2025 SENATE APPROPRIATIONS

SB 2008

DEPARTMENT 413 - DEPARTMENT OF FINANCIAL INSTITUTIONS
2025-27 BASE-LEVEL BUDGET

Base Budget - Summary

	Base Level
Salaries and wages	$8,182,839
Operating expenses	2,146,917
Contingency	20,000
Total all funds	$10,349,756
Less other funds	10,349,756
Total general fund	$0
Full-time equivalent (FTE) positions	35.00

Selected Base Budget Information

	General Fund	Other Funds	Total
1. Includes funding for state employee salary and benefits for 35 FTE positions, of which $8,020,839 is for salaries and wages and $162,000 is for temporary salaries	$0	$8,182,839	$8,182,839
2. Includes funding for operating expenses, primarily related to professional fees and services ($662,471), IT costs ($535,223), professional development ($338,167), travel ($274,000), and building rent ($234,707)	$0	$2,146,917	$2,146,917
3. Includes contingency funding for unforeseen legal expenses	$0	$20,000	$20,000

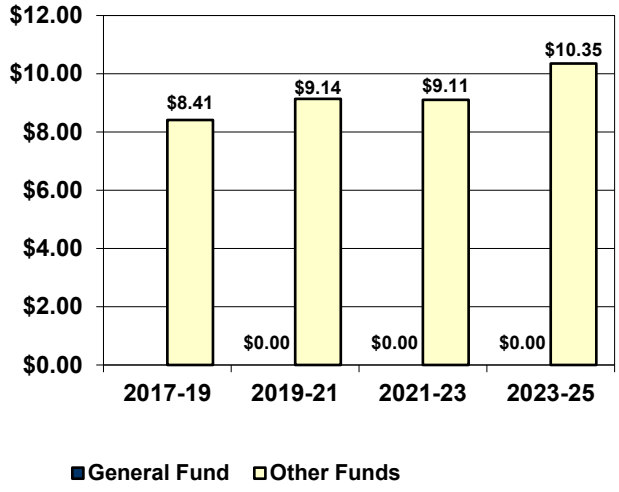
Continuing Appropriations

There are no continuing appropriations for this agency.

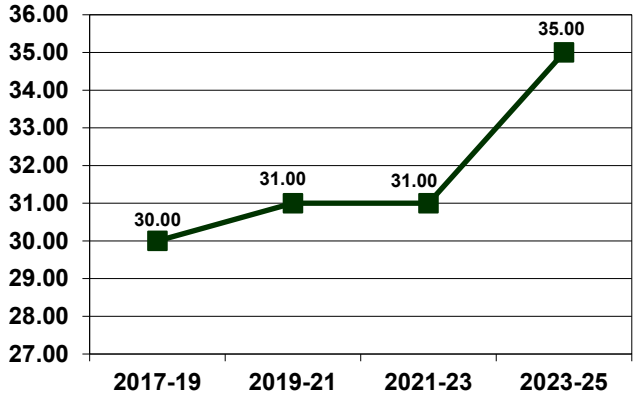
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25
Ongoing other funds appropriations	$8,389,442	$8,409,912	$8,684,567	$9,106,507	$10,349,756
Increase (decrease) from previous biennium	N/A	$20,470	$274,655	$421,940	$1,243,249
Percentage increase (decrease) from previous biennium	N/A	0.2%	3.3%	4.9%	13.7%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	0.2%	3.5%	8.5%	23.4%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

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

1. Added 1 FTE cybersecurity/money transmitter examiner position ($194,559) and related operating expenses ($60,000) $254,559

2021-23 Biennium

1. Increased funding for professional development to provide a total of $363,059 $130,280
2. Reduced funding for travel to provide a total of $547,376 ($104,024)

2023-25 Biennium

1. Added 1 FTE large bank examiner position, 1 FTE mortgage servicer examiner position, and 1 FTE licensing or non-depository examiner position, of which $626,742 is for salaries and wages and $99,890 is for related operating expenses $726,632
2. Added 1 FTE mortgage servicer examiner position, of which $200,000 is for salaries and wages and $25,000 is for related operating expenses (House Bill No. 1068) $225,000
3. Added funding for Attorney General fees to provide a total of $300,000 $250,000
4. Added funding for Dynamics ongoing maintenance agreement $100,000

