissioner, Department of Financial Institutions: See testimony attachment A.

Vice Chairman Brandenburg: What is the difference between a national bank status and a state bank status? Is it cost or regulations or both?

Lise Kruse: The main difference is that there is one regulator for a national bank and that's the OCC based out of Washington, DC. They used to have an office in Fargo; but it's in the process of being shut down. If a bank chooses a state charter, they have two regulators. The federal regulator would be the FDIC or the federal reserve and our office. It's probably half price being a state charter.

Vice Chairman Brandenburg: So you're saving the banks and customers some money.

Lise Kruse: Absolutely.

Vice Chairman Brandenburg: You can't forget the credit unions.

Lise Kruse: (Can't hear what's being said due to technical difficulties).

Chairman Vigesaa: Is there any advantage to be nationally chartered?

Lise Kruse: They would have one regulator and only one set of laws to follow.

Representative Beadle: In looking in terms of the budget, I'm seeing a change from last biennium to this biennium. You're looking at about a 28.5% in your travel expense. How's that going to impact being able to carry out, monitor, track and investigate some of the banks to make sure they're doing things right?

Lise Kruse: For us to cut the travel cost is dependent on the economy.

Representative Howe: Looking at the one-time funding for the website redesign. Can you go into a little more detail for the \$451,000.00?

Lise Kruse: I'm really excited about that project. It's coming out of this biennium's salary line item. It's there to make sure that financial records are safe. There are two parts to that project; it's to replace that software and create a secure portal for our institutions.

Lise Kruse continued with her testimony.

Representative Howe: Looking at the FTE line for cyber security money transmitter. You would need that person to manage it?

Lise Kruse: That's unrelated. The cyber security would have to do with our exam at the institution. The money transmitters are Western Union, Money Gram and all those larger money transmitters that we need to examine.

Lise Kruse explained the green sheet.

Chairman Vigesaa: Could you explain what a money transmitter is?

Lise Kruse: It is an entity that will move money from one person to another. They transmit money; they're not a bank. They need a license and what that license does is that we require that company to keep enough cash on hand to cover that transaction. If anything goes wrong, the customer should not be out any money.

Lise Kruse continued with her explanation.

Chairman Vigesaa: They're going to continue to expand the use of that type of transaction.

Lise Kruse: Exactly.

Chairman Vigesaa: The credit union examiner. Does Jeff want a little more oversight in his arena?

Lise Kruse: The guidelines from the governor's office was to cut one employee. The most recent examiner that we added was the one we would have had to take out. The governor's recommendation was that we would get to keep the credit union examiner; and also add one more for the money transmitter and cyber security.

Chairman Vigesaa: On the line item transfers. Any explanation as to why it specifies 10% in section 3?

Stephanie Gullickson, Budget Analyst, ND Office of Management and Budget: In the cabinet agencies that did not have this authority, the governor wanted this in every budget that was cabinet. It was limited to 10%. The cabinet agencies were all given the language for the 10% transfer.

Chairman Vigesaa: When someone applies for a new location. When they apply for that new location has the bank done all its due diligence? How much does your department get involved deciding with or not a community can support another bank.

Lise Kruse: That has been a little different over the years. Between 10 and 20 years ago that has been changed. When they do apply, we do look at that; but for me to deny an application, it's a pretty big hurdle. We require in the application that they need to do some analysis. If the bank has very limited capital and they're not able to have an office with enough expertise to support that location, that's what I base my decision on.

Rick Clayberg, President, ND Bankers Association: Testified in support of HB1008.

Representative Mock: You're supportive of an amendment for other funds? It wouldn't be general funds; it would be special funds that would come from the fees collected by banks and credit unions. Is that correct?

Rick Clayberg: We do support that. It takes it back to previous fees.

Chairman Vigesaa: Are the fees assessed annually? How often do you have an assessment change of your fee? If we added \$300,000.00 to your operating expense line, does that then result in an increase of the fees that you would assess the institutions?

Lise Kruse: It would. When the formula is calculated it's done on an annual basis. They would still be discounted from where the assessment lands at.

Chairman Vigesaa: When the budget is set, that's when you look at fees you need to assess to cover your expenses?

Lise Kruse: That's correct. The banks cover 70%, the credit unions are about 15% and the consumer licensees are about 15% of our total budget.

Representative Mock: Are the fees charged proportionately the assets of the institutions? Is that how they're assessed?

Lise Kruse: Yes, it's the asset size of the institution.

Representative Mock: Is that breakdown between banks at 70%, credit unions 15% and consumer licensee 15%; based on total assets of all financial institutions? Is that a fixed percentage that will go on regardless of size or changes in asset percentages?

Lise Kruse: It's based on actual expenses. We have three cost centers and we look at and track our expenses separately. Banks should not pay for credit unions and vice versa.

Jeff Olson, Credit Union Association of the Dakotas: Testified in support of HB1008.

Representative Mock: There are some banks that are online only; are those chartered? What role does DFI have in monitoring or inspecting those banks?

Lise Kruse: Any bank needs to be chartered somewhere. If they have a charter, they don't need anything here. If I get a complaint on one of those, I call my counterpart in that state. I work closely with other states; because it should be seamless for the customer where they bank.

Representative Mock: So every institution, regardless of how or where it's chartered, pays some fees to the state's DFI if they have any operations in North Dakota?

Lise Kruse: If they are chartered in Georgia, for instance, they would pay their assessment to Georgia; and we would not see any income from that.

Representative Mock: If a bank was chartered in Georgia, they could have a branch in North Dakota. Correct?

Lise Kruse: Yes.

Representative Mock: If they did, they would not pay any fees to North Dakota?

Lise Kruse: That's correct.

Vice Chairman Brandenburg: Who's watching these online banks? How do you know they're operating financially sound?

Lise Kruse: Every bank is regulated by someone. If there is an institution that is doing something where they don't have a chartering authority, they're not regulated, it's called unlicensed activity; we go after those as we find them. It's more challenging with an online environment, we don't know about them until a consumer contacts us.

Vice Chairman Brandenburg: Has there been anywhere that there's been a problem?

Lise Kruse: I am not aware of any bank or anyone operating where there's a problem; but we do have unlicensed activity in the money broker world. In those situations, because they're multi-state, we work with our state counterparts to go after some of those entities.

Chairman Vigesaa: Closed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division Medora Room, State Capitol

HB1008
1/25/2019
Recording Job# 31471

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk: Sheri Lewis

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:

Attachment A

Chairman Vigesaa: Opened the discussion on HB1008.

Roll Call was taken.

Chairman Vigesaa: See attachment A.

Chris Kadrmas, Analyst, ND Legislative Council: Explained attachment A.

Chairman Vigesaa continued with attachment A.

Chris Kadrmas continued with his explanation.

Representative Bellew: They came to the emergency commission and budget section and they got authority to do this this biennium. Right?

Chairman Vigesaa: Right.

Representative Bellew: Why would they need the money next biennium?

Chris Kadrmas: They came to the emergency commission to request a transfer. They requested to use the money for a different purpose than it was appropriated. The money was transferred out of the salary and wages line and into their operating line for this project. It allowed them to begin the project during the 2017-2019 biennium.

Representative Bellew: Then we need to know how much more they need to complete it next biennium with the funds that are in this biennium money. Is that correct?

Chris Kadrmas: That is correct. You could reduce the amount to exactly what they had for this biennium. If you leave it as is, the money is being appropriated for this website redesign. They can't use the money for anything else unless they go to the emergency commission. If they were to receive additional revenue that they didn't anticipate, they could maybe spend the whole \$451,000.00; even though they spent half during the 2017-2019 biennium.

Representative Vigesaa: That section 4 has that traditionally been in there?

Chris Kadrmas: No, it has not been.

Chairman Vigesaa continued with the worksheet.

Chairman Vigesaa: Those sections have not been previously included?

Chris Kadrmas: That's correct. There are only a few agencies that have line item transfer authority. The bills that were prepared and have been introduced, if they contain a section within that bill, it's because historically it's been in the bill.

Chairman Vigesaa continued with the worksheet.

Representative Bellew: I can't support the increase of the FTE's. I'm not convinced that she convinced me that it's a needed position.

Representative Howe: The FTE that's requested is for a money transmitter and cyber security expert. It goes back to our talks with ITD. It has to be a common them with what we do with all these budgets.

Representative Beadle: When she was discussing some of the state chartered banks she was talking about how during a review process IT has become a major component. Cyber security related exams have increased from 3% of the total exam hours to 6% of the total exam hours from 2014 to 2017.

Chairman Vigesaa continued with the worksheet.

Representative Beadle: Explained how money transmitters work.

Representative Bellew: They're already have 30 people. I don't know why they need 31. Can't they do it within their agency right now?

Representative Beadle: If you're going to be managing the consumer protection piece from a cyber security standpoint, it takes more than someone who's an accounting major or banking major.

Representative Bellew: They had over \$400,000.00 left over in their salary line item this biennium. Could they not figure out how to hire somebody within their budget limitations right now?

Chairman Vigesaa continued with the worksheet.

Chris Kadrmas: They have 2 vacant positions and they had been vacated in October; they expect that it would be filled in April and June. One position is a financial examiner I and the other is a chief examiner.

Representative Bellew: They still had \$400,000.00 last biennium.

Chairman Vigesaa: This biennium they're reducing for this next biennium their salary by \$323,000.00. Most of the extra they had they're taking off next time.

Representative Howe: That carryover that was appropriated for website redesign not for salaries to be used for FTE's.

Representative Beadle: We do the salary item and FTE item. If there is carryover, am I correct in saying unless we authorize that additional slot, they couldn't hire additional people; unless it's going to salaries of FTE's we authorize? But they can't bring in additional bodies. Is that correct?

Chairman Vigesaa: We have to authorize an FTE.

Chris Kadrmas: That's correct. They couldn't create a new FTE position; but, that doesn't mean they couldn't contract for the position or hire a temporary employee.

Chairman Vigesaa: For this position they would do neither.

Chairman Vigesaa continued with the worksheet.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division Medora Room, State Capitol

HB1008
2/1/2019
Recording Job# 32104

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Sheri Lewis

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:

Attachment A

Chairman Vigesaa: Opened the discussion on HB1008.

Chairman Vigesaa: See attachment A.

Representative Howe: On the green sheet it says \$451,000.00.

Chairman Vigesaa: They are requesting carryover of \$351,305.00 instead of the \$451,000.00.

Chairman Vigesaa continued with the worksheet.

Chairman Vigesaa: That wasn't a position. Was it adding more time dedicated to credit unions?

Chris Kadrmas, Analyst, ND Legislative Council: That was the position identified as the reduction necessary to the agency. The governor restored that position; but when they restored it, they restored it at a higher dollar amount.

Representative Bellew: Why was it restored at a higher dollar amount?

Chris Kadrmas: Since they removed it, the compensation package wouldn't have been calculated against the position.

Representative Bellew: Can we reduce that amount to match our compensation?

Chairman Vigesaa: Their salary increase is included above there.

Representative Bellew: I'm confused about the \$39,000.00.

Chairman Vigesaa: It appears to me that the FTE was never removed.

Chris Kadrmas: That's correct. You don't see an FTE reduction or addition. When they pulled out the funding for it, that was less than what was added back.

Representative Bellew: Maybe we shouldn't move that over at this time; because the position is still there.

Chairman Vigesaa: We can get some clarification.

Becky Keller, Analyst, ND Office of Management and Budget: The \$39,000.00 is just the higher salary for a repurposed FTE. The compensation is not included.

Representative Kempenich: Is there an organizational chart for financial institutions?

Chris Kadrmas: The funding for that position is identified in salaries. It's just identified separately to show it's an increase to that position.

Chairman Vigesaa: That's not doubling up?

Chris Kadrmas: No.

Representative Howe: I'd like to keep the FTE; but we could just not move over that funding for the credit examiner.

Chairman Vigesaa: They would have to find it in their budget for the funding for those spots. Is that what we'd be doing if we didn't move over the \$39,000.00?

Chris Kadrmas: If there are other savings that the agency finds within their salaries and wages line, it could be possible.

Representative Kempenich: They do have two open positions as of December 31st.

Chairman Vigesaa: They do have two open positions. One says they're going to advertise in the next two months to fill the position; and the other one they're going to fill from within the department.

Representative Bellew: In their testimony they said they started this IT project with salary savings.

Representative Kempenich: It looks like on their organizational they one examiner I on the credit union side.

Chairman Vigesaa: That may be the one they plan to fill at a higher salary.

Representative Kempenich: That's my guess.

Chairman Vigesaa: So you were thinking to give them the FTE but not the extra \$39,000.00 and all them to find that in their budget?

Representative Howe: Yes.

Chairman Vigesaa: If the credit examiner position is open right now, then they'll have to use the dollars available to pay that individual.

Chris Kadrmas: The vacant FTE positions that show they will be filled before the beginning of the 2019-2021 biennium; any savings they experience in the 2017-2019 biennium will get turned back. They don't have carry over authority, so they couldn't use it for 2019-2021.

Representative Kempenich: Is that general fund equivalent dollars? Are those turned back into the general fund?

Chris Kadrmas: None of the department of financial institutions' funding is turned into the general fund.

Representative Kempenich: As far as turn back, where does it go?

Chris Kadrmas: It would most likely sit as an ending fund balance; and it's my guess that the ending fund balance helps drive the rates which they charge the banks.

Representative Bellew: In her testimony, the \$451,000.00 for that IT project came from salaries for this biennium. I don't know why that needs to be an addition as it's already in the budget for this biennium.

Chris Kadrmas: The agency testified that the IT project funding is from salary savings; that they had requested be transferred from the salaries and wages line to the operating line this biennium. The salary savings was experienced due to the retirement of several of their higher level employees. They also identified that by reducing their base budget

level this biennium. They're reducing their base level for salaries and wages by \$323,842.00.

Chairman Vigesaa: Their operating expenses went down by almost \$300,000.00.

Representative Kempenich: We have some optional budget changes.

Chris Kadrmas: Explained the optional budget changes.

Representative Kempenich: Why was there a base payroll change of \$323,842.00?

Chris Kadrmas: They had a significant salary savings because of retirements.

Representative Howe: That \$351,000.00 is carry over from salaries. Could we take some of that \$351,000.00 and fund the credit union examiner?

Chairman Vigesaa: If we don't move the \$39,000.00 over, we're asking them to find that money in their budget. Is that right?

Chris Kadrmas: That's correct.

Representative Kempenich: Can they move between salaries and operating?

Chris Kadrmas: If they put a request in to the emergency commission for a line item transfer.

Chairman Vigesaa continued with the work sheet.

Representative Beadle: Made a motion to move one FTE to the House version.

Representative Howe: Seconded the motion.

Voice Vote made.

Motion Carried.

Representative Beadle: Made a motion to reduce the operating expenses of \$294,160.00 to the House version.

Representative Mock: Seconded the motion.

Voice Vote made.

Motion Carried.

Representative Howe: Made a motion to reduce the funding for the website design by \$100,000.00 to the House version.

Representative Kempenich: Seconded the motion.

Voice Vote made.

Motion Carried.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division Medora Room, State Capitol

HB1008
2/5/2019
Recording Job# 32152

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Sheri Lewis

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:

Attachments A and B

Chairman Vigesaa: Opened the discussion on HB1008.

Chris Kadrmas, Analyst, ND Legislative Council: Explained attachments A and B.

Chairman Vigesaa:

Chris Kadrmas: Explained attachment A.

Representative Howe: Made a motion to move amendment 19.0196.01001.

Representative Beadle: Seconded the motion.

Voice Vote made.

Motion Carried.

Representative Howe: Made a motion for a “Do Pass as Amended”.

Representative Beadle: Seconded the motion.

Roll Call Vote: 7 Yeas 0 Nays 0 Absent.

Motion Carried.

Chairman Vigesaa: Closed the discussion.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1008
2/6/2019
32285

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Risa Bergquist

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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Chairman Delzer: We will call the committee to order for HB 1008.

Representative Howe: Our committee gave this a Do Pass as amended, the amendment 19.0196.01001, the base level there were adjustments and enhancements of 182 thousand for a total appropriation of 6 million 996 thousand. Operating expenses there is another adjustment of 117 thousand. We did add 1 FTE for a money transmitter in cyber security expert. With the increase on apps for other money transfers, the committee felt it was important to provide adequate oversight and to protect our banks. We asked if there was anyone that could currently in the department that could take that on and they said there wasn't.

Chairman Delzer: Did you ask if they could reduce somebody to get one?

Representative Howe: We didn't ask them that.

Chairman Delzer: And the 117 thousand increase in operating expenses; where's that coming from?

Representative Howe: They said the travel expenses have going up and the travel was necessary because they have to fiscally go to all the banks and credit unions.

Chairman Delzer: The amendment does not add the governor's section 4 part of the bill?

Representative Howe: The web site, section 2 of the amendment is a onetime funding for the web site redesign.

Chairman Delzer: That's new money, how much are they carrying over? They came and asked for 450 thousand of money that they had on hand to do this, so is this total cost of 700 or is this a carry over and this is a new appropriation?

Representative Howe: It was 451 thousand they spent 100 of that in this biennium and they want the remainder of the 351 thousand carried over to this biennium to finish up that web site project.

Chairman Delzer: What happens to the other 350 that they currently have appropriated for that?

Representative Vigesaa: They had base payroll changes for a minus of 323 thousand, that's where they had got the funds to be able to do this.

Chairman Delzer: But what happens to that? Are they going to use that for pay raises if we do this or is that money that is going to be returned? What happens to that money?

Representative Kempenich: They are carrying two positions over and we got into that discussion they were planning on filling those but they haven't yet. They can't make a profit so they are trying to spend as much as that as possible.

Chairman Delzer: The problem is will they use that to give a pay raise even in this biennium that we didn't authorize? In the past they would do that if they had extra money they used it to give pay raises.

Representative Vigesaa: They were using the savings in salary to fund this project.

Chairman Delzer: But if we appropriating that again next time then they have this money right now.

Representative Vigesaa: Council recommended that we do it this way.

Chairman Delzer: I think we can pass the bill but let's get that checked on and if we need to make changes we can do that.

Representative Vigesaa: Our understanding was that it was not new money.

Chairman Delzer: The budget section shouldn't be making decision before it comes before the legislature and now of this has come before us.

Representative Howe: I will make motion to adopt the amend

Representative Beadle: Second

Voice vote; All in favor, Motion carries

Chairman Delzer: We have the amended bill before us, what are your intentions?

Representative Howe: Make a motion to Do Pass as Amended

Representative Mock: Second

Chairman Delzer: Any further discussion on the bill before us? Hearing none we will take a roll call vote.

A Roll Call vote was taken. Yea: 21 Nay: 0 Absent:0

Motion carries

Representative Howe will carry the bill.

Chairman Delzer: With that we will close this meeting.

February 6, 2019

DP 2/6/19
1 of 2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1008

Page 1, replace lines 9 through 15 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,813,840	\$182,802	\$6,996,642
Operating expenses	1,576,072	117,145	1,693,217
Contingency	20,000	0	20,000
Total special funds	\$8,409,912	\$299,947	\$8,709,859
Full-time equivalent positions	30.00	1.00	31.00

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium and the 2019-21 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
Website redesign	\$0	\$351,305
Total special funds	\$0	\$351,305

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The department of financial institutions shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - House Action

	<u>Base Budget</u>	<u>House Changes</u>	<u>House Version</u>
Salaries and wages	\$6,813,840	\$182,802	\$6,996,642
Operating expenses	1,576,072	117,145	1,693,217
Contingency	20,000		20,000
Total all funds	\$8,409,912	\$299,947	\$8,709,859
Less estimated income	8,409,912	299,947	8,709,859
General fund	\$0	\$0	\$0
FTE	30.00	1.00	31.00

DP 2/6/14
2 of 2

Department 413 - Department of Financial Institutions - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adds Cybersecurity/ Money Transmitter Examiner ³	Reduces Funding for Operating Expenses ⁴	Adds Funding for Website Redesign ⁵	Total House Changes
Salaries and wages	(\$323,842)	\$312,085	\$194,559			\$182,802
Operating expenses			60,000	(\$294,160)	\$351,305	117,145
Contingency						
Total all funds	(\$323,842)	\$312,085	\$254,559	(\$294,160)	\$351,305	\$299,947
Less estimated income	(323,842)	312,085	254,559	(294,160)	351,305	299,947
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	1.00	0.00	0.00	1.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	<u>Other Funds</u>
Salary increase	\$173,761
Health insurance increase	138,324
Total	\$312,085

³ Funding for 1 cybersecurity/money transmitter examiner FTE position (\$194,559) and related operating expenses (\$60,000) is added.

⁴ Funding for operating expenses is reduced to provide a total of \$1,693,217.

⁵ One-time funding is added to continue the department's website redesign project started during the 2017-19 biennium.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1008**

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: Motion to move one FTE to the House Version

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Beadle Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To move one FTE to the House version. Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1008**

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: Motion to reduce the operating expenses of \$294,160.00 to the house version

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Beadle Seconded By Representative Mock

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Made a motion to reduce the operating expenses of \$294,160.00 to the House version.

Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1008**

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: Motion to reduce the funding for the website design
by \$100,000. to the House version.

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐

Motion Made By Representative Howe Seconded By Representative Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Made a motion to reduce the funding for the website design by \$100,000.00 to the House version.

Motion Carried

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1008**

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: 19.0196.01001

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Howe Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa			Representative Mock		
Vice Chairman Brandenburg					
Representative Beadle					
Representative Bellew					
Representative Howe					
Representative Kempenich					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
To accept the House changes.
Motion Carried.

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1008**

House Appropriations - Government Operations Division Committee

☐ Subcommittee

Amendment LC# or Description: 19.0196.01001

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Howe Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Vigesaa	X		Representative Mock	X	
Vice Chairman Brandenburg	X				
Representative Beadle	X				
Representative Bellew	X				
Representative Howe	X				
Representative Kempenich	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Representative Howe

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

Date: 2/6/2019
Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1008**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 19.0196.01001

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Howe Seconded By Representative Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich					
Representative Anderson			Representative Schobinger		
Representative Beadle			Representative Vigesaa		
Representative Bellew					
Representative Brandenburg					
Representative Howe			Representative Boe		
Representative Kreidt			Representative Holman		
Representative Martinson			Representative Mock		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Voice Vote, Motion Carries

Date: 2/6/2019
Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1008**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Representative Howe Seconded By Representative Mock

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X				
Representative Anderson	X		Representative Schobinger	X	
Representative Beadle	X		Representative Vigesaa	X	
Representative Bellew	X				
Representative Brandenburg	X				
Representative Howe	X		Representative Boe	X	
Representative Kreidt	X		Representative Holman	X	
Representative Martinson	X		Representative Mock	X	
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	X				

Total (Yes) 21 No 0

Absent 0

Floor Assignment Representative Howe

Motion Carries

REPORT OF STANDING COMMITTEE

HB 1008: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1008 was placed on the Sixth order on the calendar.

Page 1, replace lines 9 through 15 with:

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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - House Action

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Less estimated income	8,409,912	299,947	8,709,859
General fund	\$0	\$0	\$0
FTE	30.00	1.00	31.00

Department 413 - Department of Financial Institutions - Detail of House Changes

	<u>Adjusts Funding for Base Payroll Changes¹</u>	<u>Adds Funding for Salary and Benefit Increases²</u>	<u>Adds Cybersecurity/Money Transmitter Examiner³</u>	<u>Reduces Funding for Operating Expenses⁴</u>	<u>Adds Funding for Website Redesign⁵</u>	<u>Total House Changes</u>
Salaries and wages	(\$323,842)	\$312,085	\$194,559			\$182,802
Operating expenses			60,000	(\$294,160)	\$351,305	117,145
Contingency						
Total all funds	(\$323,842)	\$312,085	\$254,559	(\$294,160)	\$351,305	\$299,947
Less estimated income	(323,842)	312,085	254,559	(294,160)	351,305	299,947
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	1.00	0.00	0.00	1.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

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Salary increase	\$173,761
Health insurance increase	<u>138,324</u>
Total	\$312,085

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⁵ One-time funding is added to continue the department's website redesign project started during the 2017-19 biennium.

2019 SENATE APPROPRIATIONS

HB 1008

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1008
3/1/2019
Job # 33067 (39:44)

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk: Rose Laning/ Meghan Pegel
--

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 – 2.

Legislative Council: Chris Kadrmas
OMB: Stephanie Gullickson

Chairman Holmberg called the committee to order on HB 1008.

Lise Kruse, Commissioner, Department of Financial Institutions
Financial Institutions testimony - **Attached # 1.**

Introduced her staff: Corey Krebs, Assistant Commissioner; Ryan Spah, Chris Ludwig and Joan Becker.

(24:55) Senator Robinson: You referenced concern over the agricultural economy and of your inspections moving from 12 to 6 months. How many banks are involved in that increased schedule of inspections? How concerned are you regarding the ongoing downturn in the ag economy; from all reports, we're looking at another year or two. I think a number of farmers got 5 this past year. This year could be a whole other ballgame for them. How many of your institutions are especially challenged because of the size of the institution and the number of these farmers struggling financially?

Lise Kruse: We monitor the ag economy very closely, and it is concerning to us. We won't know the impact until after the farmers have done their renewal, which happens right now. I am frequently in contact with our institutions, and I would say a majority of our institutions have a concentration in agriculture loans because they are rural. The reason why we haven't had a failure for 30 years is that our bankers and credit union officials understand the ag economy and risk. They've done an excellent job of protecting against that risk. Most institutions would say that they have a few borrowers that are really struggling. As far as the total number of the institutions as of now, we have a few that are considered a troubled institution. I know for sure that in the next 6 months we will have a couple more. We work with the FDIC on that. When they get to a problem state, we go in with our federal

counterparts. I will be able to answer your question in the next couple of months, but as of now we are concerned.

Senator Robinson: When you deal with these challenged institutions in working with the FDIC, does that involve restructuring, refinancing and trying to regroup and take another look at it or are there situations where you're really dissolving things?

Lise Kruse: When the institution has a lot of risk, we need to make sure that they are working with their consumers and doing things correctly, that they do collect on loans when they need to and that they structure those loans. There might be operating that needs to be termed out over several years. The banks will work with them, but there are times when they can't do anything because the economy is what is it, and the institution will suffer as a result. We come in with a plan, and sometimes it's public. We require them to have a certain capital level, and we can sometimes restrict their dividends that we won't approve for them to take anything out of capital to preserve that institution. It's all designed to restore them back to a healthy level.

Senator Oehlke: Do you find that the acquisitions and mergers you've talked about are probably going to be happening in the not too distant future? Are they between two aggressive banks that are both doing great or are they finding themselves in a position where maybe they're really dependent on the ag economy, and it's a more diversified bank that's going to take them over?

Lise Kruse: If you ask an institution, they will say it's regulatory burden, and compliance costs are going up. They're not wrong in that because there are a lot of protections that have come out after the last crisis. There are a lot of concerns for smaller institutions where they have to comply with certain new regulations. The bank secrecy act, the anti-money laundering and cybersecurity is a huge burden on those institutions that sometimes make them want to find a partner and merge. One of the issues in this state is that these are family-owned institutions, and their kids don't want to come back and run the bank. They don't have anyone that wants to move back to the community, and because of their age, they're now looking at selling because there's no one to transfer it to otherwise. A lot of it has to do with the challenge in the rural communities as well.

(31:45) Jeff Olson, President and CEO, Credit Union Association of the Dakotas

Jeff Olson: We represent credit unions in North and South Dakota. There are 33 in North Dakota and about 211,000 credit union members. I'm representing the 20 credit unions that are state chartered. There is a state charter that falls under the regulation of the Department of Financial Institutions here and the state statutes and administrative rules process in the state. Then there's a federal charter credit union that falls under the National Credit Union Administration (NCUA) or the federal credit union act, and they work with the NCUA on regulation.

We're working on an amendment that specifically adds \$300,000 to the department's operating line. It takes it back to the 2015-17 biennium appropriations process, and I will support that testimony. The current appropriations process has a negative impact on credit unions. As we talk about the ag economy and the complexities in examining those credit

unions that are involved in ag lending, there are a dozen in the state that are actively involved in supporting the ag industry.

On a national scale, every year there's a report that lists the top 20 commercial lending credit unions in the country. We have about 6 of those in the top 20 every year, and that is based on their support and engagement in the ag economy. When the commissioner says that she's going to have to reconsider in sending a local examiner to a federal examination process, that is a concern- especially to those ag credit unions where the federal regulator doesn't understand the history of that credit union, the complexities of that credit union and that rural district. We had an example this past year of the federal regulator coming into a credit union that's nearly 80 years old and saying they don't understand or like ag lending and they didn't think they should be in ag lending. This is to a credit union that's in a rural community of less than 3,000 people and been serving for 80 years. These regulators come from out of state in areas like Chicago, Minneapolis and D.C. Our new federal regulation region comes out of Phoenix, Arizona. Some of our supervisors are based out of Denver, and some are out of Minneapolis as well. That is an issue for our members. It's a benefit for us to have that local regulator.

There is a disconnect to our members that are paying an increase in fees. It makes sense because they're growing in assets and complexities and their portfolios are diversifying, but when you reduce the budget by \$300,000, it doesn't make sense. We came to this body a couple years ago and got our FTE reinstated, and we appreciate that. 200 regulations came down for credit unions and banks from the Dodd-Frank Act, and the complexities of the examination process continue to grow, so we needed that examiner. The House took it away, you added it back, and we appreciate that. We're asking you to reconsider this amendment and ask that you reinstate the \$300,000 to the DFI budget.

Chairman Holmberg: The sub-committee will be Senator Krebsbach as chair, Senator Oehlke and Senator Robinson.

(36:54) Rick Clayburgh, President and CEO, North Dakota Bankers Association
Proposed Amendment - **Attached # 2.**

Rick Clayburgh: We're asking that the operating level associated with the non-IT operations of the department be restored to the 2015-17 biennium level. With the softening in our economy, it causes additional concerns to financial institutions. We want to ensure that the department has the resources necessary to ensure the continued safety and soundness of institutions in the state. We are a special fund agency. Banks in North Dakota pay 86% of the funds for the Department of Financial Institutions, and we're asking that you allow them to spend a little more money.

(38:00) Barry Haugen, Independent Community Banks of North Dakota

Haugen: We too support the department and the amendment. It's important to have a skilled and well trained department with the resources necessary.

Chairman Holmberg closed the hearing on HB 1008.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1008
3/12/2019
JOB # 33597

☒ Subcommittee
☐ Conference Committee

Committee Clerk: Alice Delzer

Explanation or reason for introduction of bill/resolution:

A Subcommittee hearing for the Department of Financial Institutions.

Minutes:

1. Proposed Amendment (Rick Clayburg)

Chairman Krebsbach: called the Subcommittee meeting to order on HB 1008 at 3:00 pm in the Harvest Room. All subcommittee members were present: Chairman Krebsbach, Senator Oehlke and Senator Robinson. Chris Kadrmas, Legislative Council and Becky J. Keller, OMB were also present.

Chairman Krebsbach: What we need to do is refresh our memories as to what Financial Institutions is looking for that were not included in the bill when it came from the House.

Rick Clayburg, President, CEO ND Bankers Association: Just specific to your question, what didn't occur in the House that people would like to see brought in on the Senate side goes to the amendment (**see Attachment # 1.**) we presented on behalf of the Independent Community Banks and Credit Unions and the ND Banker's Association back on the original hearing date and that was to restore \$300,000 to the operating line bringing it back to the level that it was in the 15-17 biennium. Over the last couple of budgeting cycles, the operating line has been reduced. I understand the commissioner and staff have to be a little careful as an executive agency and cabinet officials in maybe answering questions but we believe, given what's happening in the economy, the potential downturn what's happening in agriculture, the concerns that could shape the opinions of a financial institution, we think now more than ever, they should have the resources necessary in that operating line, is there travel line when they go out and actually examine financial institutions on site. **(0.02.40)**

Chairman Krebsbach: I am looking at the total of the enhancements that are prepared on your budget, your amendment, I am wondering if there is \$100,000 mistake.

Rick Clayburg: There were some adjustments that did occur, not specific to operating, but specific to carryover authority for a special project that was done, an IT project. That may be associated in there. I don't believe our amendment had an error to it. there was some other adjustments that the House made. We are specifically asking for additional \$300,000 specific to the operating line.

Senator Robinson: One of the issues here was, \$182,802.00 in salaries and wages. That is in. That was confirmed. Operating 417 – that is in.

Chairman Krebsbach: Initially that was 117, so that's \$300,000 more.

Senator Robinson: So the question is, based is what is in the bill, what would we need to add to make it whole.

Rick Clayburg: I am certainly not the expert on their budget, in my opinion, to make it whole, \$300,000. That is what our amendments does, it adds \$300,000 to their operating line.

Chairman Krebsbach: the reason I am questioning it is this, the total special funds in the adjustments or enhancements is \$299,000, and if I take that \$600,000 figure, which you show on this, I believe there is an adding error on your sheet. that's all it is. It should be \$599,000.

Rick Clayburg: The House took out \$100,000 in operating associated with the special IT project. It starting now because they got emergency commission authority to start that project prior to the end of the biennium. Or am I off? I apologize and I take responsibility for that. I was typing that on word and using my calculator, and I apologize. The department hasn't seen the amendment. We didn't share that with them.

(Copies of the proposed amendment were made and distributed to the Department, Legislative Council and OMB). Discussion followed.

Rick Clayburg: I apologize. I made sure my numbers were going across row wise, but I didn't check on the column side. (Further discussion followed about the mistake on the amendment).

(0.07.28) Chairman Krebsbach: I think that explains it. That takes care of, you're the banking association, the independent bankers, and the credit unions.

Rick Clayburg: Correct. From a budgetary standpoint, roughly 86% of their special funds come from the assessments by the financial institutions, I don't believe that includes the credit unions, or does it? He was told it does include the credit unions as well, all the banks, all the financial institutions, which are the banks and then some definitions, the credit unions.

Chairman Krebsbach: That covers that amendment that was proposed during the hearing. I would like to have Lisa come forward and be sure we aren't missing anything else.

Lisa Kruse, Commissioner, Department of Financial Institutions: I will answer any questions.

Senator Oehlke: Do you get any federal funds? Is that a big deal if that part is left out of there, that you can't receive federal funds? You ok with that?

Lisa Kruse: We do not receive any federal funds.

Senator Oehlke: Line item transfers between funds, you don't need that either? Because they didn't give you that as well in the House.

(0.08.56) Lisa Kruse: I would love to have that because we are a small department, we sometimes the easiest place for us to budget, we have natural turn-over because of the work we do, sometimes the salary line item is the easiest place where we would have excess funds and it would be to have that authority, but when you are such a small agency and you run so tight, that would just spare us having to go to the emergency commission. It would give us a little more flexibility and freedom when we do have turn-over where we could move it to operating.

Chairman Krebsbach: I have two questions in regard to that. Have you had the authority in the past? She was told no. And have you had need to go to the emergency commission in the last 5 years?

Lisa Kruse: Yes, we have gone to the emergency commission and I just started a little over a year ago, so I wasn't even aware of the whole process, yes, I did go in December because we had excess funds because of retirements. So that \$435,000 was approved by the emergency commission at that time. That was all salaries. That's part of the confusion that came in with the \$100,000 because the House side took out \$100,000 thinking that's what we will spend this biennium of that money rather than carrying it over. I know going forward, I am very aware if the economy turns that I might have to appear again to have more flexibility to meet our mandates.

(0.10.53) Chairman Krebsbach: You mentioned the House took out \$100,000. Does the \$300,000 that is being put back cover that?

Lisa Kruse: It's a separate item. The emergency commission approved for our IT systems, \$451,305.00 that we would take from this biennium salary line item, move to operating. However, the governor wanted to make sure that we would have the authority to carry it over to the next biennium. So it shows in our operating line item even though it's already been funded. So it was to request that authority. When the House looked at it, they reduced it by \$100,000 so we would only have authority to carry over \$351,000, thinking that we had already spent \$100,000 by the end of this biennium. So it's separate from the amendment that the banking associations are proposing.

Chairman Krebsbach: Is that clear to everyone on the committee? That was confirmed. Any further questions from the committee? We have a few things that we cannot complete this budget for and that is there's two things the Senate and the House are not in sync on, one is the salaries and the other is the funding for the IT unification. Those two things have to be worked out before we can make a final decision on this bill. I have no problem with the amendment that is being proposed. (Confirmed by the subcommittee) The transfer, we'll do some debating on that, but we will let you know. The Subcommittee hearing on HB 1008 is in recess and we will notify you later.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1008
4/4/2019
JOB # 34506

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Alice Delzer

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. (Do Pass as Amended)

Minutes:

1. Proposed Amendment # 19.0196.02002

Chairman Holmberg: called the Committee to order on HB 1008. Roll call was taken. All committee members were present. Adam Mathiak, Legislative Council and Larry Martin, OMB were also present

V. Chairman Krebsbach: Submitted Attachment # 1 Amendment # 19.0196.02002. She explained the amendment.

V. Chairman Krebsbach: Moved Amendment # 19.0196.02002. 2nd by Senator Robinson.

Chairman Holmberg: All in favor of the amendment, say aye. It carried. Now can we have a motion on the bill?

V. Chairman Krebsbach: Moved a Do Pass as Amended on HB 1008. 2nd by Senator Robinson.

Chairman Holmberg: Call the roll on a Do Pass as Amended on HB 1008.

A Roll Call vote was taken. Yea: 14; Nay: 0; Absent: 0. V. Chairman Krebsbach will carry the bill.

The hearing was closed on HB 1006.