One-Time Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25
One-time other funds appropriations	$66,325	$0	$451,305	$0	$0

Major One-Time Other Funds Appropriations

2017-19 Biennium	
None	$0
2019-21 Biennium	
1. IT project	$451,305
2021-23 Biennium	
None	$0
2023-25 Biennium	
None	$0

Department of Financial Institutions
Department No. 413
2025 Senate Bill No. 2008

EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Executive budget recommendation	38.00	$0	$13,336,731	$13,336,731
Base level	35.00	0	10,349,756	10,349,756
Increase (decrease)	3.00	$0	$2,986,975	$2,986,975
Percentage increase (decrease)	8.6%	N/A	28.9%	28.9%

NOTE:
More detailed information on the executive budget recommendation is attached as Appendix A.

A copy of the draft appropriations bill reflecting the executive budget recommendation is attached as Appendix B.

Selected Highlights

- Salary increases of up to 4 percent effective July 1, 2025, and 3 percent effective July 1, 2026
- Health insurance increase of $250 per month (15.23 percent), from $1,643 to $1,893, per employee
- Adds funding to replace the 2023-25 vacant FTE pool ($240,201) and the 2023-25 new FTE pool ($826,742)
- Transfers $362,920 from the operating expense line item to the salaries and wages line item, including $159,485 for base payroll changes associated with the cost to continue salary increases and $203,435 for other salary adjustments and equity increases
- Adds $906,783 for 3 FTE positions and related operating expenses, including 1 FTE bank examiner position, 1 FTE information technology examiner position, and 1 FTE money transmitter examiner position
- Adds $302,798 for operating expense increases related to information technology rate increases ($57,007), legal fees ($55,791), and examination process automation ($190,000)

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency has 71 fees. The agency did not recommend any changes to the fees.

Major Related Legislation

Senate Bill No. 2028 - Budget approval process and continuing appropriation - Provides a continuing appropriation to the department, removing it from the appropriations process; requires the State Banking Board and State Credit Union Board to approve the budget for the department; and requires the department to report to the Appropriations Committees during each legislative session.

NOTE:
Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.

Department of Financial Institutions - Budget No. 413
Agency Worksheet - Senate Bill No. 2008

	Executive Budget			
	FTE Positions	**General Fund**	**Other Funds**	**Total**
2025-27 Biennium Base Level	35.00	$0	$10,349,756	$10,349,756
2025-27 Ongoing Funding Changes				
Salary increase			$488,256	$488,256
Health insurance increase			222,195	222,195
Funding to replace the 2023-25 vacant FTE pool			240,201	240,201
Funding to replace the 2023-25 new FTE pool			826,742	826,742
Transfers $159,485 from operating to salaries - Base				0
Transfers $203,435 from operating to salaries - Equity				0
FTE bank examiner position	1.00		302,261	302,261
FTE information technology examiner position	1.00		302,261	302,261
FTE money transmitter examiner position	1.00		302,261	302,261
Information technology rate increases			57,007	57,007
Legal fees			55,791	55,791
Examination process automation			190,000	190,000
Total ongoing funding changes	**3.00**	**$0**	**$2,986,975**	**$2,986,975**
One-Time Funding Items				
No one-time funding items				$0
Total one-time funding changes	**0.00**	**$0**	**$0**	**$0**
Total Changes to Base Level Funding	**3.00**	**$0**	**$2,986,975**	**$2,986,975**
2025-27 Total Funding	**38.00**	**$0**	**$13,336,731**	**$13,336,731**
Federal funds included in other funds			*$0*	
Total ongoing changes - Percentage of base level	*8.6%*	*N/A*	*28.9%*	*28.9%*
Total changes - Percentage of base level	*8.6%*	*N/A*	*28.9%*	*28.9%*

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

Section Description	Executive Budget
FTE position adjustments	Section 3 would authorize the Department of Financial Institutions to increase or decrease authorized FTE positions subject to the availability of funds.
Continuing appropriation	Section 4 would provide a continuing appropriation to the department and would require the department's budget to be approved by the State Banking Board and State Credit Union Board.

Sixty-ninth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2008
(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; to amend and reenact section 6-01-01.1 of the North Dakota Century Code, and to provide a continuing appropriation.