SK
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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1008

Page 1, line 2, after "institutions" insert "; and to provide for a report"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$6,813,840	\$208,815	\$7,022,655
Operating expenses	1,576,072	517,145	2,093,217
Contingency	20,000	0	20,000
Total special funds	\$8,409,912	\$725,960	\$9,135,872
Full-time equivalent positions	30.00	1.00	31.00"

Page 1, line 16, after "FUNDING" insert "- REPORT TO LEGISLATIVE ASSEMBLY"

Page 1, replace lines 20 and 21 with:

"Website redesign	\$0	\$451,305
Total special funds	\$0	\$451,305"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$6,813,840	\$6,996,642	\$26,013	\$7,022,655
Operating expenses	1,576,072	1,693,217	400,000	2,093,217
Contingency	20,000	20,000		20,000
Total all funds	\$8,409,912	\$8,709,859	\$426,013	\$9,135,872
Less estimated income	8,409,912	8,709,859	426,013	9,135,872
General fund	\$0	\$0	\$0	\$0
FTE	30.00	31.00	0.00	31.00

Department 413 - Department of Financial Institutions - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Increases Funding for Operating Expenses ²	Adds Funding for Website Redesign ³	Total Senate Changes
Salaries and wages	\$26,013			\$26,013
Operating expenses		\$300,000	\$100,000	400,000
Contingency				
Total all funds	\$26,013	\$300,000	\$100,000	\$426,013
Less estimated income	26,013	300,000	100,000	426,013
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ Funding is added to provide for employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and an increase of 2.5 percent on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding for operating expenses is increased to provide a total of \$1,993,217. The House included total funding for operating expenses of \$1,693,217.

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³ The Senate increased one-time funding by \$100,000, from \$351,305 to \$451,305, to continue the department's website redesign project started during the 2017-19 biennium. The House version included one-time funding of \$351,305.

Date: 4-4-19Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1008**

Senate Appropriations Committee☐ SubcommitteeAmendment LC# or Description: 19.0196.02002Recommendation: ☒ Adopt Amendment☐ Do Pass☐ Do Not Pass☐ Without Committee Recommendation☐ As Amended☐ Rerefer to Appropriations☐ Place on Consent Calendar

Other Actions:

☐ Reconsider☐Motion Made By Krebsbach Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mathern		
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke					
Senator Hogue					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

*Vote
it carried.*

Date: 4-4-19Roll Call Vote #: 2

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES**
BILL/RESOLUTION NO. 1008

Senate Appropriations Committee☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____Motion Made By Krebsbach Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator Grabinger	✓	
Senator Wanzek	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Poolman	✓				
Senator Bekkedahl	✓				
Senator G. Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0Absent 0Floor Assignment Krebsbach

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

REPORT OF STANDING COMMITTEE

HB 1008, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1008 was placed on the Sixth order on the calendar.

Page 1, line 2, after "institutions" insert "; and to provide for a report"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$6,813,840	\$208,815	\$7,022,655
Operating expenses	1,576,072	517,145	2,093,217
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$8,409,912	\$725,960	\$9,135,872
Full-time equivalent positions	30.00	1.00	31.00"

Page 1, line 16, after "**FUNDING**" insert "- **REPORT TO LEGISLATIVE ASSEMBLY**"

Page 1, replace lines 20 and 21 with:

"Website redesign	\$0	\$451,305
Total special funds	\$0	\$451,305"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$6,813,840	\$6,996,642	\$26,013	\$7,022,655
Operating expenses	1,576,072	1,693,217	400,000	2,093,217
Contingency	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
Total all funds	\$8,409,912	\$8,709,859	\$426,013	\$9,135,872
Less estimated income	<u>8,409,912</u>	<u>8,709,859</u>	<u>426,013</u>	<u>9,135,872</u>
General fund	\$0	\$0	\$0	\$0
FTE	30.00	31.00	0.00	31.00

Department 413 - Department of Financial Institutions - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Increases Funding for Operating Expenses ²	Adds Funding for Website Redesign ³	Total Senate Changes
Salaries and wages	\$26,013			\$26,013
Operating expenses		\$300,000	\$100,000	400,000
Contingency				
Total all funds	\$26,013	\$300,000	\$100,000	\$426,013
Less estimated income	<u>26,013</u>	<u>300,000</u>	<u>100,000</u>	<u>426,013</u>
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ Funding is added to provide for employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and an increase of 2.5 percent on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding for operating expenses is increased to provide a total of \$1,993,217. The House included total funding for operating expenses of \$1,693,217.

³ The Senate increased one-time funding by \$100,000, from \$351,305 to \$451,305, to continue the department's website redesign project started during the 2017-19 biennium.

The House version included one-time funding of \$351,305.

2019 CONFERENCE COMMITTEE

HB 1008

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division Medora Room, State Capitol

HB1008
4/15/2019
Recording Job# 34737

☐ Subcommittee
☒ Conference Committee

Committee Clerk: Sheri Lewis

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:

Attachment A

Chairman Howe: Opened the conference committee on HB1008.

Roll Call taken.

Senator Krebsbach: Explained the Senate changes. See attachment A.

Chairman Howe: In the House version we did include the FTE for the cybersecurity transmitter.

Senator Krebsbach: You're correct, that was a recommendation from the governor's office.

Chairman Howe: On that \$451,000.00, we have \$351,000.00 that carried over; that \$100,000.00 that we had committed for the current biennium?

Chris Kadrmas, Fiscal Analyst, ND Legislative Council: In the governor's recommendation they had asked for carry over authority of their entire operating expenses line; but they wanted to carry over funding that was provided for this IT project which was \$451,305.00. That was approved by the emergency commission and budget section to transfer salaries and wages. Once it went over to the Senate, the agency determined that they might not be able to expend the \$100,000.00 during this biennium; so they asked to increase the authority to cover the entire amount that they were intending for the project.

Representative Beadle: Can someone explain the \$300,000.00 increase for operating expense adjustment?

Chairman Howe: I believe the operating was increased due to increased travel on the House side.

Chris Kadrmas: When the bill was over on the Senate side, the customers of the agency testified in front of the Senate for them to increase their operating expenses to the 2015-2017 level; so that's where the \$300,000.00 increase came from.

Senator Krebsbach: This was a separate amendment that was submitted by the North Dakota Bankers Association, the independent community banks and the Credit Unions of the Dakotas. They were all in accord on this; and really wanted to see the fund restored to the level it was in the 2015-2017 session.

Representative Beadle: Was the purpose of the increased operating expenditure to the 2015 level; was that for travel and inspection costs?

Senator Krebsbach: It could be for travel.

Senator Robinson: The explanation we had on our side was not only because of the tight ag economy; but largely because of the tight ag economy, there are a handful of banks that are struggling. The workload has increased significantly and that's where much of this additional expense will be used.

Representative Bellew: There is a breakdown of why they needed \$300,000.00? They should justify that or somebody should justify that.

Senator Krebsbach: They were just trying to restore their budget back to the 2015-2017 biennium. They had been short changed in doing some of the traveling that they needed to do as an agency.

Representative Beadle: Looking at the budget detail request information provided by OMB and based on the expenditures in the 2015-2017 biennium, the expenditures for operating expenses was \$1,420,980.00. During the 2017-2019 biennium it \$1,576,072.00. Specifically for travel in 2015-2017 had \$464,806; 2017-2019 had \$543,700.00. I think we do need to get some clarification.

Chairman Howe: Closed the conference committee.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division
Medora Room, State Capitol

HB1008
4/16/2019
Recording Job# 34777

☐ Subcommittee
☒ Conference Committee

Committee Clerk: Sheri Lewis

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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Chairman Howe: Opened the conference committee on HB1008.

Roll Call taken.

Chairman Howe: We deliberated on this a little bit and with this being a special funded agency.

Representative Beadle: Made a motion to adopt the Senate's amendments.

Representative Bellew: Seconded the motion.

Voice Vote made.

Motion Carried.

Senator Oehlke: Made a motion for "The House to accede to Senate Amendments"

Senator Robinson: Seconded the motion.

Roll Call Vote: 5 Yeas 1 Nay 0 Absent.

Motion Carried.

Representative Howe: Closed the conference committee.

Date: 4/16/2019
Voice Vote: Vote: 1

**2019 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. HB1008 as (re) engrossed

House Appropriations – Government Operations Committee

- Action Taken**
- ☐ HOUSE accede to Senate Amendments
 - ☐ HOUSE accede to Senate Amendments and further amend
 - ☐ SENATE recede from Senate amendments
 - ☐ SENATE recede from Senate amendments and amend as follows
 - ☒ Other
- ☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Representative Beadle Seconded by: Representative Bellew

Representatives	4/15	4/16		Yes	No		Senators	4/15	4/16		Yes	No
Chairman Howe	X	X					Senator Krebsbach	X	X			
Representative Beadle	X	X					Senator Oehlke	X	X			
Representative Bellew	X	X					Senator Robinson	X	X			
Total Rep. Vote							Total Senate Vote					

Vote Count Yes: 5 No: _____ Absent: _____

House Carrier _____ Senate Carrier _____

LC Number _____ of amendment

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment - To agree to the Senate amendments

Motion Carried

Date: 4/16/2019

Roll Call Vote: 1

**2019 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. HB1008 as (re) engrossed

House Appropriations – Government Operations Committee

Action Taken ☒ **HOUSE accede to Senate Amendments**

☐ **HOUSE accede to Senate Amendments and further amend**

☐ **SENATE recede from Senate amendments**

☐ **SENATE recede from Senate amendments and amend as follows**

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

Motion Made by: Senator Oehlke Seconded by: Senator Robinson

Representatives	4/15	4/16		Yes	No		Senators	4/15	4/16		Yes	No
Chairman Howe	X	X		X			Senator Krebsbach	X	X		X	
Representative Beadle	X	X		X			Senator Oehlke	X	X		X	
Representative Bellew	X	X			X		Senator Robinson	X	X		X	
Total Rep. Vote				2	1		Total Senate Vote				3	0

Vote Count Yes: 5 No: 1 Absent: 0

House Carrier Representative Howe Senate Carrier Senator Krebsbach

LC Number _____ of amendment

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment - Motion Carried

REPORT OF CONFERENCE COMMITTEE

HB 1008, as engrossed: Your conference committee (Sens. Krebsbach, Oehlke, Robinson and Reps. Howe, Beadle, Bellew) recommends that the **HOUSE ACCEDE** to the Senate amendments and place HB 1008 on the Seventh order.

Engrossed HB 1008 was placed on the Seventh order of business on the calendar.

2019 TESTIMONY

HB 1008

Department 413 - Department of Financial Institutions
House Bill No. 1008

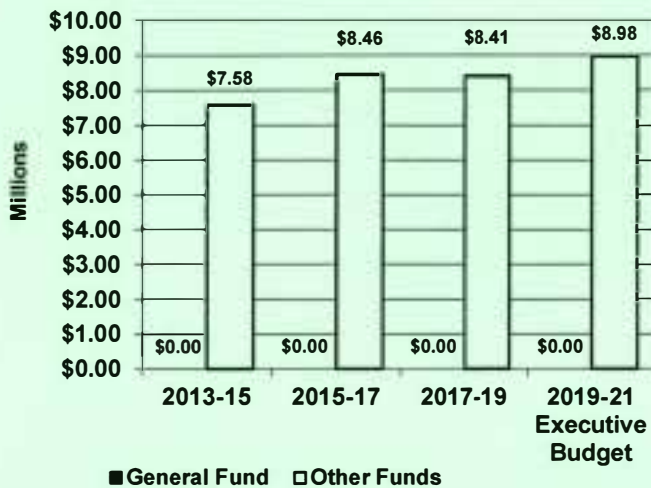
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	31.00	\$0	\$8,978,343	\$8,978,343
2017-19 Legislative Appropriations	30.00	0	8,409,912	8,409,912
Increase (Decrease)	1.00	\$0	\$568,431	\$568,431

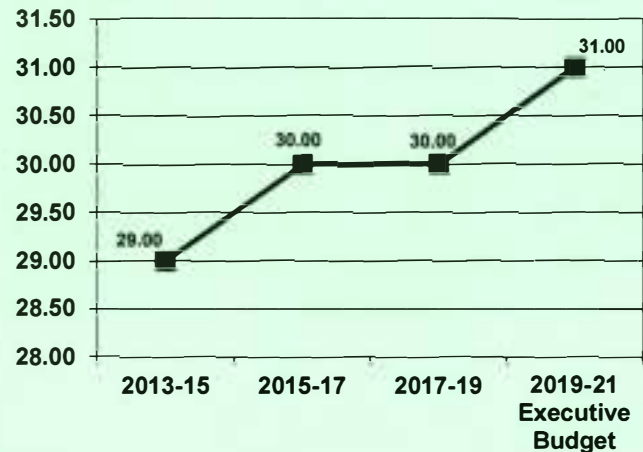
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$8,527,038	\$451,305	\$8,978,343
2017-19 Legislative Appropriations	8,409,912	0	8,409,912
Increase (Decrease)	\$117,126	\$451,305	\$568,431

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$8,978,343	\$8,978,343
2019-21 Base Level	0	8,409,912	8,409,912
Increase (Decrease)	\$0	\$568,431	\$568,431

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Adds funding for state employee salary and benefit increases, of which \$287,206 is for salary increases, \$117,155 is for health insurance increases, and \$37,072 is for retirement contribution increases	\$0	\$441,433	\$441,433
2. Adds 1 FTE cybersecurity/money transmitter examiner (\$194,559) and related operating expenses (\$60,000)	\$0	\$254,559	\$254,559
3. Increases funding for credit union examiner	\$0	\$39,136	\$39,136
4. Reduces operating expenses	\$0	(\$294,160)	(\$294,160)
5. Adds one-time funding for website redesign	\$0	\$451,305	\$451,305

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Line item transfers - Section 3 would authorize the Department of Financial Institutions to transfer up to 10 percent of the agency's total appropriation between line items during the 2019-21 biennium.

Additional income - Section 4 would appropriate any additional income from federal or other funds that may become available to the Department of Financial Institutions during the 2019-21 biennium.

Exemption - Website redesign project - Section 5 would provide that the total appropriation for the agency's 2017-19 operating expenses line item is exempt from North Dakota Century Code Section 54-44.1-11 and is continued into the 2019-21 biennium, for the continued development of the website redesign and information technology project.

Continuing Appropriations

No continuing appropriations for this agency.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

Senate Bill No. 2093 - Amends various sections of Title 6 and Title 13, to change the requirement of capital and liquid assets, increases the surety bond requirement from \$25,000 to \$50,000, and increases the renewal fee for a licensee under Chapter 13-09, from \$450 to \$500 or one-fourth of 1 percent of the money transmission dollar volume in North Dakota in a 12-month period. This bill also repeals various chapters under Title 13.

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	30.00	\$0	\$8,409,912	\$8,409,912
2019-21 Ongoing Funding Changes				
Base payroll changes			(\$323,842)	(\$323,842)
Salary increase			287,206	287,206
Health insurance increase			117,155	117,155
Retirement contribution increase			37,072	37,072
Adds 1 FTE cybersecurity/money transmitter examiner	1.00		254,559	254,559
Increases funding for credit union examiner			39,136	39,136
Reduces operating expenses			(294,160)	(294,160)
Total ongoing funding changes	1.00	\$0	\$117,126	\$117,126
One-time funding items				
Adds funding for website redesign			\$451,305	\$451,305
Total one-time funding changes	0.00	\$0	\$451,305	\$451,305
Total Changes to Base Level Funding	1.00	\$0	\$568,431	\$568,431
2019-21 Total Funding	31.00	\$0	\$8,978,343	\$8,978,343

Other Sections for Department of Financial Institutions - Budget No. 413

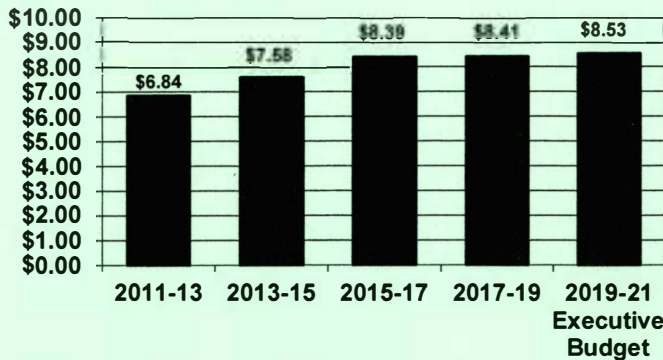
Executive Budget Recommendation	
Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer up to 10 percent of the total appropriation between line items during the 2019-21 biennium.
Appropriation - Additional federal funds or other funds	Section 4 would appropriate any additional income from federal or other funds that may become available to the Department of Financial Institutions during the 2019-21 biennium.
Exemption - Website redesign project	Section 5 would provide that the total appropriation for the agency's 2017-19 biennium operating expenses line item is exempt from North Dakota Century Code Section 54-44.1-11 and is continued into the 2019-21 biennium, for the continued development of the website redesign and information technology project.

Department 413 - Department of Financial Institutions

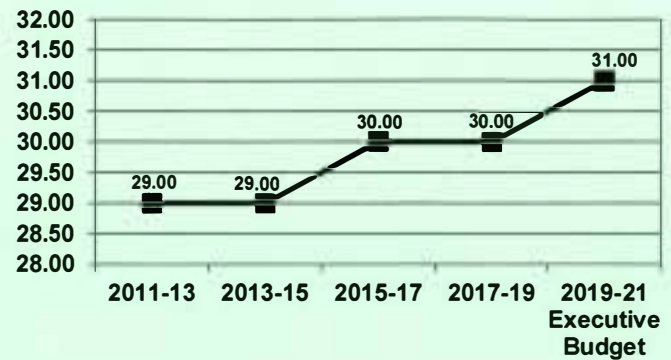
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations

	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$6,836,318	\$7,580,217	\$8,389,442	\$8,409,912	\$8,527,038
Increase (decrease) from previous biennium	N/A	\$743,899	\$809,225	\$20,470	\$117,126
Percentage increase (decrease) from previous biennium	N/A	10.9%	10.7%	0.2%	1.4%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	10.9%	22.7%	23.0%	24.7%

Major Increases (Decreases) in Other Funds Appropriations

2013-15 Biennium

1. Added contingency funding for costs related to switching to a national mortgage licensing system \$136,000

2015-17 Biennium

1. Added funding for 1 FTE credit union examiner position and related operating expenses \$218,089
2. Added funding for operating expenses \$116,207
3. Reduced contingency funding (\$79,000)

2017-19 Biennium

1. Reduced funding for salaries and wages in anticipation of savings from vacant positions and employee turnover (\$185,196)
2. Reduced contingency funding to provide \$20,000 (\$57,000)

2019-21 Biennium (Executive Budget Recommendation)

1. Adds 1 FTE cybersecurity/money transmitter examiner (\$194,559) and related operating expenses (\$60,000) \$254,559
2. Increases funding for credit union examiner \$39,136
3. Reduces operating expenses (\$294,160)

**GOVERNOR'S RECOMMENDATION FOR THE
DEPT. OF FINANCIAL INSTITUTIONS AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from other income, to the department of financial institutions for the purpose of defraying the expenses of the department of financial institutions, for the biennium beginning July 1, 2019, and ending June 30, 2021 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,813,840	\$351,286	\$7,165,126
Operating expenses	1,576,072	217,145	1,793,217
Contingency	20,000	0	20,000
Total special funds	\$8,409,912	\$568,431	\$8,978,343
Full-time equivalent positions	30.00	1.00	31.00

SECTION 2. ONE-TIME FUNDING. - The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
IT Project	\$ 0	\$451,305
Total other fund	\$ 0	\$451,305

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The department of financial institutions shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer between line items within section 1 of this Act up to ten percent of the total appropriation contained in section 1 during the biennium beginning July 1, 2019, and ending June 30, 2021. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section

SECTION 4. APPROPRIATION - In addition to the amounts appropriated to the department of financial institutions in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 5. EXEMPTION. The amount appropriated for the operating expenses, is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation line are available for continued development of the website redesign and informational technology project during the biennium beginning July 1, 2019, and ending June 30, 2021.

MEMORANDUM

DATE: January 8, 2019

TO: Government Operations Division –
House Appropriations Committee

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of Engrossed HB 1008

Chairman Vigesaa and members of the Government Operations Division Committee, thank you for the opportunity to provide testimony regarding the Department of Financial Institutions Appropriation request for the 2019-2021 biennium, Engrossed HB 1008.

DEPARTMENT SUPERVISORY AUTHORITY

The Department of Financial Institutions supervises state-chartered banks, credit unions, trust companies, and other financial corporations which includes: 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, receiving 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 are given the authority to 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 fees for 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.

Department Purpose

The Department directly serves our banks, credit unions and non-depository financial institutions. Indirectly, every citizen of North Dakota is impacted as they can be confident in the financial services

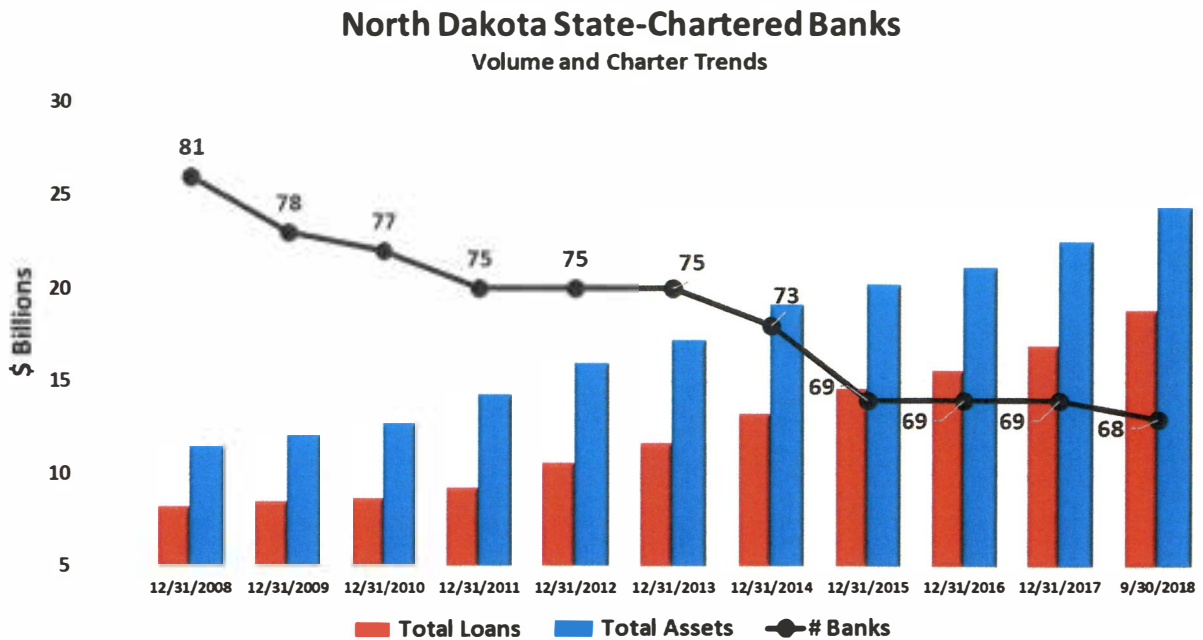
to which they have access. The Department's purpose is to ensure the safety and soundness of the institutions we regulate, which then results in financial services being available to the North Dakota citizen.

A community bank and credit union are central to economic development. Since our institutions are closely connected to their local markets, they are directly affected when the economy weakens, and throughout North Dakota, the agricultural economy has a large impact. With pressures in the commodity markets, an increasing number of bank and credit union customers may experience difficulties repaying their loans, and the institution ends up with bad loans or loan losses. When an institution has a large volume of problem assets, and is then categorized as a troubled institution, our Department must exert more resources to ensure the institution is restored to a healthy condition. Key to our mission is that we identify and find ways to remediate problem institutions. Our objective is to ensure institutions are financially strong and in compliance with applicable laws and regulations. Problem institutions often have taken on too much risk and then must tighten standards to return to a satisfactory condition. Strong institutions can take targeted risks that can help their communities.

State-Chartered Banks

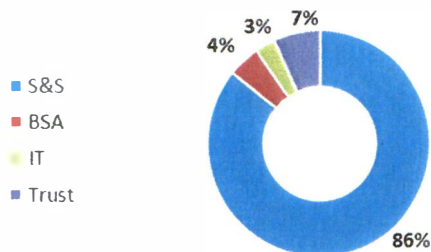
Currently, there are 68 state-chartered banks, plus the Bank of North Dakota. The number of banks has remained relatively stable over the past several years although we continue to see merger and consolidation activity, with another three anticipated in 2019. While the

total number of banks has declined and is expected to further decline, total assets continue to grow.

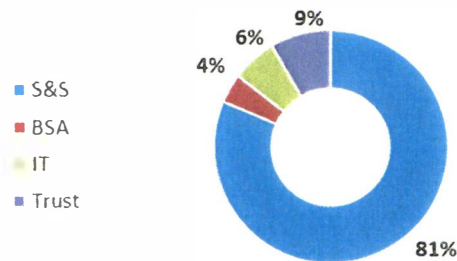


Assets increased 15% from \$21 billion on December 31, 2016, to \$24 billion on September 31, 2018. The continued asset growth increases the Department's responsibilities and time needed to conduct examinations. A majority of examination time is spent on loan review, and total loan volume grew from \$16 billion on December 31, 2016, to \$19 billion on December 31, 2018. Commercial loans are becoming more complex, which requires experienced examiner review. Cybersecurity is a significant concern and therefore more time is dedicated to information technology review during our safety and soundness examinations. The graphs below illustrate how specialty examinations of trust, information technology and bank secrecy act review are requiring an increasing amount of time.

Examination Hours by Examination Type - 2014



Examination Hours by Examination Type - 2017

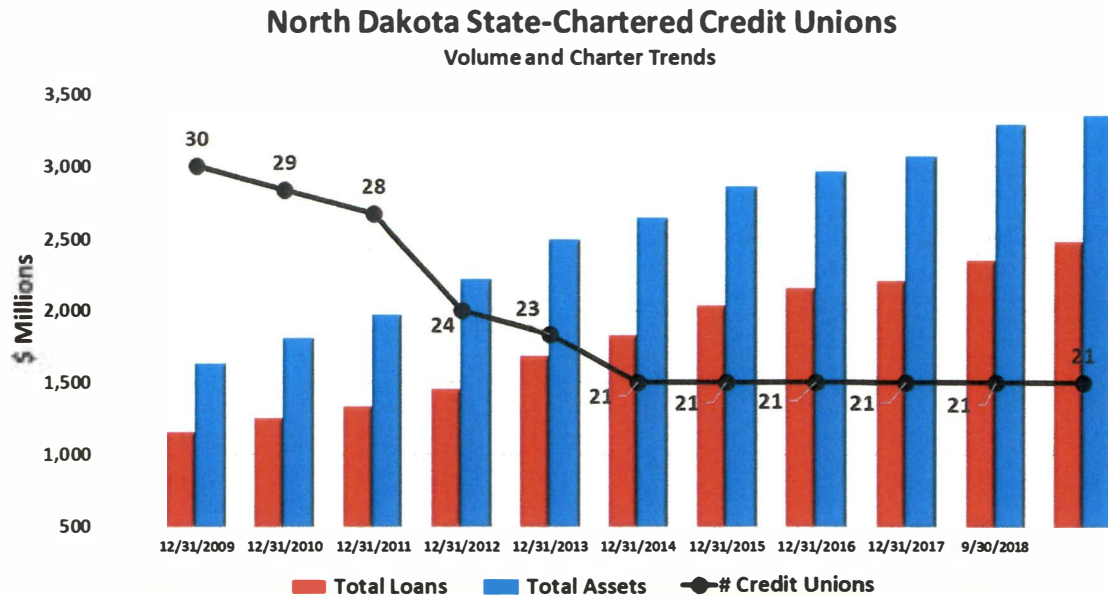


The Department has 16 field bank examiners conducting examinations throughout the State of North Dakota, and 3 field office locations: Grand Forks, Fargo, and Bismarck.

The Department's banking division has maintained accreditation through the Conference of State Bank Supervisors (CSBS) since 1992, signifying that our Department meets comprehensive organizational and performance standards. Our review results have been excellent for a department our size. Important considerations are whether federal regulators accept our work product, our ability to examine for information technology, our ability to recognize and monitor for weaknesses, and the turnaround time for examinations.

State-Chartered Credit Unions

Currently, there are 20 state-chartered credit unions; down from the 21 shown in the graph below due to a merger in the last quarter of 2018. Credit unions also continue to show asset growth, with total assets increasing 10% from \$3 billion as of December 31, 2016, to \$3.4 billion as of September 30, 2018.



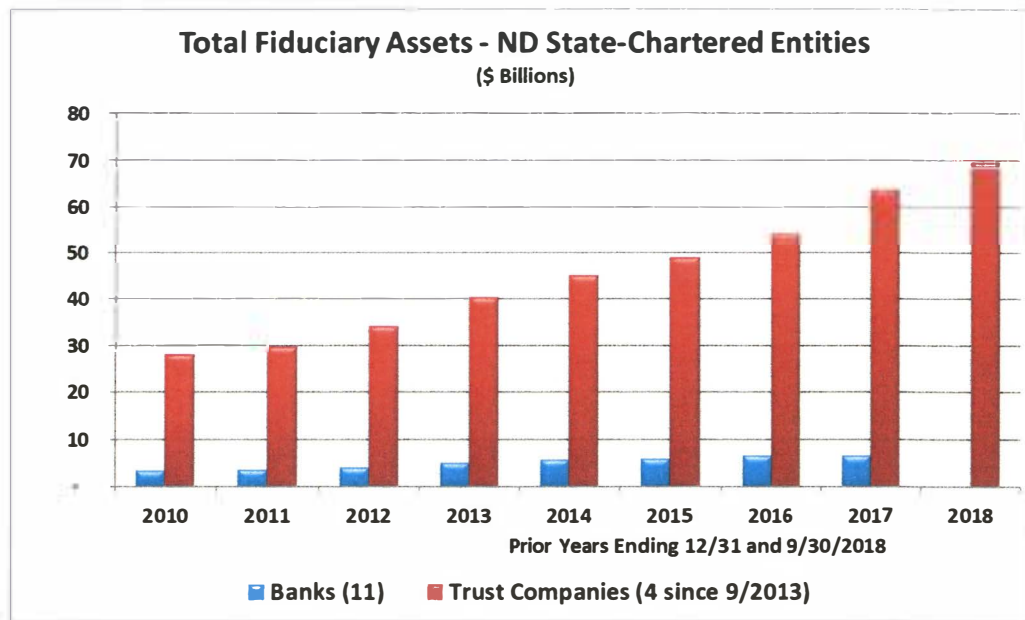
Again, asset growth translates into increased loan volume from \$2.2 billion on December 31, 2016, to \$2.5 billion as of September 30, 2018 (10.8%), which puts time constraints on our credit union examiners. The credit union division has three examiners and a Supervising Examiner to conduct the examinations of state-chartered credit unions.

Our Credit Union Division has been accredited by the National Association of State Credit Union Supervisors since 2000.

State-Chartered Trust Companies and Bank Trust Departments

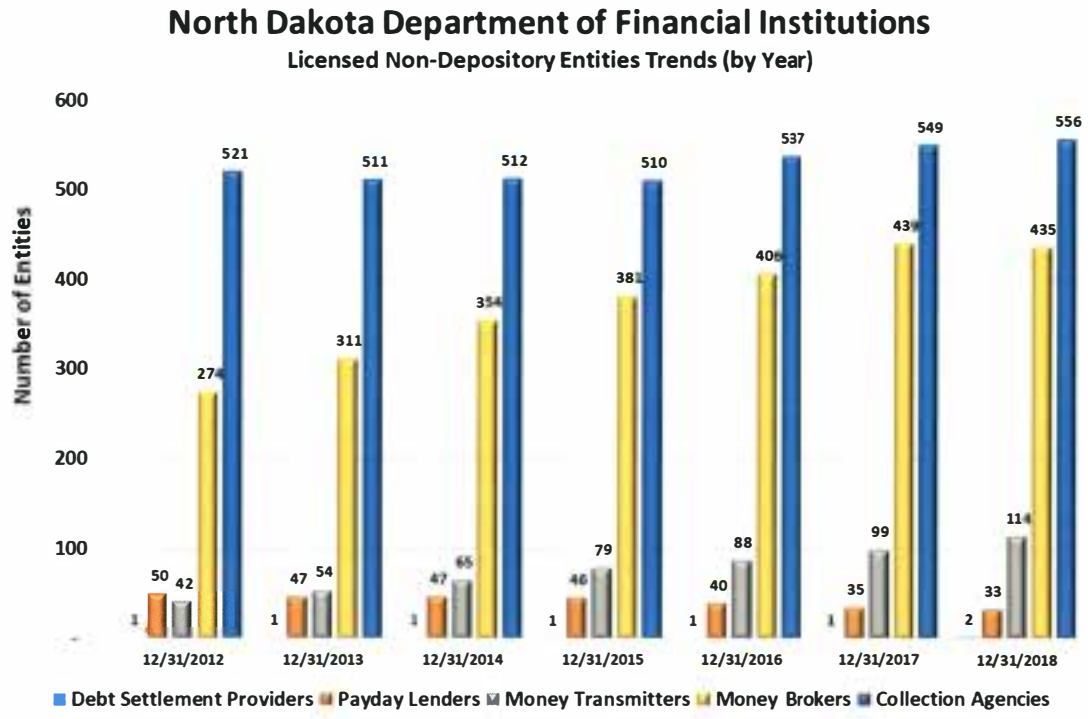
There are four state-chartered independent trust companies for which the Department has oversight responsibility; we also have 11 banks which exercise trust powers. The independent trust company examinations are conducted by bank examiners who have acquired

specialized trust examination training. The total combined fiduciary assets as of September 30, 2018, of the four independent trust companies is \$70 billion, which compares to \$54 billion as of December 31, 2016; this represents a 29% increase. The banks with trust powers had combined fiduciary assets of \$6.5 billion as of December 31, 2107, which is similar to the December 31, 2016, level.



Consumer Licenses

As of January 2, 2019, the consumer division has active licenses totaling a combined 4,733 entities including collection agencies, money brokers, mortgage loan originators, deferred presentment service providers (payday lenders), money transmitters, and debt-settlement service providers. The breakdown of the licenses is as follows:



Not included in the graph above are the 3,593 licensed mortgage loan originators, for which we are responsible to track pre-licensing and continuing education requirements.

Our consumer division has 4 employees whom conducts examinations of the various entities we license, and also engages in a number of investigations based on information received by way of complaints and communication with other states. In 2015, the Department received a certificate of accreditation from the CSBS/AARMR (American Association of Residential Mortgage Regulators) Mortgage Accreditation Program.

BUDGET OVERVIEW

In compliance with Section 4 of 2017 SB 2008, a study of the feasibility and desirability of combining the Department of Financial Institutions and the Securities Department into a single Cabinet Agency was conducted. The study concluded that no efficiencies would be gained, and the Governor recommended that the departments do not merge. The Interim Government Administration Committee voted to concur with the Governor's recommendation of no merger. A copy of the Governor's recommendation is attached.

There were no financial audit findings in the most recent audit of our Department and the Department does not receive federal funding.

The largest component of the Department's budget is salaries at 84% of the current total budget. Our largest operating expenses are as follows:

- i. Travel-32.1% of operating
- ii. Data Processing -19.0% of operating
- iii. Rental/Lease-Bldg- 16.3% of operating
- iv. Professional Development- 15.6% of operating

The Department has high travel expenses since examiners must travel to the institutions to conduct examinations. With the increasing use of technology, we are able to complete more offsite work; however, an onsite presence in the community institution will always be an important part of our safety and soundness examinations. Travel is also affected by training out of state. The work of an examiner is specialized and therefore much of the training is conducted out of state

along with our federal counterparts, which keeps our examiners up to date on the most recent laws and regulations. Providing this specific training to examiners is crucial to remain competent and consistent with our federal counterparts, which also benefits our institutions. It is our priority to continue to hire well-qualified employees and invest significant time and financial resources into their training and development to ensure the entire workforce has the necessary experience and qualifications to effectively perform their duties. Also, regulatory, accounting, and legal changes require constant training, especially in areas such as anti-money laundering enforcement and information technology issues such as cybersecurity.

Line Item	Base Level	<i>Proposed 90% budget request</i>	Governor's Recommendation	Increase (Decrease) from Base Level
Salaries	\$6,813,840	\$6,327,009	\$7,165,126	\$351,286
Operating	\$1,576,072	\$1,221,912	\$1,793,217	\$217,145
Contingency	\$20,000	\$20,000	\$20,000	\$0
Total	\$8,409,912	\$7,568,921	\$8,978,343	\$568,431
FTE	30.00	29.00	31.00	1.00
<i>*Operating adjusted for one-time IT project</i>	\$1,576,072		\$1,341,912	(\$234,160)

*The \$451,305 adjustment for IT will be funded by current biennium's revenue.