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, 2025 and ending June 30, 2027 as follows:

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and Wages	$8,182,839	$2,942,736	$11,125,575
Operating Expenses	2,146,917	44,239	2,191,156
Contingency	20,000	0	20,000
Total Special Funds	$10,349,756	$2,986,975	$13,336,731
Full-time Equivalent Positions	35.00	3.00	38.00

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the one-time funding items approved by the sixty-eighth legislative assembly for the 2023-25 biennium:

One-Time Funding Description	2023-25	2025-27
	$0	$ 0
Total Other Funds	$0	$ 0

SECTION 3. **EXEMPTION – FULL-TIME EQIVALENT POSITION ADJUSTMENTS.** Notwithstanding any other provisions of the law, the department of financial institutions may increase or decrease authorized full-time equivalent positions as needed, subject to availability of funds, during the biennium beginning July 1, 2025, and ending June 30, 2027. The department of financial institutions shall report to the office of management and budget and legislative council any adjustments made pursuant to this section.

SECTION 4. AMENDMENT. Section 6-01-01.1 of the North Dakota Century Code is amended and reenacted as follows:

6-01-01.1. Regulatory fund established – Uses – Continuing appropriation.

1. There is created a special fund designated as the financial institutions regulatory fund. The amounts received under the following chapters, and any other moneys received by the department of financial institutions, must be deposited into this fund: chapters 6-01, 6-03, 6-05, 6-06, 6-10, 13-04.1, 13-05, 13-08, 13-09.1, 13-10, and 13-11.
2. All moneys deposited in the financial institutions regulatory fund are reserved for use by the department of financial institutions to defray the expenses of the department in the discharge of its administrative and regulatory powers and duties as prescribed by law, subject to the applicable laws

relating to the appropriation of state funds and to the deposit and expenditure of state moneys.

3. All moneys in the financial institutions regulatory fund are appropriated on a continuing basis to the department of financial institutions to carry out its administrative and regulatory powers and duties within the limits of an annual or biennial budget approved by the state banking board and state credit union board.
4. The department of financial institutions is responsible for the proper expenditure of these moneys as provided by law and shall document the revenues and expenditures of the fund at the time and in the manner required by the office of management and budget.
5. Any cash balances in the financial institutions regulatory fund after all current biennium expenditures are met must be carried forward in the financial institutions regulatory fund for the next succeeding biennium.
6. All moneys derived from the investment of any portion of the financial institutions regulatory fund must be credited to the fund.

Department of Financial Institutions
Department No. 413
2025 Senate Bill No. 2008

REVISED EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Burgum budget recommendation	38.00	$0	$13,336,731	$13,336,731
Revisions - Increase (decrease)	(38.00)	0	(13,336,731)	(13,336,731)
Armstrong budget recommendation	**0.00**	**$0**	**$0**	**$0**
Base level	35.00	0	10,349,756	10,349,756
Increase (decrease)	(35.00)	$0	($10,349,756)	($10,349,756)
Percentage increase (decrease)	(100.0%)	N/A	(100.0%)	(100.0%)

NOTE:
More detailed information on the revised executive budget recommendation is attached as an appendix.

Selected Highlights

- ***Salary increases of up to 3 percent effective July 1, 2025, and 3 percent effective July 1, 2026***
- Health insurance increase of $250 per month (15.23 percent), from $1,643 to $1,893, per employee
- Adds funding to replace the 2023-25 vacant FTE pool ($240,201) and the 2023-25 new FTE pool ($826,742)
- Transfers $362,920 from the operating expense line item to the salaries and wages line item, including $159,485 for base payroll changes associated with the cost to continue salary increases and $203,435 for other salary adjustments and equity increases
- ***Provides continuing appropriation to the department resulting in a budget decrease of $12,610,292***

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency has 71 fees. The agency did not recommend any changes to the fees.

Major Related Legislation

Senate Bill No. 2028 - Budget approval process and continuing appropriation - Provides a continuing appropriation to the department, removing it from the appropriations process; requires the State Banking Board and State Credit Union Board to approve the budget for the department; and requires the department to report to the Appropriations Committees during each legislative session.

NOTE:
Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.

Department of Financial Institutions - Budget No. 413
Agency Worksheet - Senate Bill No. 2008

	Armstrong Executive Budget			
	FTE Positions	**General Fund**	**Other Funds**	**Total**
2025-27 Biennium Base Level	35.00	$0	$10,349,756	$10,349,756
2025-27 Ongoing Funding Changes				
Salary increase			$378,429	$378,429
Health insurance increase			210,185	210,185
Funding to replace the 2023-25 vacant FTE pool			240,201	240,201
Funding to replace the 2023-25 new FTE pool			826,742	826,742
Transfers $159,485 from operating to salaries - Base				0
Transfers $203,435 from operating to salaries - Equity				0
FTE bank examiner position	1.00		302,181	302,181
Information technology rate increases			57,007	57,007
Legal fees			55,791	55,791
Examination process automation			190,000	190,000
Provides continuing appropriation authority	(36.00)		(12,610,292)	(12,610,292)
Total ongoing funding changes	**(35.00)**	**$0**	**($10,349,756)**	**($10,349,756)**
One-Time Funding Items				
No one-time funding items				$0
Total one-time funding changes	**0.00**	**$0**	**$0**	**$0**
Total Changes to Base Level Funding	**(35.00)**	**$0**	**($10,349,756)**	**($10,349,756)**
2025-27 Total Funding	**0.00**	**$0**	**$0**	**$0**
Federal funds included in other funds			*$0*	
Total ongoing changes - Percentage of base level	*(100.0%)*	*N/A*	*(100.0%)*	*(100.0%)*
Total changes - Percentage of base level	*(100.0%)*	*N/A*	*(100.0%)*	*(100.0%)*

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division
Red River Room, State Capitol

SB 2008
1/13/2025

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

8:31 a.m. Chairman Wanzek opened the meeting.

Members present were Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- Department overview
- Cyber security
- Agency accomplishments
- Life Smarts Program for Schools
- Challenges
- Goals
- SB 2028
- Budget overview
- Bill for crypto oversight
- ND financial institutions oversight

8:32 a.m. Lisa Kruse, Commissioner, ND Department of Financial Institutions, testified neutrally and submitted testimony #28575.

9:04 a.m. Adam Mathiak, Senior Fiscal Analyst, LC, provided budget information.

9:07 a.m. Rick Clayburg, President and CEO of ND Bankers' Association, testified in favor.

9:17 a.m. John Alexander, Director of Legislative and Regulatory Affairs for the Dakota Credit Union Association, testified in favor.

9:19 a.m. Chairman Wanzek adjourned the hearing.

Carol Thompson, Committee Clerk

NORTH Dakota | Financial Institutions
Be Legendary.™

DATE: January 13, 2025

TO: Senate Appropriations Committee

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of SB 2008

Chairman Wanzek and members of the Appropriations Committee, thank you for the opportunity to provide testimony regarding the Department of Financial Institutions Appropriation request for the 2025-2027 biennium, SB 2008.

1. ***DEPARTMENT PURPOSE, DIVISIONS AND PROGRAMS; NORTH DAKOTA CENTURY CODE CHAPTERS AND STATUTORY RESPONSIBILITIES***

North Dakota Century Code Titles 6, 13, and 51 are associated with the Department of Financial Institutions.

The department has oversight over banks, credit unions and non-depository financial institutions. Indirectly, every citizen of North

Dakota is impacted since 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 oversee, 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. Our objective is to ensure institutions are financially strong and in compliance with applicable laws and regulations. Strong institutions can take targeted risks that can help their communities.

The department supervises the following state-chartered and licensed financial corporations:

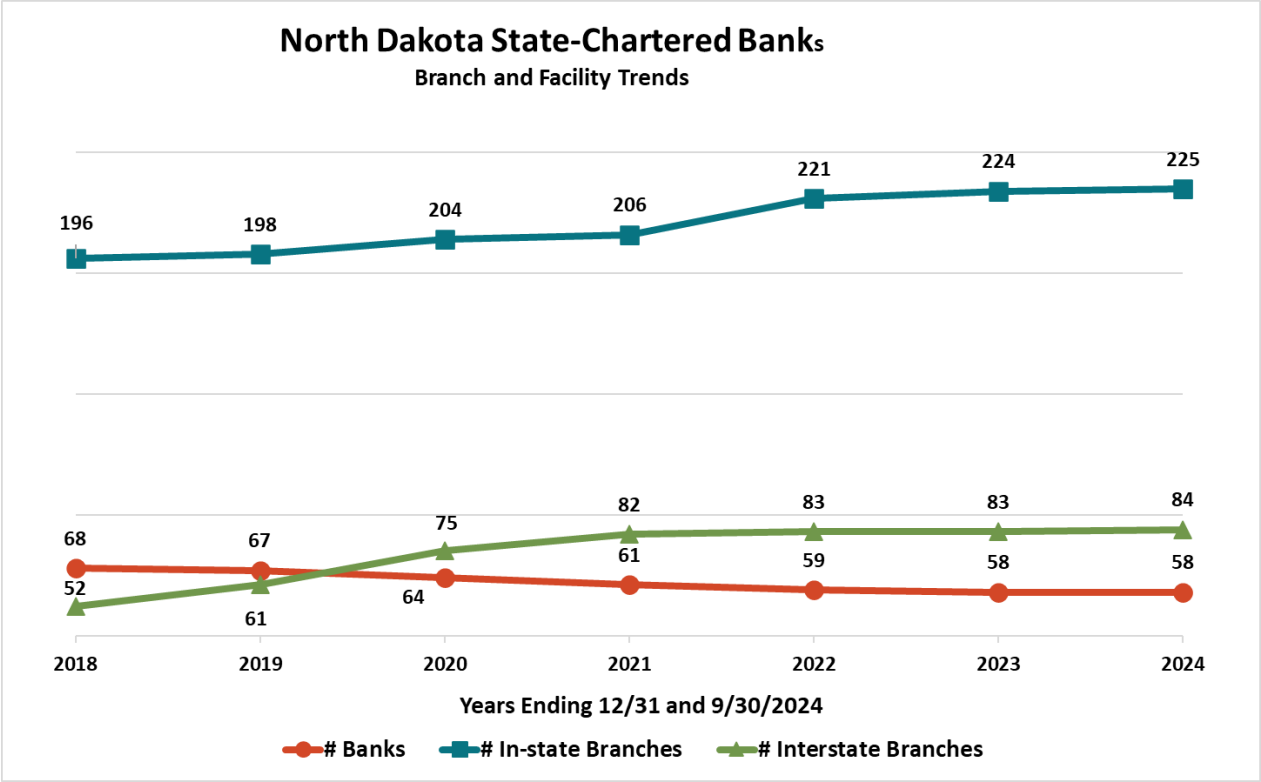
- Banks,
- Credit unions,
- Trust companies,
- Collection agencies,
- Money brokers,
- Deferred presentment service providers (payday lenders),
- Money transmitters,
- Mortgage lenders,
- Mortgage servicers,
- Mortgage loan originators, and
- Debt settlement service providers.

The department also has examination responsibilities for the Bank of North Dakota.

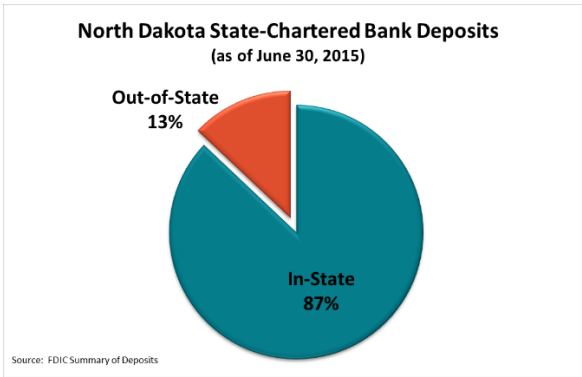
The department is a special fund, self-supporting agency, receiving no general fund dollars. The department's budget consists of three cost centers: (1) banks and trust companies, (2) credit unions, and (3) non-depository licensees. Banks, trust companies, and credit unions pay annual assessments that cover all direct examination costs and allocated overhead for the respective cost centers. In addition, trust companies pay examination fees for their safety and soundness examinations. Non-depository licensees pay fees for processing and supervisory responsibilities related to that cost center: investigation fees upon initial licensing, annual license fees, and examination fees when an examination is performed. Again, the examination fee is set at an amount sufficient to recover all costs.