To meet the Governor's 90% budget request, the Department proposed that the majority of reductions would come from salaries,

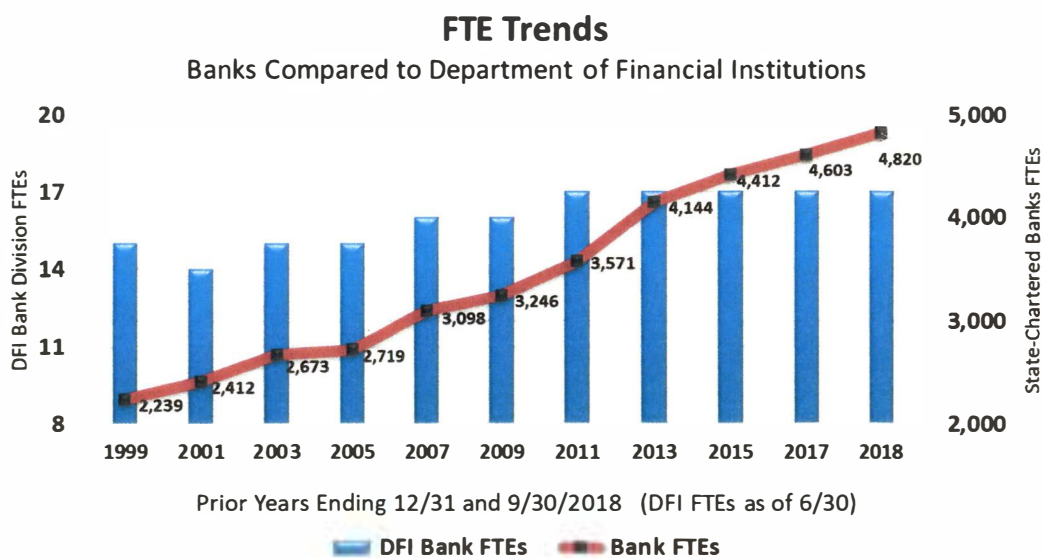
travel, and professional development/training. With a small department and 84% of our budget in salaries, the requested reduction of one FTE and taking advantage of turnover by not filling positions immediately, would help meet the requested reduction. Since over 30% of our operating expenses pertains to travel, this is another area where we are looking for reductions. Most of the travel is related to the examinations of our banks and credit unions. We do as much examination work as possible in the office, reducing cost; however, due to the nature of bank/credit union activities, travel will always be a necessity for our Department to meet its mandates. There is flexibility for the Department to reduce our presence at credit union examinations and rather have the National Credit Union Association conduct examinations separately. However, our presence at every examination is strongly desired by the industry so that decisions can be made at the local level. For banks and credit unions, the travel increases if there is economic/industry deterioration, and therefore, reduction to travel is dependent on the economy and the condition of the institutions we supervise. If the economy deteriorates, and if any of our institutions struggle as a result, our examination frequency increases and travel costs will also increase. The final area where we are considering reduction is to reduce training and professional development costs. Since the work of an examiner is specialized, significant training is necessary the first five years of an examiner's employment. Although we use online training tools, much of the training for examiners is done in a classroom setting where simulations are utilized, making reductions to travel and professional development challenging. Therefore, professional development cost reductions

must be found by reducing continuing education for senior examiners, which must be balanced with the necessity of maintaining well-equipped staff.

The most recent FTE added to the Department was a credit union examiner authorized in 2015. This addition received strong support from the industry. The Governor's budget recommendation restores the FTE position for a credit union examiner, and an additional FTE is requested for a money transmitter and cybersecurity expert. Cybersecurity is a heightened risk to our citizens and financial institutions. Strict standards are in place and is required for financial institutions to keep customer information safe. Safeguarding customer information is at the center of our information technology examinations, and it is important that the Department has trained examiners to assess and address these risks. Likewise, the number of consumer licensees continue to rise and put a strain on our staff. As a result, the Department has been challenged to provide adequate oversight over money transmitters. Money transmitters are companies that sell or issue payment instruments, stored value, or receive money or monetary value for transmission to a location within or outside the United States. These businesses include long time companies conducting traditional money transfers but also newer companies employing newer technologies, for example transfers using wallet applications installed on smart phones. Most licensees do not physically reside in North Dakota and operate in multiple states. This requires the Department to participate in coordinated multi-state examinations to ensure that North Dakota laws are enforced and that

North Dakota citizens are protected. The specialized nature and potential risks emanating from this industry require well-trained examiners. This industry has grown from 88 licenses in 2016 to 114 at the end of 2018, with combined transfers now totaling \$9.4 billion annually. Another FTE would allow additional resources for the Department to examine and enhance our oversight for this industry as well as increase our focus on cybersecurity.

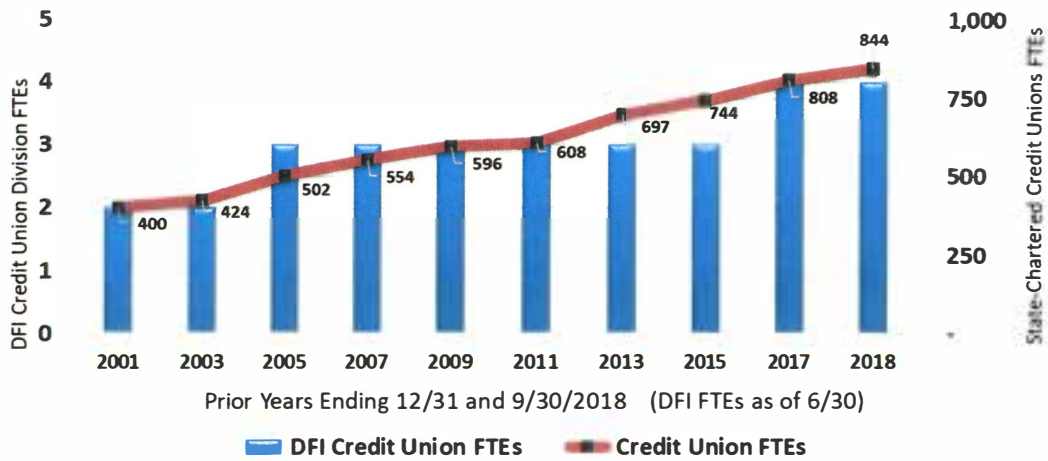
The FTE breakdown between divisions is shown in the following charts. As a comparison point, the FTE trends of banks and credit unions are also included. This demonstrates that even though the financial services industry is implementing continual technological advances, there remains a need for banks and credit unions to employ additional people to provide services. This trend is similar for the regulatory process. More technology does not eliminate the need for examiners but requires more specialized examiners and training.



AH. A HB1008
1-8-19

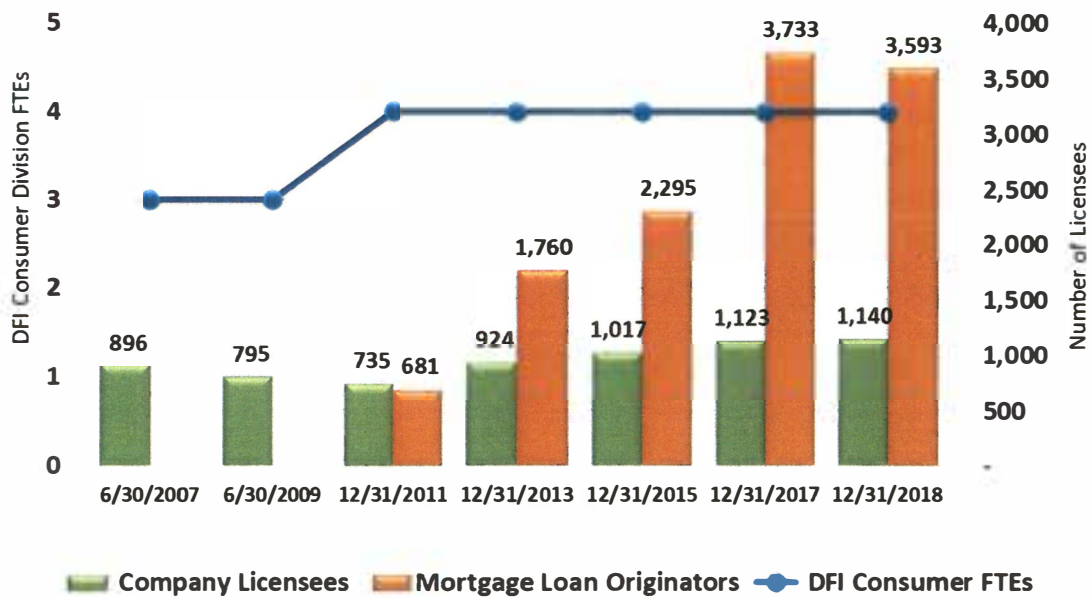
FTE Trends

Credit Unions Compared to Department of Financial Institutions



Department of Financial Institutions

Consumer Division FTEs Compared to Licensees



In addition to the salary increase for the restored FTE and additional FTE, the operating line item was also increased from the 90% request by \$120,000 for these FTEs.

Section 2 of the Governor's recommendation is another increase included in the operating line item of one-time funding of \$451,305 to enhance our information technology systems and website. Prior to this session, the Emergency Commission and Budget Section approved the transfer of \$451,305 from the 2017-2019 biennium's salary line item to operating, and due to this approval, this amount is funded from the current biennium. The request is therefore for the ability to carry over this amount to the next biennium so that the project can be completed. The excess salary was caused by unexpected retirements early in the biennium. The information technology project is necessary to replace the Department's outdated records management software, which was developed in 2001/2002 and is utilizing old database technology and an antiquated user interface which cannot be easily updated given the customized nature of the application. Improving our website will enhance efficiencies for both the Department and the industries we serve, as well as provide for enhanced cybersecurity for citizens and institutions alike, as it will provide a secure portal for communication with the Department.

Section 3 of the Governor's recommendation would allow the Department to transfer between line items up to 10% of the total appropriation during the biennium. This will provide significant flexibility and allow us to be responsive to changing circumstances as

well as giving us the ability to operate in the most efficient and effective manner. As mentioned above, our Department recently went before the Emergency Commission with a request. If the economy deteriorates and travel costs increase related to examinations, it will be difficult to meet our requested reduction unless we can transfer from salaries if able. It should be noted that this transfer authority has previously been authorized for the legislative and judicial branches and without any limitation.

Section 4 would allow us to accept and use any other additional income; federal or other funds.

Section 5 would allow the amount allocated for the Department's information technology project to carry over to the 2019-2021 biennium since it is highly unlikely that the project will be complete by June 30, 2019. However, the amount would not extend to the 2021-2023 biennium.

Mr. Chairman and members of the Committee, I thank you for your time and I welcome any questions you may have.

Att. A HB1008
1-8-19



— State of —
North Dakota
Office of the Governor

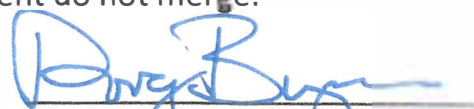
Doug Burgum
Governor

CONCLUSION AND RECOMMENDATION

Reinventing state government to create efficiencies and better serve North Dakotans is a top priority for the Burgum-Sanford administration. Significant progress has already been made on this priority initiative. Many reinvention opportunities have been identified and are progressing. Based upon the results of the study, a merger of the Department of Financial Institutions and the Securities Department would not result in meaningful operational or cost efficiencies. Moreover, merging these agencies would marginalize functional regulatory expertise and core mission execution and negatively impact service to citizens and businesses in our state.

In supporting distinct policy objectives and a unique core mission, each agency impacts and promotes consumer and investor confidence and protection, access to capital for small businesses, and financial health and vibrancy of North Dakota families, businesses, and communities.

Given the distinct regulatory policy objectives of these agencies, the lack of redundancy in staffing and function, the absence of meaningful cost reduction or operational efficiency opportunities, a revenue generating capability that is equal to or exceeds the cost of operations and a desire to avoid diluted regulatory expertise and compromised service, it is recommended that the Department of Financial Institutions and the Securities Department do not merge.


Doug Burgum, Governor
State of North Dakota

June 28, 2018
Date

HOUSE BILL NO. 1008
(Governor's Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of the department of financial institutions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from other income, to the department of financial institutions for the purpose of defraying the expenses of the department of financial institutions, for the biennium beginning July 1, 2019, and ending June 30, 2021 as follows:

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	\$6,813,840	\$351,286	\$7,165,126
Operating expenses	1,576,072	217,145	1,793,217
Contingency	20,000	0	20,000
Total special funds	\$8,409,912	\$568,431	\$8,978,343
Full-time equivalent positions	30.00	1.00	31.00

SECTION 2. ONE-TIME FUNDING. - The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
IT Project	\$ 0	\$451,305
Total other fund	\$ 0	\$451,305

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The department of financial institutions shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer between line items within section 1 of this Act up to ten percent of the total appropriation contained in section 1 during the biennium beginning July 1, 2019, and ending June 30, 2021. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section

SECTION 4. APPROPRIATION - In addition to the amounts appropriated to the department of financial institutions in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 5. EXEMPTION. The amount appropriated for the operating expenses, is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation line are available for continued development of the website redesign and informational technology project during the biennium beginning July 1, 2019, and ending June 30, 2021.

REQUEST DETAIL

413 Department of Financial Institutions
 Biennium: 2019-2021

Date: 11/30/2018
 Time: 13:28:18

Description	Expenditures 2015-2017 Biennium	Present Budget 2017-2019	Budget Request Change	Requested Budget 2019-2021 Biennium	Optional Budget Request
Salaries and Wages					
Salaries - Permanent	4,647,007	4,910,797	(355,560)	4,555,237	274,116
Overtime	6,879	0	0	0	0
Fringe Benefits	1,680,916	1,903,043	(131,271)	1,771,772	122,568
Total	6,334,802	6,813,840	(486,831)	6,327,009	396,684

Salaries and Wages

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	6,334,802	6,813,840	(486,831)	6,327,009	396,684
Total	6,334,802	6,813,840	(486,831)	6,327,009	396,684

Operating Expenses

Travel	464,806	543,700	(155,100)	388,600	312,800
Supplies - IT Software	48	2,280	4,288	6,568	5,251
Supply/Material-Professional	7,096	13,590	(5,190)	8,400	4,580
Food and Clothing	75	0	0	0	0
Bldg, Ground, Maintenance	2,936	2,400	(900)	1,500	0
Miscellaneous Supplies	3,526	3,500	(1,560)	1,940	136
Office Supplies	25,186	18,300	(5,300)	13,000	6,500
Postage	3,154	4,800	(2,800)	2,000	127
Printing	2,044	6,800	(3,880)	2,920	200
IT Equip Under \$5,000	323	11,050	(2,150)	8,900	615
Other Equip Under \$5,000	1,590	3,000	(810)	2,190	151
Office Equip & Furn Supplies	50,734	5,000	(1,655)	3,345	3,229
Insurance	4,593	11,794	(1,394)	10,400	0
Rentals/Leases - Bldg/Land	245,910	256,100	(38,016)	218,084	0
Repairs	0	800	(800)	0	0
IT - Data Processing	286,463	269,958	(34,599)	235,359	22,291
IT - Communications	36,999	37,000	(2,952)	34,048	23,448
IT Contractual Svcs and Rprs	0	0	0	0	451,305
Professional Development	192,081	232,000	(69,672)	162,328	120,451
Operating Fees and Services	59,365	94,000	(31,670)	62,330	37,200
Fees - Professional Services	34,051	60,000	0	60,000	4,139
Total	1,420,980	1,576,072	(354,160)	1,221,912	992,423

Operating Expenses

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	1,420,980	1,576,072	(354,160)	1,221,912	992,423

January 18, 2019

HB 1008

Attachment A



MEMORANDUM

DATE: January 9, 2019

TO: Government Operations Division –
House Appropriations Committee

FROM: Lise Kruse, Commissioner
Department of Financial Institutions

SUBJECT: Follow-up to Testimony in Support of Engrossed HB 1008

Chairman Vigesaa and members of the Government Operations Division Committee, below is the additional information requested.

There are 85 banks with branches in North Dakota. The national charters are regulated by the Office of the Comptroller of the Currency (OCC). The breakout is as follows:

Banks	6/30/2015	6/30/2016	6/30/2017	6/30/2018
ND State-Chartered Banks	70	69	68	68
ND National-Chartered Banks	7	7	7	5
ND National-Chartered Savings Banks	2	2	2	2
Out-of-State State-Chartered Banks	4	5	5	6
Out-of-State National-Chartered Banks	5	4	4	4
Total	88	87	86	85

Banks - Number of Branches	6/30/2015	6/30/2016	6/30/2017	6/30/2018
ND State-Chartered Banks	258	257	261	265
ND National-Chartered Banks	39	38	36	32
ND National-Chartered Savings Banks	35	37	37	37
Out-of-State State-Chartered Banks	19	20	20	21
Out-of-State National-Chartered Banks	78	77	74	72
Total	429	429	428	427

There are 38 credit unions with branches in North Dakota. The national charters are regulated by the National Credit Union Administration (NCUA). The breakout is as follows:

Credit Unions	6/30/2015	6/30/2016	6/30/2017	6/30/2018
ND State-Chartered Credit Unions	21	21	21	21
ND National-Chartered Credit Unions	17	16	15	14
Out-of-State State-Chartered Credit Unions	2	2	2	3
Total	40	39	38	38

Credit Unions - Number of Branches	6/30/2015	6/30/2016	6/30/2017	6/30/2018
ND State-Chartered Credit Unions	93	94	96	103
ND National-Chartered Credit Unions	25	24	18	17
Out-of-State State-Chartered Credit Unions	1	1	1	1
Total	119	119	115	121

Below are the assessment formulas for our banks and credit unions. As stated in my testimony, these are set by the State Banking Board and State Credit Union Board. The assessment is based on the institution's asset size, which is consistent with the assessment calculations of our federal counterparts. If the assessment calculation is in excess of appropriated expenses, the banks and credit unions receive a rebate.

Att. A

HB 1008
1-18-19

Bank Size	Assessment
Assets no more than \$5 million	\$750 plus $(0.0001 \times \text{Assets})$
Assets over \$5 million and no more than \$10 million	\$1,250 plus $(0.00016 \times \text{Assets over } \$5 \text{ million})$
Assets over \$10 million and no more than \$15 million	\$2,200 plus $(0.000215 \times \text{Assets over } \$10 \text{ million})$
Assets over \$15 million and no more than \$50 million	\$3,400 plus $(0.00022 \times \text{Assets over } \$15 \text{ million})$
Assets over \$50 million and no more than \$90 million	\$11,150 plus $(0.000195 \times \text{Assets over } \$50 \text{ million})$
Assets over \$90 million	\$18,950 plus $(0.000125 \times \text{Assets over } \$90 \text{ million})$

Credit Union Size	Assessment
Assets no more than \$20 million	\$0.00 plus $(.268 \text{ per } \$1,000 \text{ in excess of } \$0.00)$
Assets over \$20 million and no more than \$45 million	\$5,360 plus $(.264 \text{ per } \$1,000 \text{ in excess of } \$20 \text{ million})$
Assets over \$45 million and no more than \$100 million	\$11,960 plus $(.252 \text{ per } \$1,000 \text{ in excess of } \$45 \text{ million})$
Assets over \$100 million and no more than \$250 million	\$25,820 plus $(.240 \text{ per } \$1,000 \text{ in excess of } \$100 \text{ million})$
Assets over \$250 million	\$61,820 plus $(.234 \text{ per } \$1,000 \text{ in excess of } \$250 \text{ million})$

Please let me know if I can provide further information, and I welcome any additional questions you may have.

January 25, 2019

HB 1008

Attachment A

Department of Financial Institutions - Budget No. 413

House Bill No. 1008

Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	30.00	\$0	\$8,409,912	\$8,409,912	30.00	\$0	\$8,409,912	\$8,409,912
2019-21 Ongoing Funding Changes								
Base payroll changes			(\$323,842)	(\$323,842)			(\$323,842)	(\$323,842)
Salary increase			287,206	287,206			173,761	173,761
Health insurance increase			117,155	117,155			138,324	138,324
Retirement contribution increase			37,072	37,072				0
Adds 1 FTE cybersecurity/money transmitter examiner	1.00		254,559	254,559				0
Increases funding for credit union examiner			39,136	39,136				0
Reduces operating expenses			(294,160)	(294,160)				0
Total ongoing funding changes	1.00	\$0	\$117,126	\$117,126	0.00	\$0	(\$11,757)	(\$11,757)
One-time funding items								
Adds funding for website redesign			\$451,305	\$451,305				\$0
Total one-time funding changes	0.00	\$0	\$451,305	\$451,305	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	1.00	\$0	\$568,431	\$568,431	0.00	\$0	(\$11,757)	(\$11,757)
2019-21 Total Funding	31.00	\$0	\$8,978,343	\$8,978,343	30.00	\$0	\$8,398,155	\$8,398,155

Other Sections for Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation		House Version	
Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer up to 10 percent of the total appropriation between line items during the 2019-21 biennium.			
Appropriation - Additional federal funds or other funds	Section 4 would appropriate any additional income from federal or other funds that may become available to the Department of Financial Institutions during the 2019-21 biennium.			
Exemption - Website redesign project	Section 5 would provide that the total appropriation for the agency's 2017-19 biennium operating expenses line item is exempt from North Dakota Century Code Section 54-44.1-11 and is continued into the 2019-21 biennium, for the continued development of the website redesign and information technology project.			

February 1, 2019

Attachment A

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	30.00	\$0	\$8,409,912	\$8,409,912	30.00	\$0	\$8,409,912	\$8,409,912	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			(\$323,842)	(\$323,842)			(\$323,842)	(\$323,842)				\$0
Salary increase			287,206	287,206			173,761	173,761			(113,445)	(113,445)
Health insurance increase			117,155	117,155			138,324	138,324			21,169	21,169
Retirement contribution increase			37,072	37,072				0			(37,072)	(37,072)
Adds 1 FTE cybersecurity/money transmitter examiner	1.00		254,559	254,559				0	(1 00)		(254,559)	(254,559)
Increases funding for credit union examiner			39,136	39,136				0			(39,136)	(39,136)
Reduces operating expenses			(294,160)	(294,160)				0			294,160	294,160
Total ongoing funding changes	1.00	\$0	\$117,126	\$117,126	0.00	\$0	(\$11,757)	(\$11,757)	(1.00)	\$0	(\$128,883)	(\$128,883)
One-time funding items												
Adds funding for website redesign			\$451,305	\$451,305				\$0			(\$451,305)	(\$451,305)
Total one-time funding changes	0.00	\$0	\$451,305	\$451,305	0.00	\$0	\$0	\$0	0.00	\$0	(\$451,305)	(\$451,305)
Total Changes to Base Level Funding	1.00	\$0	\$568,431	\$568,431	0.00	\$0	(\$11,757)	(\$11,757)	(1 00)	\$0	(\$580,188)	(\$580,188)
2019-21 Total Funding	31.00	\$0	\$8,978,343	\$8,978,343	30.00	\$0	\$8,398,155	\$8,398,155	(1.00)	\$0	(\$580,188)	(\$580,188)

Other Sections for Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation	House Version
Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer up to 10 percent of the total appropriation between line items during the 2019-21 biennium.	
Appropriation - Additional federal funds or other funds	Section 4 would appropriate any additional income from federal or other funds that may become available to the Department of Financial Institutions during the 2019-21 biennium.	
Exemption - Website redesign project	Section 5 would provide that the total appropriation for the agency's 2017-19 biennium operating expenses line item is exempt from North Dakota Century Code Section 54-44.1-11 and is continued into the 2019-21 biennium, for the continued development of the website redesign and information technology project.	

19.0196.01001

Sixty-sixth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1008

Introduced by

Appropriations Committee

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

3 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

4 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
5 as may be necessary, are appropriated from special funds derived from other income, to the
6 department of financial institutions for the purpose of defraying the expenses of the department
7 of financial institutions, for the biennium beginning July 1, 2019, and ending June 30, 2021, as
8 follows:

Governor's			
	<u>Base Level</u>	<u>Recommendation</u>	<u>Appropriation</u>
Salaries and wages	\$6,813,840	\$7,165,126	\$6,813,840
Operating expenses	1,576,072	1,793,217	1,576,072
Contingency	20,000	20,000	20,000
Total special funds	\$8,409,912	\$8,978,343	\$8,409,912
Full-time equivalent positions	30.00	31.00	30.00
Adjustments or			
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,813,840	\$182,802	\$6,996,642
Operating expenses	1,576,072	117,145	1,693,217
Contingency	20,000	0	20,000
Total special funds	\$8,409,912	\$299,947	\$8,709,859
Full-time equivalent positions	30.00	1.00	31.00

Att. A

HB 1008
2-5-19

Sixty-sixth
Legislative Assembly

1 **SECTION 2. ONE-TIME FUNDING.** The following amounts reflect the one-time funding
2 items approved by the sixty-fifth legislative assembly for the 2017-19 biennium and the 2019-21
3 biennium one-time funding items included in the appropriation in section 1 of this Act:

4 <u>One-Time Funding Description</u>	2017-19	2019-21
5 Website redesign	\$0	\$351,305
6 Total special funds	\$0	\$351,305

7 The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for
8 the 2019-21 biennium. The department of financial institutions shall report to the appropriations
9 committees of the sixty-seventh legislative assembly on the use of this one-time funding for the
10 biennium beginning July 1, 2019, and ending June 30, 2021.

February 5, 2019

HB 1008

Attachment B

19.0196.01001
Title.Prepared by the Legislative Council staff for
House Appropriations - Government
Operations Division Committee
February 1, 2019

Fiscal No. 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1008

Page 1, replace lines 9 through 15 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,813,840	\$182,802	\$6,996,642
Operating expenses	1,576,072	117,145	1,693,217
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$8,409,912	\$299,947	\$8,709,859
Full-time equivalent positions	30.00	1.00	31.00

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium and the 2019-21 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
Website redesign	<u>\$0</u>	<u>\$351,305</u>
Total special funds	<u>\$0</u>	<u>\$351,305</u>

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2019-21 biennium. The department of financial institutions shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:**House Bill No. 1008 - Department of Financial Institutions - House Action**

	<u>Base Budget</u>	<u>House Changes</u>	<u>House Version</u>
Salaries and wages	\$6,813,840	\$182,802	\$6,996,642
Operating expenses	1,576,072	117,145	1,693,217
Contingency	<u>20,000</u>		<u>20,000</u>
Total all funds	\$8,409,912	\$299,947	\$8,709,859
Less estimated income	<u>8,409,912</u>	<u>299,947</u>	<u>8,709,859</u>
General fund	\$0	\$0	\$0
FTE	30.00	1.00	31.00

A# B

HB1008
2-5-19

Department 413 - Department of Financial Institutions - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adds Cybersecurity/ Money Transmitter Examiner ³	Reduces Funding for Operating Expenses ⁴	Adds Funding for Website Redesign ⁵	Total House Changes
Salaries and wages	(\$323,842)	\$312,085	\$194,559			\$182,802
Operating expenses			60,000	(\$294,160)	\$351,305	117,145
Contingency						
Total all funds	(\$323,842)	\$312,085	\$254,559	(\$294,160)	\$351,305	\$299,947
Less estimated income	(323,842)	312,085	254,559	(294,160)	351,305	299,947
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	1.00	0.00	0.00	1.00

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	<u>Other Funds</u>
Salary increase	\$173,761
Health insurance increase	<u>138,324</u>
Total	\$312,085

³ Funding for 1 cybersecurity/money transmitter examiner FTE position (\$194,559) and related operating expenses (\$60,000) is added.

⁴ Funding for operating expenses is reduced to provide a total of \$1,693,217.

⁵ One-time funding is added to continue the department's website redesign project started during the 2017-19 biennium.

Department 413 - Department of Financial Institutions
House Bill No. 1008

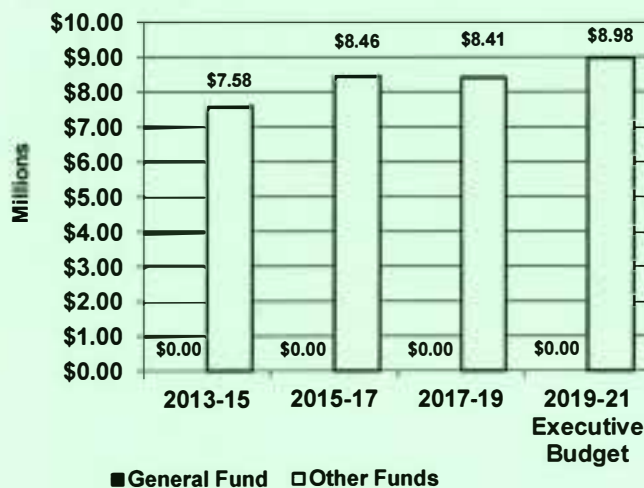
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	31.00	\$0	\$8,978,343	\$8,978,343
2017-19 Legislative Appropriations	30.00	0	8,409,912	8,409,912
Increase (Decrease)	1.00	\$0	\$568,431	\$568,431

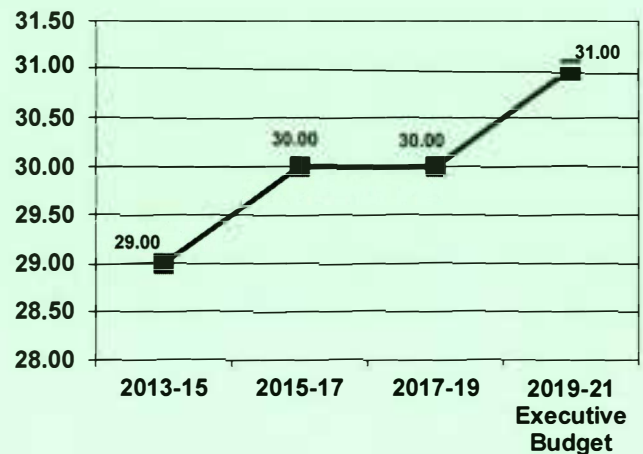
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$8,527,038	\$451,305	\$8,978,343
2017-19 Legislative Appropriations	8,409,912	0	8,409,912
Increase (Decrease)	\$117,126	\$451,305	\$568,431

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$8,978,343	\$8,978,343
2019-21 Base Level	0	8,409,912	8,409,912
Increase (Decrease)	\$0	\$568,431	\$568,431

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
 (With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Adds funding for state employee salary and benefit increases, of which \$287,206 is for salary increases, \$117,155 is for health insurance increases, and \$37,072 is for retirement contribution increases. The House added funding for salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month. The House did not add funding for retirement contribution increases.	\$0	\$441,433	\$441,433
2. Adds 1 FTE cybersecurity/money transmitter examiner (\$194,559) and related operating expenses (\$60,000)	\$0	\$254,559	\$254,559
3. Increases funding for credit union examiner. The House did not include an increase in funding for a credit union examiner.	\$0	\$39,136	\$39,136
4. Reduces operating expenses	\$0	(\$294,160)	(\$294,160)

5. Adds one-time funding for website redesign. The House provided \$351,305 for website redesign.	\$0	\$451,305	\$451,305
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Other Sections in House Bill No. 1008

There are no other sections in House Bill No. 1008.

Continuing Appropriations

No continuing appropriations for this agency.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

Senate Bill No. 2093 - Amends various sections of Title 6 and Title 13, to change the requirement of capital and liquid assets, to provide an increase to the annual licensing fee for financial institutions from \$450 to one-quarter of 1 percent of transactions, not to exceed \$2,500, and provides for a minimum fee of \$500.

Department of Financial Institutions - Budget No. 413

House Bill No. 1008

Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	30.00	\$0	\$8,409,912	\$8,409,912	30.00	\$0	\$8,409,912	\$8,409,912
2019-21 Ongoing Funding Changes								
Base payroll changes			(\$323,842)	(\$323,842)			(\$323,842)	(\$323,842)
Salary increase			287,206	287,206			173,761	173,761
Health insurance increase			117,155	117,155			138,324	138,324
Retirement contribution increase			37,072	37,072				0
Adds 1 FTE cybersecurity/money transmitter examiner	1.00		254,559	254,559	1.00		254,559	254,559
Increases funding for credit union examiner			39,136	39,136				0
Reduces operating expenses			(294,160)	(294,160)			(294,160)	(294,160)
Total ongoing funding changes	1.00	\$0	\$117,126	\$117,126	1.00	\$0	(\$51,358)	(\$51,358)
One-time funding items								
Adds funding for website redesign			\$451,305	\$451,305			\$351,305	\$351,305
Total one-time funding changes	0.00	\$0	\$451,305	\$451,305	0.00	\$0	\$351,305	\$351,305
Total Changes to Base Level Funding	1.00	\$0	\$568,431	\$568,431	1.00	\$0	\$299,947	\$299,947
2019-21 Total Funding	31.00	\$0	\$8,978,343	\$8,978,343	31.00	\$0	\$8,709,859	\$8,709,859

Other Sections for Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation	House Version
Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer up to 10 percent of the total appropriation between line items during the 2019-21 biennium.	No other sections included in the House version.
Appropriation - Additional federal funds or other funds	Section 4 would appropriate any additional income from federal or other funds that may become available to the Department of Financial Institutions during the 2019-21 biennium.	
Exemption - Website redesign project	Section 5 would provide that the total appropriation for the agency's 2017-19 biennium operating expenses line item is exempt from North Dakota Century Code Section 54-44.1-11 and is continued into the 2019-21 biennium, for the continued development of the website redesign and information technology project.	

Department 413 - Department of Financial Institutions

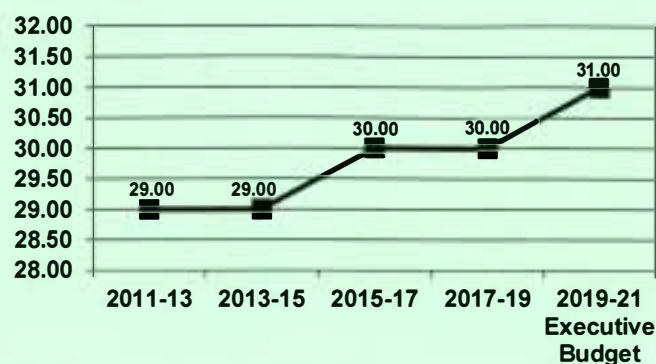
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$6,836,318	\$7,580,217	\$8,389,442	\$8,409,912	\$8,527,038
Increase (decrease) from previous biennium	N/A	\$743,899	\$809,225	\$20,470	\$117,126
Percentage increase (decrease) from previous biennium	N/A	10.9%	10.7%	0.2%	1.4%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	10.9%	22.7%	23.0%	24.7%

Major Increases (Decreases) in Other Funds Appropriations

2013-15 Biennium

- Added contingency funding for costs related to switching to a national mortgage licensing system \$136,000

2015-17 Biennium

- Added funding for 1 FTE credit union examiner position and related operating expenses \$218,089
- Added funding for operating expenses \$116,207
- Reduced contingency funding (\$79,000)

2017-19 Biennium

- Reduced funding for salaries and wages in anticipation of savings from vacant positions and employee turnover (\$185,196)
- Reduced contingency funding to provide \$20,000 (\$57,000)

2019-21 Biennium (Executive Budget Recommendation)

- Adds 1 FTE cybersecurity/money transmitter examiner (\$194,559) and related operating expenses (\$60,000) \$254,559
- Increases funding for credit union examiner. The House did not increase funding for a credit union examiner. \$39,136
- Reduces operating expenses (\$294,160)

**GOVERNOR'S RECOMMENDATION FOR THE
DEPT. OF FINANCIAL INSTITUTIONS AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from other income, to the department of financial institutions for the purpose of defraying the expenses of the department of financial institutions, for the biennium beginning July 1, 2019, and ending June 30, 2021 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,813,840	\$351,286	\$7,165,126
Operating expenses	1,576,072	217,145	1,793,217
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$8,409,912	\$568,431	\$8,978,343
Full-time equivalent positions	30.00	1.00	31.00

SECTION 2. ONE-TIME FUNDING. - The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
IT Project	\$ 0	<u>\$451,305</u>
Total other fund	\$ 0	<u>\$451,305</u>

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The department of financial institutions shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer between line items within section 1 of this Act up to ten percent of the total appropriation contained in section 1 during the biennium beginning July 1, 2019, and ending June 30, 2021. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section

SECTION 4. APPROPRIATION - In addition to the amounts appropriated to the department of financial institutions in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 5. EXEMPTION. The amount appropriated for the operating expenses, is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation line are available for continued development of the website redesign and informational technology project during the biennium beginning July 1, 2019, and ending June 30, 2021.



/ HB 1008
3-1-2019
pg 1

DATE: March 1, 2019

TO: Senate Appropriations Committee

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of HB 1008

Chairman Holmberg and members of the Appropriations Committee, thank you for the opportunity to provide testimony regarding the Department of Financial Institutions Appropriation request for the 2019-2021 biennium, HB 1008.

DEPARTMENT SUPERVISORY AUTHORITY

The Department of Financial Institutions supervises state-chartered banks, credit unions, trust companies, and other financial corporations which includes: 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 ^{pg 2} the Bank of North Dakota.

The Department is a special fund, self-supporting agency, receiving 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 are given the authority to 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 fees for 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.

Department Purpose

The Department directly serves our banks, credit unions and non-depository financial institutions. Indirectly, every citizen of North Dakota is impacted as they can be confident in the financial services

to which they have access. The Department's purpose is to ensure the safety and soundness of the institutions we regulate, which then results in financial services being available to the North Dakota citizen.

A community bank and credit union are central to economic development. Since our institutions are closely connected to their local markets, they are directly affected when the economy weakens, and throughout North Dakota, the agricultural economy has a large impact. With pressures in the commodity markets, an increasing number of bank and credit union customers may experience difficulties repaying their loans, and the institution ends up with bad loans or loan losses. When an institution has a large volume of problem assets, and is then categorized as a troubled institution, our Department must exert more resources to ensure the institution is restored to a healthy condition. Key to our mission is that we identify and find ways to remediate problem institutions. Our objective is to ensure institutions are financially strong and in compliance with applicable laws and regulations. Problem institutions often have taken on too much risk and then must tighten standards to return to a satisfactory condition. Strong institutions can take targeted risks that can help their communities.

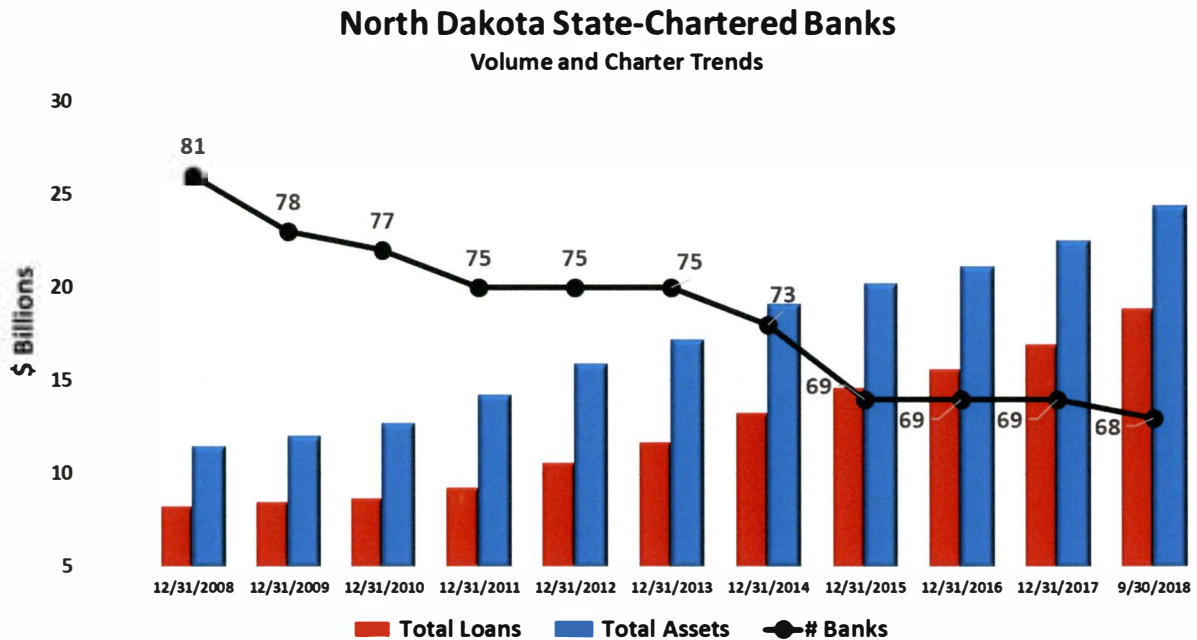
State-Chartered Banks

Currently, there are 68 state-chartered banks, plus the Bank of North Dakota. The number of banks has remained relatively stable over the past several years although we continue to see merger and consolidation activity, with another three anticipated in 2019. While the

#1 HB1008

3-1-2019

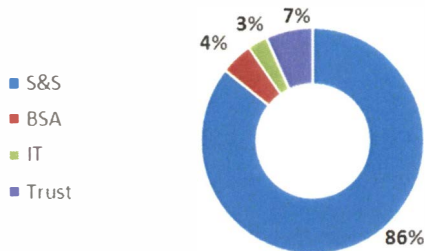
total number of banks has declined and is expected to further decline, ^{pg 4}
total assets continue to grow.



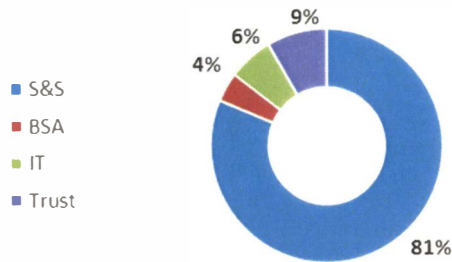
Assets increased 15% from \$21 billion on December 31, 2016, to \$24 billion on September 31, 2018. The continued asset growth increases the Department's responsibilities and time needed to conduct examinations. A majority of examination time is spent on loan review, and total loan volume grew from \$16 billion on December 31, 2016, to \$19 billion on December 31, 2018. Commercial loans are becoming more complex, which requires experienced examiner review. Cybersecurity is a significant concern and therefore more time is dedicated to information technology review during our safety and soundness examinations. The graphs below illustrate how specialty examinations of trust, information technology and bank secrecy act review are requiring an increasing amount of time.

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3-1-2019
pg 5

Examination Hours by Examination Type - 2014



Examination Hours by Examination Type - 2017



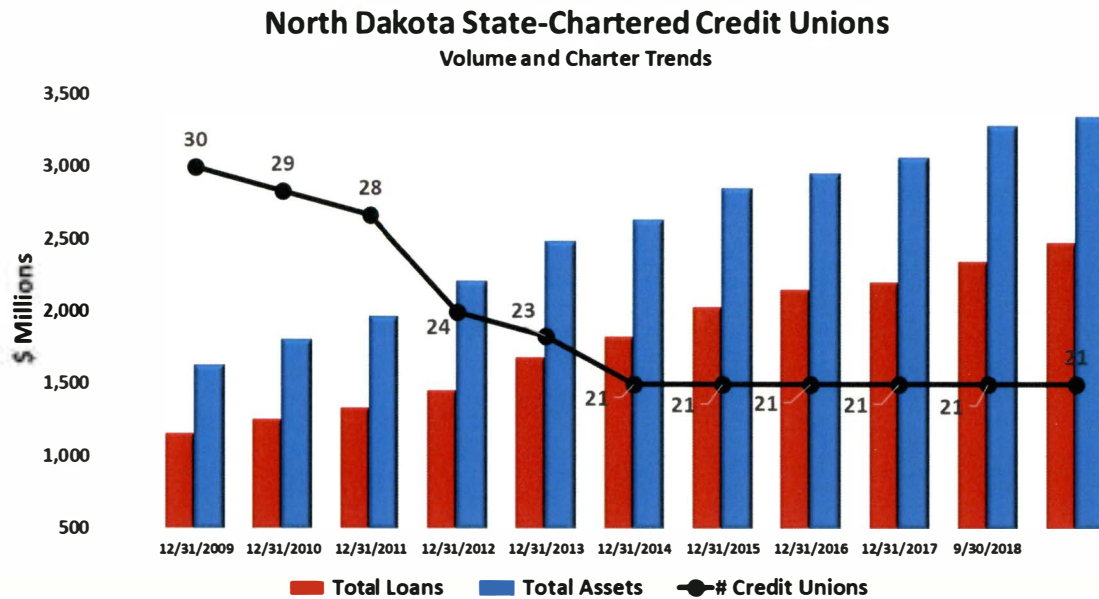
The Department has 16 field bank examiners conducting examinations throughout the State of North Dakota, and 3 field office locations: Grand Forks, Fargo, and Bismarck.

The Department's banking division has maintained accreditation through the Conference of State Bank Supervisors (CSBS) since 1992, signifying that our Department meets comprehensive organizational and performance standards. Our review results have been excellent for a department our size. Important considerations are whether federal regulators accept our work product, our ability to examine for information technology, our ability to recognize and monitor for weaknesses, and the turnaround time for examinations.

State-Chartered Credit Unions

Currently, there are 20 state-chartered credit unions; down from the 21 shown in the graph below due to a merger in the last quarter of 2018. Credit unions also continue to show asset growth, with total assets increasing 10% from \$3 billion as of December 31, 2016, to \$3.4 billion as of September 30, 2018.

1 HB 1008
3-1-2019
pg 6



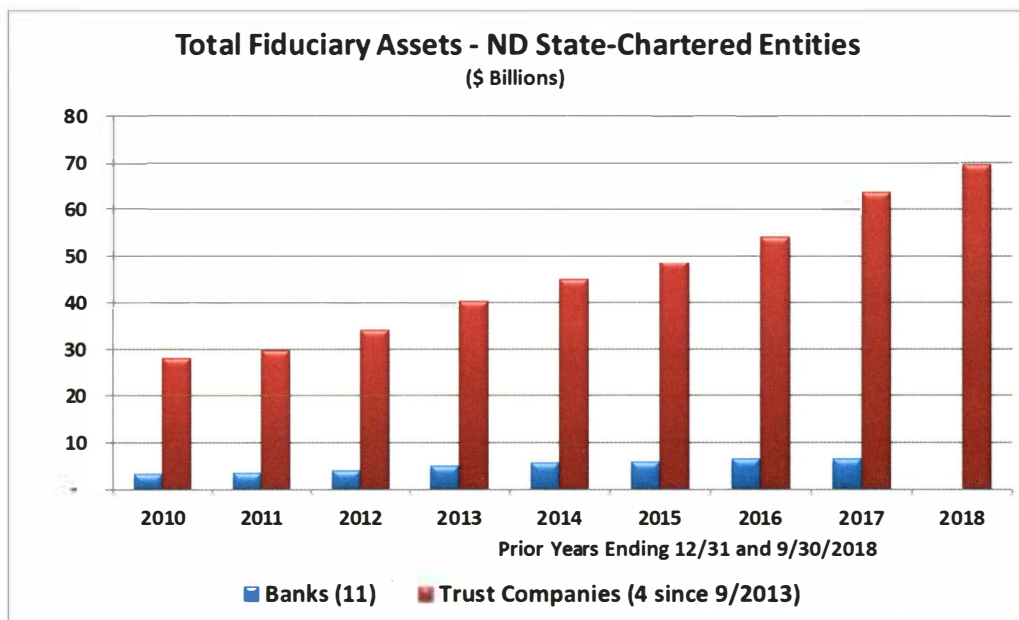
Again, asset growth translates into increased loan volume from \$2.2 billion on December 31, 2016, to \$2.5 billion as of September 30, 2018 (10.8%), which puts time constraints on our credit union examiners. The credit union division has three examiners and a Supervising Examiner to conduct the examinations of state-chartered credit unions.

Our Credit Union Division has been accredited by the National Association of State Credit Union Supervisors since 2000.

State-Chartered Trust Companies and Bank Trust Departments

There are four state-chartered independent trust companies for which the Department has oversight responsibility; we also have 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, 2018, of the four independent trust companies is \$70 billion, which compares to \$54 billion as of December 31, 2016; this represents a 29% increase. The banks with trust powers had combined fiduciary assets of \$6.5 billion as of December 31, 2017, which is similar to the December 31, 2016, level.

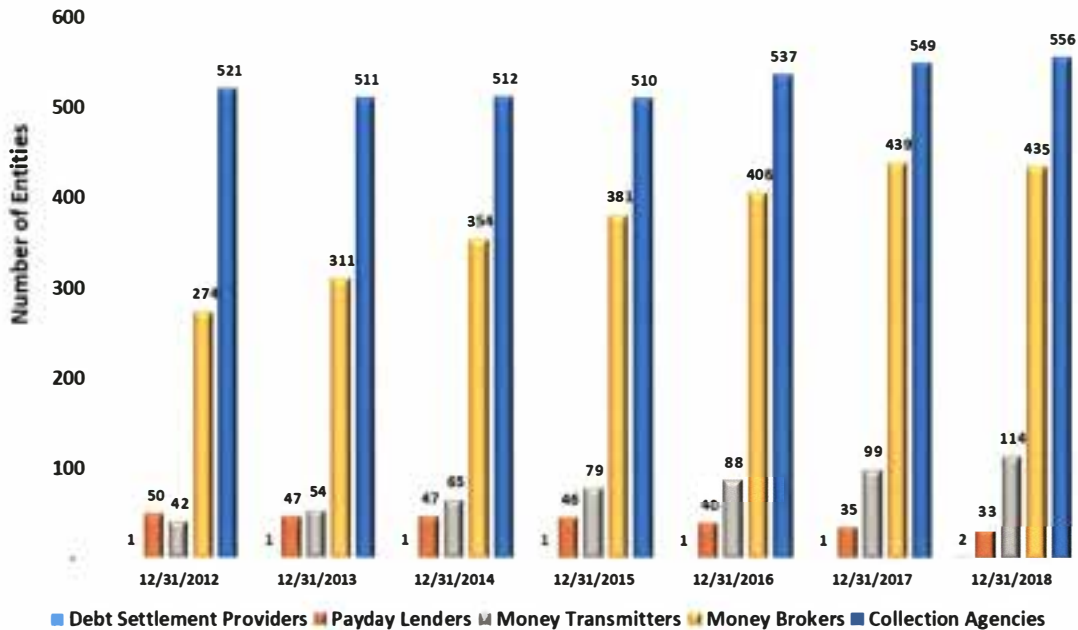


Consumer Licenses

As of January 2, 2019, the consumer division has active licenses totaling a combined 4,733 entities including collection agencies, money brokers, mortgage loan originators, deferred presentment service providers (payday lenders), money transmitters, and debt-settlement service providers. The breakdown of the licenses is as follows:

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North Dakota Department of Financial Institutions Licensed Non-Depository Entities Trends (by Year)



Not included in the graph above are the 3,593 licensed mortgage loan originators, for which we are responsible to track pre-licensing and continuing education requirements.

Our consumer division has 4 employees whom conducts examinations of the various entities we license, and also engages in a number of investigations based on information received by way of complaints and communication with other states. In 2015, the Department received a certificate of accreditation from the CSBS/AARMR (American Association of Residential Mortgage Regulators) Mortgage Accreditation Program.

BUDGET OVERVIEW

In compliance with Section 4 of 2017 SB 2008, a study of the feasibility and desirability of combining the Department of Financial Institutions and the Securities Department into a single Cabinet Agency was conducted. The study concluded that no efficiencies would be gained, and the Governor recommended that the departments do not merge. The Interim Government Administration Committee voted to concur with the Governor's recommendation of no merger. A copy of the Governor's recommendation is attached.

There were no financial audit findings in the most recent audit of our Department and the Department does not receive federal funding.

The largest component of the Department's budget is salaries at 84% of the current total budget. Our largest operating expenses are as follows:

- i. Travel-32.1% of operating
- ii. Data Processing -19.0% of operating
- iii. Rental/Lease-Bldg- 16.3% of operating
- iv. Professional Development- 15.6% of operating

The Department has high travel expenses since examiners must travel to the institutions to conduct examinations. With the increasing use of technology, we are able to complete more offsite work; however, an onsite presence in the community institution will always be an important part of our safety and soundness examinations. Travel is also affected by training out of state. The work of an examiner is specialized and therefore much of the training is conducted out of state

along with our federal counterparts, which keeps our examiners up to date on the most recent laws and regulations. Providing this specific training to examiners is crucial to remain competent and consistent with our federal counterparts, which also benefits our institutions. It is our priority to continue to hire well-qualified employees and invest significant time and financial resources into their training and development to ensure the entire workforce has the necessary experience and qualifications to effectively perform their duties. Also, regulatory, accounting, and legal changes require constant training, especially in areas such as anti-money laundering enforcement and information technology issues such as cybersecurity.

Line Item	Base Level	<i>Proposed 90% budget request</i>	Governor's Recommendation	Increase (Decrease) from Base Level
Salaries	\$6,813,840	\$6,327,009	\$7,165,126	\$351,286
Operating	\$1,576,072	\$1,221,912	\$1,793,217	\$217,145
Contingency	\$20,000	\$20,000	\$20,000	\$0
Total	\$8,409,912	\$7,568,921	\$8,978,343	\$568,431
FTE	30.00	29.00	31.00	1.00
<i>*Operating adjusted for one-time IT project</i>	\$1,576,072		\$1,341,912	(\$234,160)

*The \$451,305 adjustment for IT will be funded by current biennium's revenue.

To meet the Governor's 90% budget request, the Department proposed that the majority of reductions would come from salaries,

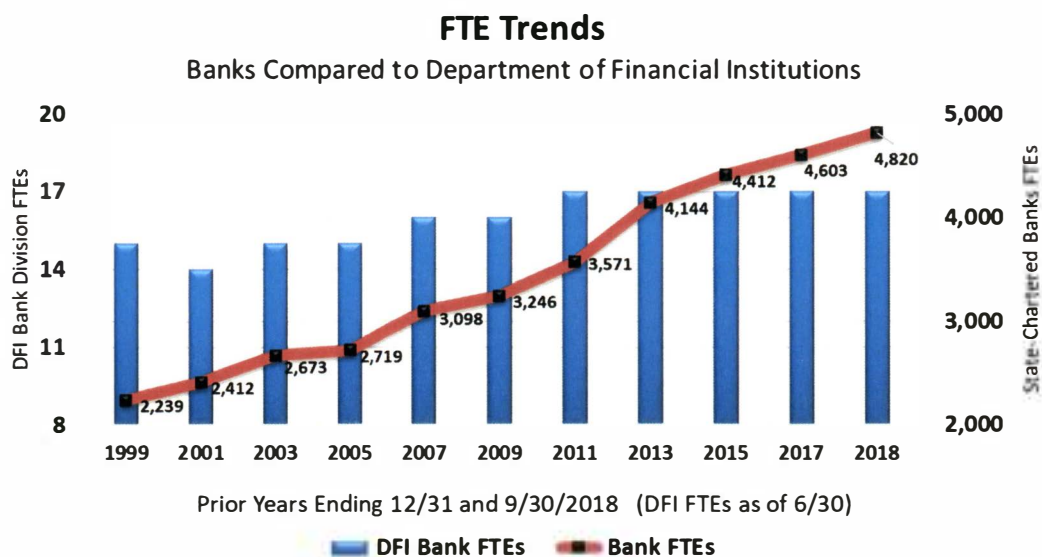
travel, and professional development/training. With a small department and 84% of our budget in salaries, the requested reduction of one FTE and taking advantage of turnover by not filling positions immediately, would help meet the requested reduction. Since over 30% of our operating expenses pertains to travel, this is another area where we are looking for reductions. Most of the travel is related to the examinations of our banks and credit unions. We do as much examination work as possible in the office, reducing cost; however, due to the nature of bank/credit union activities, travel will always be a necessity for our Department to meet its mandates. There is flexibility for the Department to reduce our presence at credit union examinations and rather have the National Credit Union Association conduct examinations separately. However, our presence at every examination is strongly desired by the industry so that decisions can be made at the local level. For banks and credit unions, the travel increases if there is economic/industry deterioration, and therefore, reduction to travel is dependent on the economy and the condition of the institutions we supervise. If the economy deteriorates, and if any of our institutions struggle as a result, our examination frequency increases and travel costs will also increase. The final area where we are considering reduction is to reduce training and professional development costs. Since the work of an examiner is specialized, significant training is necessary the first five years of an examiner's employment. Although we use online training tools, much of the training for examiners is done in a classroom setting where simulations are utilized, making reductions to travel and professional development challenging. Therefore, professional development cost reductions

must be found by reducing continuing education for senior examiners, which must be balanced with the necessity of maintaining well-equipped staff.

The most recent FTE added to the Department was a credit union examiner authorized in 2015. This addition received strong support from the industry. The Governor's budget recommendation restores the FTE position for a credit union examiner, and an additional FTE is requested for a money transmitter and cybersecurity expert. Cybersecurity is a heightened risk to our citizens and financial institutions. Strict standards are in place and is required for financial institutions to keep customer information safe. Safeguarding customer information is at the center of our information technology examinations, and it is important that the Department has trained examiners to assess and address these risks. Likewise, the number of consumer licensees continue to rise and put a strain on our staff. As a result, the Department has been challenged to provide adequate oversight over money transmitters. Money transmitters are companies that sell or issue payment instruments, stored value, or receive money or monetary value for transmission to a location within or outside the United States. These businesses include long time companies conducting traditional money transfers but also newer companies employing newer technologies, for example transfers using wallet applications installed on smart phones. Most licensees do not physically reside in North Dakota and operate in multiple states. This requires the Department to participate in coordinated multi-state examinations to ensure that North Dakota laws are enforced and that

North Dakota citizens are protected. The specialized nature and potential risks emanating from this industry require well-trained examiners. This industry has grown from 88 licenses in 2016 to 114 at the end of 2018, with combined transfers now totaling \$9.4 billion annually. Another FTE would allow additional resources for the Department to examine and enhance our oversight for this industry as well as increase our focus on cybersecurity.

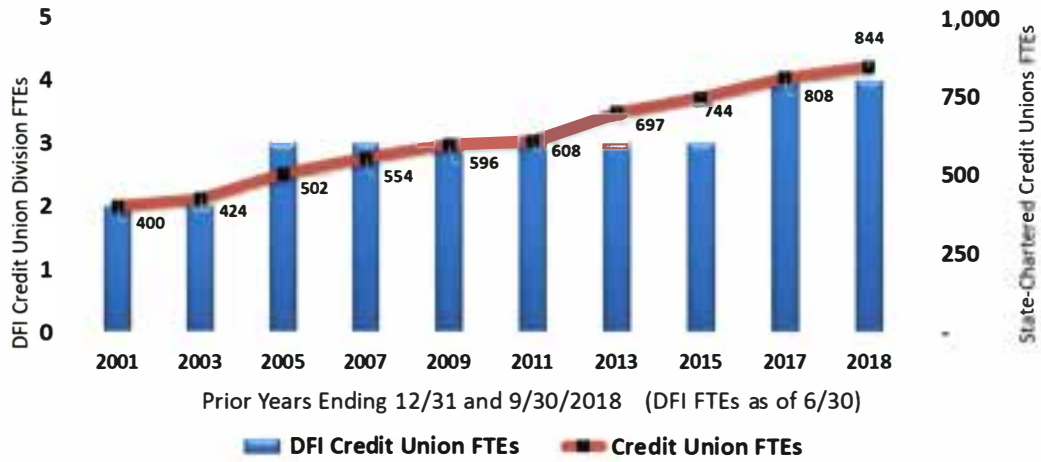
The FTE breakdown between divisions is shown in the following charts. As a comparison point, the FTE trends of banks and credit unions are also included. This demonstrates that even though the financial services industry is implementing continual technological advances, there remains a need for banks and credit unions to employ additional people to provide services. This trend is similar for the regulatory process. More technology does not eliminate the need for examiners but requires more specialized examiners and training.



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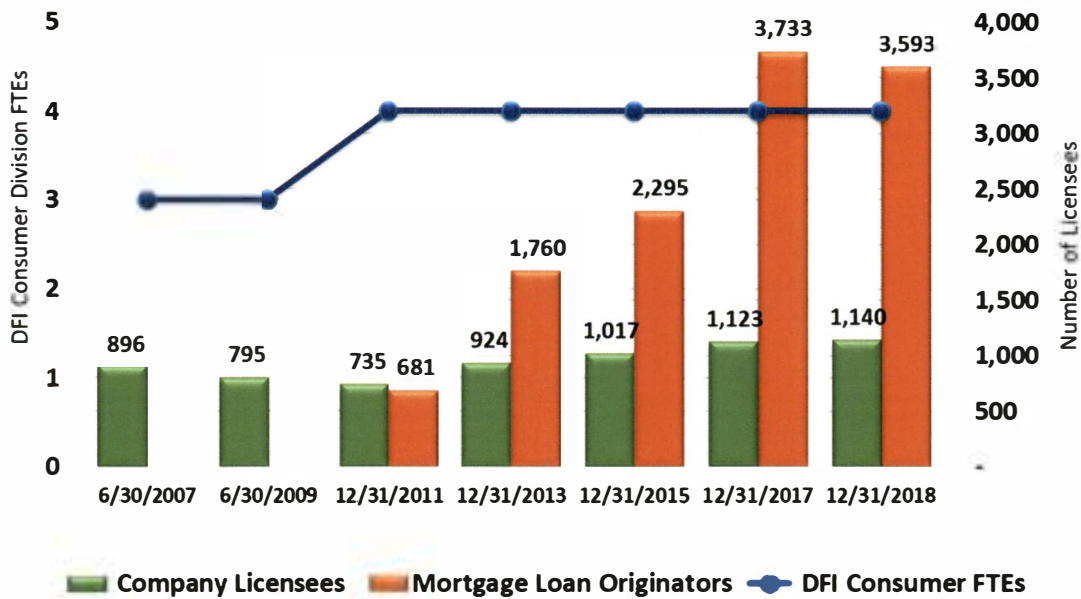
FTE Trends

Credit Unions Compared to Department of Financial Institutions



Department of Financial Institutions

Consumer Division FTEs Compared to Licensees



In addition to the salary increase for the restored FTE and additional FTE, the operating line item was also increased from the 90% request by \$120,000 for these FTEs.

Section 2 of the Governor's recommendation is another increase included in the operating line item of one-time funding of \$451,305 to enhance our information technology systems and website. Prior to this session, the Emergency Commission and Budget Section approved the transfer of \$451,305 from the 2017-2019 biennium's salary line item to operating, and due to this approval, this amount is funded from the current biennium. The request is therefore for the ability to carry over this amount to the next biennium so that the project can be completed. The excess salary was caused by unexpected retirements early in the biennium. The information technology project is necessary to replace the Department's outdated records management software, which was developed in 2001/2002 and is utilizing old database technology and an antiquated user interface which cannot be easily updated given the customized nature of the application. Improving our website will enhance efficiencies for both the Department and the industries we serve, as well as provide for enhanced cybersecurity for citizens and institutions alike, as it will provide a secure portal for communication with the Department.

Section 3 of the Governor's recommendation would allow the Department to transfer between line items up to 10% of the total appropriation during the biennium. This will provide significant flexibility and allow us to be responsive to changing circumstances as

well as giving us the ability to operate in the most efficient and effective manner. As mentioned above, our Department recently went before the Emergency Commission with a request. If the economy deteriorates and travel costs increase related to examinations, it will be difficult to meet our requested reduction unless we can transfer from salaries if able. It should be noted that this transfer authority has previously been authorized for the legislative and judicial branches and without any limitation.

Section 4 would allow us to accept and use any other additional income; federal or other funds.

Section 5 would allow the amount allocated for the Department's information technology project to carry over to the 2019-2021 biennium since it is highly unlikely that the project will be complete by June 30, 2019. However, the amount would not extend to the 2021-2023 biennium.

Mr. Chairman and members of the Committee, I thank you for your time and I welcome any questions you may have.



— State of —
North Dakota

Office of the Governor

Doug Burgum
Governor

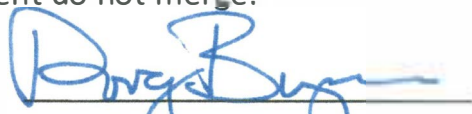
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CONCLUSION AND RECOMMENDATION

Reinventing state government to create efficiencies and better serve North Dakotans is a top priority for the Burgum-Sanford administration. Significant progress has already been made on this priority initiative. Many reinvention opportunities have been identified and are progressing. Based upon the results of the study, a merger of the Department of Financial Institutions and the Securities Department would not result in meaningful operational or cost efficiencies. Moreover, merging these agencies would marginalize functional regulatory expertise and core mission execution and negatively impact service to citizens and businesses in our state.

In supporting distinct policy objectives and a unique core mission, each agency impacts and promotes consumer and investor confidence and protection, access to capital for small businesses, and financial health and vibrancy of North Dakota families, businesses, and communities.

Given the distinct regulatory policy objectives of these agencies, the lack of redundancy in staffing and function, the absence of meaningful cost reduction or operational efficiency opportunities, a revenue generating capability that is equal to or exceeds the cost of operations and a desire to avoid diluted regulatory expertise and compromised service, it is recommended that the Department of Financial Institutions and the Securities Department do not merge.


Doug Burgum, Governor
State of North Dakota

June 28, 2018
Date

HOUSE BILL NO. 1008
(Governor's Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of the department of financial institutions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from other income, to the department of financial institutions for the purpose of defraying the expenses of the department of financial institutions, for the biennium beginning July 1, 2019, and ending June 30, 2021 as follows:

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	\$6,813,840	\$351,286	\$7,165,126
Operating expenses	1,576,072	217,145	1,793,217
Contingency	20,000	0	20,000
Total special funds	\$8,409,912	\$568,431	\$8,978,343
Full-time equivalent positions	30.00	1.00	31.00

SECTION 2. ONE-TIME FUNDING. - The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium:

One-Time Funding Description	2017-19	2019-21
IT Project	\$ 0	\$451,305
Total other fund	\$ 0	\$451,305

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The department of financial institutions shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer between line items within section 1 of this Act up to ten percent of the total appropriation contained in section 1 during the biennium beginning July 1, 2019, and ending June 30, 2021. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section

SECTION 4. APPROPRIATION - In addition to the amounts appropriated to the department of financial institutions in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 5. EXEMPTION. The amount appropriated for the operating expenses, is not subject to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation line are available for continued development of the website redesign and informational technology project during the biennium beginning July 1, 2019, and ending June 30, 2021.

REQUEST DETAIL

413 Department of Financial Institutions

Biennium: 2019-2021

Date: 11/30/2018

Time: 13:28:18

Description	Expenditures 2015-2017 Biennium	Present Budget 2017-2019	Budget Request Change	Requested Budget 2019-2021 Biennium	Optional Budget Request
Salaries and Wages					
Salaries - Permanent	4,647,007	4,910,797	(355,560)	4,555,237	274,116
Overtime	6,879	0	0	0	0
Fringe Benefits	1,680,916	1,903,043	(131,271)	1,771,772	122,568
Total	6,334,802	6,813,840	(486,831)	6,327,009	396,684

Salaries and Wages

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	6,334,802	6,813,840	(486,831)	6,327,009	396,684
Total	6,334,802	6,813,840	(486,831)	6,327,009	396,684

Operating Expenses

Travel	464,806	543,700	(155,100)	388,600	312,800
Supplies - IT Software	48	2,280	4,288	6,568	5,251
Supply/Material-Professional	7,096	13,590	(5,190)	8,400	4,580
Food and Clothing	75	0	0	0	0
Bldg, Ground, Maintenance	2,936	2,400	(900)	1,500	0
Miscellaneous Supplies	3,526	3,500	(1,560)	1,940	136
Office Supplies	25,186	18,300	(5,300)	13,000	6,500
Postage	3,154	4,800	(2,800)	2,000	127
Printing	2,044	6,800	(3,880)	2,920	200
IT Equip Under \$5,000	323	11,050	(2,150)	8,900	615
Other Equip Under \$5,000	1,590	3,000	(810)	2,190	151
Office Equip & Furn Supplies	50,734	5,000	(1,655)	3,345	3,229
Insurance	4,593	11,794	(1,394)	10,400	0
Rentals/Leases - Bldg/Land	245,910	256,100	(38,016)	218,084	0
Repairs	0	800	(800)	0	0
IT - Data Processing	286,463	269,958	(34,599)	235,359	22,291
IT - Communications	36,999	37,000	(2,952)	34,048	23,448
IT Contractual Svcs and Rprs	0	0	0	0	451,305
Professional Development	192,081	232,000	(69,672)	162,328	120,451
Operating Fees and Services	59,365	94,000	(31,670)	62,330	37,200
Fees - Professional Services	34,051	60,000	0	60,000	4,139
Total	1,420,980	1,576,072	(354,160)	1,221,912	992,423

Operating Expenses

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	1,420,980	1,576,072	(354,160)	1,221,912	992,423

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MEMORANDUM

DATE: January 9, 2019

TO: Government Operations Division –
House Appropriations Committee

FROM: Lise Kruse, Commissioner
Department of Financial Institutions

SUBJECT: Follow-up to Testimony in Support of Engrossed HB 1008

Chairman Vigesaa and members of the Government Operations Division Committee, below is the additional information requested.

There are 85 banks with branches in North Dakota. The national charters are regulated by the Office of the Comptroller of the Currency (OCC). The breakout is as follows:

Banks	6/30/2015	6/30/2016	6/30/2017	6/30/2018
ND State-Chartered Banks	70	69	68	68
ND National-Chartered Banks	7	7	7	5
ND National-Chartered Savings Banks	2	2	2	2
Out-of-State State-Chartered Banks	4	5	5	6
Out-of-State National-Chartered Banks	5	4	4	4
Total	88	87	86	85

Banks - Number of Branches	6/30/2015	6/30/2016	6/30/2017	6/30/2018
ND State-Chartered Banks	258	257	261	265
ND National-Chartered Banks	39	38	36	32
ND National-Chartered Savings Banks	35	37	37	37
Out-of-State State-Chartered Banks	19	20	20	21
Out-of-State National-Chartered Banks	78	77	74	72
Total	429	429	428	427

There are 38 credit unions with branches in North Dakota. The national charters are regulated by the National Credit Union Administration (NCUA). The breakout is as follows:

Credit Unions	6/30/2015	6/30/2016	6/30/2017	6/30/2018
ND State-Chartered Credit Unions	21	21	21	21
ND National-Chartered Credit Unions	17	16	15	14
Out-of-State State-Chartered Credit Unions	2	2	2	3
Total	40	39	38	38

Credit Unions - Number of Branches	6/30/2015	6/30/2016	6/30/2017	6/30/2018
ND State-Chartered Credit Unions	93	94	96	103
ND National-Chartered Credit Unions	25	24	18	17
Out-of-State State-Chartered Credit Unions	1	1	1	1
Total	119	119	115	121

Below are the assessment formulas for our banks and credit unions. As stated in my testimony, these are set by the State Banking Board and State Credit Union Board. The assessment is based on the institution's asset size, which is consistent with the assessment calculations of our federal counterparts. If the assessment calculation is in excess of appropriated expenses, the banks and credit unions receive a rebate.

Bank Size	Assessment
Assets no more than \$5 million	\$750 plus $(0.0001 \times \text{Assets})$
Assets over \$5 million and no more than \$10 million	\$1,250 plus $(0.00016 \times \text{Assets over } \$5 \text{ million})$
Assets over \$10 million and no more than \$15 million	\$2,200 plus $(0.000215 \times \text{Assets over } \$10 \text{ million})$
Assets over \$15 million and no more than \$50 million	\$3,400 plus $(0.00022 \times \text{Assets over } \$15 \text{ million})$
Assets over \$50 million and no more than \$90 million	\$11,150 plus $(0.000195 \times \text{Assets over } \$50 \text{ million})$
Assets over \$90 million	\$18,950 plus $(0.000125 \times \text{Assets over } \$90 \text{ million})$

Credit Union Size	Assessment
Assets no more than \$20 million	\$0.00 plus $(.268 \text{ per } \$1,000 \text{ in excess of } \$0.00)$
Assets over \$20 million and no more than \$45 million	\$5,360 plus $(.264 \text{ per } \$1,000 \text{ in excess of } \$20 \text{ million})$
Assets over \$45 million and no more than \$100 million	\$11,960 plus $(.252 \text{ per } \$1,000 \text{ in excess of } \$45 \text{ million})$
Assets over \$100 million and no more than \$250 million	\$25,820 plus $(.240 \text{ per } \$1,000 \text{ in excess of } \$100 \text{ million})$
Assets over \$250 million	\$61,820 plus $(.234 \text{ per } \$1,000 \text{ in excess of } \$250 \text{ million})$

Please let me know if I can provide further information, and I welcome any additional questions you may have.

#2 HB 1008
3-1-2019

Prepared by the North Dakota Bankers Association,
the Independent Community Banks of North Dakota
and the Credit Union Association of the Dakotas
for the Senate Appropriations Committee
March 1, 2019

pg 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1008

Page 1, replace lines 9 through 15 with:

	Adjustments or		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,813,840	\$182,802	\$6,996,642
Operating expenses	1,576,072	417,145	1,993,217
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$8,409,912	\$699,947	\$9,009,859
Full-time equivalent positions	30.00	1.00	31.00

Renumber accordingly

Note: The purpose of the amendment is to add \$300,000 to the department's operating line, restoring it to the 2015/2017 biennium level.

Rick clayburg amendment

HB 1008
3-12-19
Subcommittee #1

Prepared by the North Dakota Bankers Association,
the Independent Community Banks of North Dakota
and the Credit Union Association of the Dakotas
for the Senate Appropriations Committee
March 1, 2019

P1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1008

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Renumber accordingly

Note: The purpose of the amendment is to add \$300,000 to the department's operating line, restoring it to the 2015/2017 biennium level.

P1

4-4-19
1008
#1
P1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1008

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$6,813,840	\$208,815	\$7,022,655
Operating expenses	1,576,072	517,145	2,093,217
Contingency	20,000	0	20,000
Total special funds	\$8,409,912	\$725,960	\$9,135,872
Full-time equivalent positions	30.00	1.00	31.00"

Page 1, replace lines 20 and 21 with:

"Website redesign	\$0	\$451,305
Total special funds	\$0	\$451,305"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$6,813,840	\$6,996,642	\$26,013	\$7,022,655
Operating expenses	1,576,072	1,693,217	400,000	2,093,217
Contingency	20,000	20,000		20,000
Total all funds	\$8,409,912	\$8,709,859	\$426,013	\$9,135,872
Less estimated income	8,409,912	8,709,859	426,013	9,135,872
General fund	\$0	\$0	\$0	\$0
FTE	30.00	31.00	0.00	31.00

Department 413 - Department of Financial Institutions - Detail of Senate Changes

	Adjusts Funding for Salary Increases ¹	Increases Funding for Operating Expenses ²	Adds Funding for Website Redesign ³	Total Senate Changes
Salaries and wages	\$26,013			\$26,013
Operating expenses		\$300,000	\$100,000	400,000
Contingency				
Total all funds	\$26,013	\$300,000	\$100,000	\$426,013
Less estimated income	26,013	300,000	100,000	426,013
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ Funding is added to provide for employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and an increase of 2.5 percent on July 1, 2020. The House provided funding for salary increases of 2 percent on July 1, 2019, and 2 percent on July 1, 2020.

² Funding for operating expenses is increased to provide a total of \$1,993,217. The House included total funding for operating expenses of \$1,693,217.

³ The Senate increased one-time funding by \$100,000, from \$351,305 to \$451,305, to continue the department's website redesign project started during the 2017-19 biennium. The House version included one-time funding of \$351,305.

April 15, 2019

HB 1008

att A

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	House Version				Senate Version				Senate Changes to House Version Increase (Decrease) - House Version			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	30.00	\$0	\$8,409,912	\$8,409,912	30.00	\$0	\$8,409,912	\$8,409,912	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			(\$323,842)	(\$323,842)			(\$323,842)	(\$323,842)				\$0
Salary increase			173,761	173,761			199,774	199,774			26,013	26,013
Health insurance increase			138,324	138,324			138,324	138,324				0
Retirement contribution increase				0				0				0
Adds 1 FTE cybersecurity/money transmitter examiner	1.00		254,559	254,559	1.00		254,559	254,559				0
Increases funding for credit union examiner				0				0				0
Adjusts operating expenses			(294,160)	(294,160)			5,840	5,840			300,000	300,000
Total ongoing funding changes	1.00	\$0	(\$51,358)	(\$51,358)	1.00	\$0	\$274,655	\$274,655	0.00	\$0	\$326,013	\$326,013
One-time funding items												
Adds funding for website redesign			\$351,305	\$351,305			\$451,305	\$451,305			\$100,000	\$100,000
Total one-time funding changes	0.00	\$0	\$351,305	\$351,305	0.00	\$0	\$451,305	\$451,305	0.00	\$0	\$100,000	\$100,000
Total Changes to Base Level Funding	1.00	\$0	\$299,947	\$299,947	1.00	\$0	\$725,960	\$725,960	0.00	\$0	\$426,013	\$426,013
2019-21 Total Funding	31.00	\$0	\$8,709,859	\$8,709,859	31.00	\$0	\$9,135,872	\$9,135,872	0.00	\$0	\$426,013	\$426,013

Other Sections for Department of Financial Institutions - Budget No. 413

	House Version	Senate Version
Line item transfers	No other sections included in the House version.	No other sections included in the House version.

Appropriation - Additional federal funds or other funds

Exemption - Website redesign project