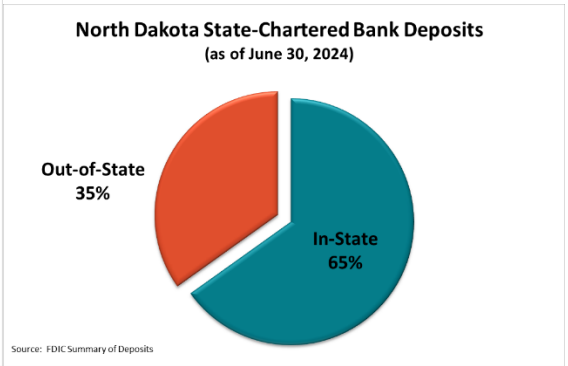
State-Chartered Banks

North Dakota has 58 state-chartered banks, plus the Bank of North Dakota. The number of banks continue to decline by a few each year due to merger and consolidation activity. While the total number of banks has declined and is expected to further decline, total branches and total assets continue to grow.



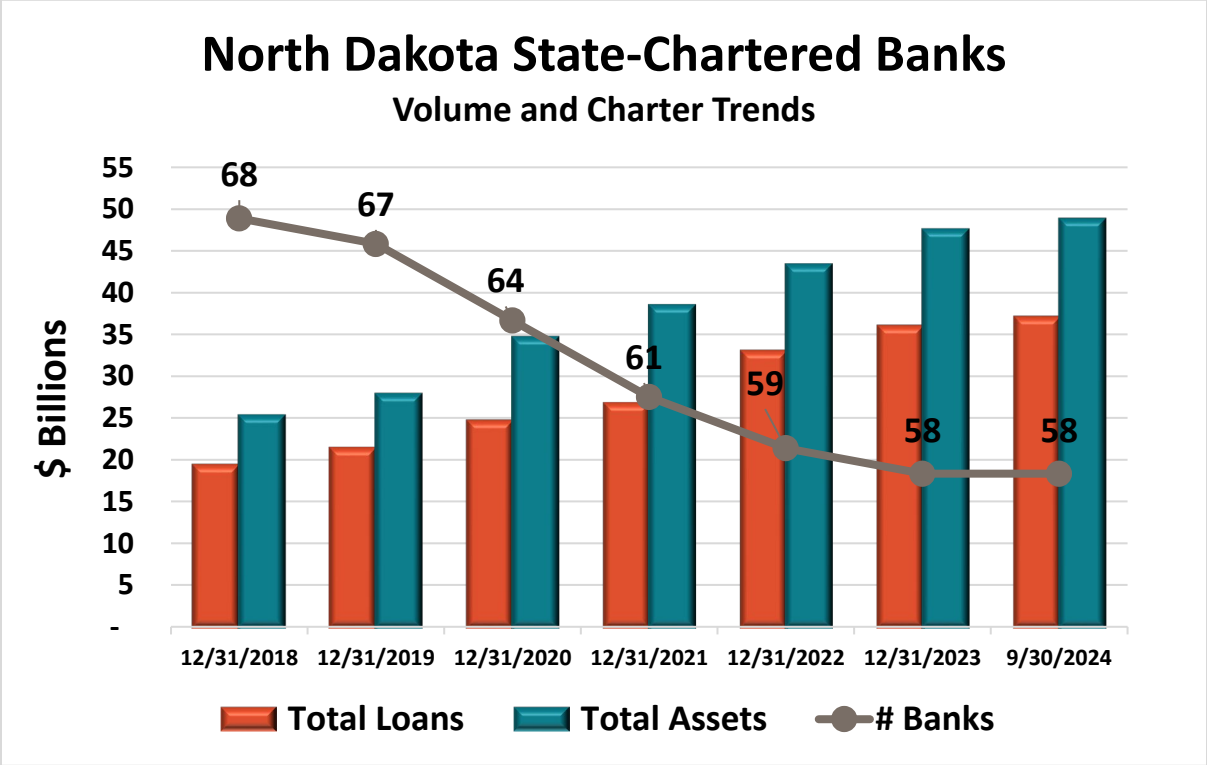
Our banks are expanding outside of North Dakota borders. This pie chart shows the banks' deposit percentage that comes from outside of North Dakota.





Our banks continue to see the value of being a state-chartered bank, where they have a local regulator providing local insight when working with the Federal regulators. In addition, when our banks have merged

with out of state banks they have elected to keep the North Dakota charter.

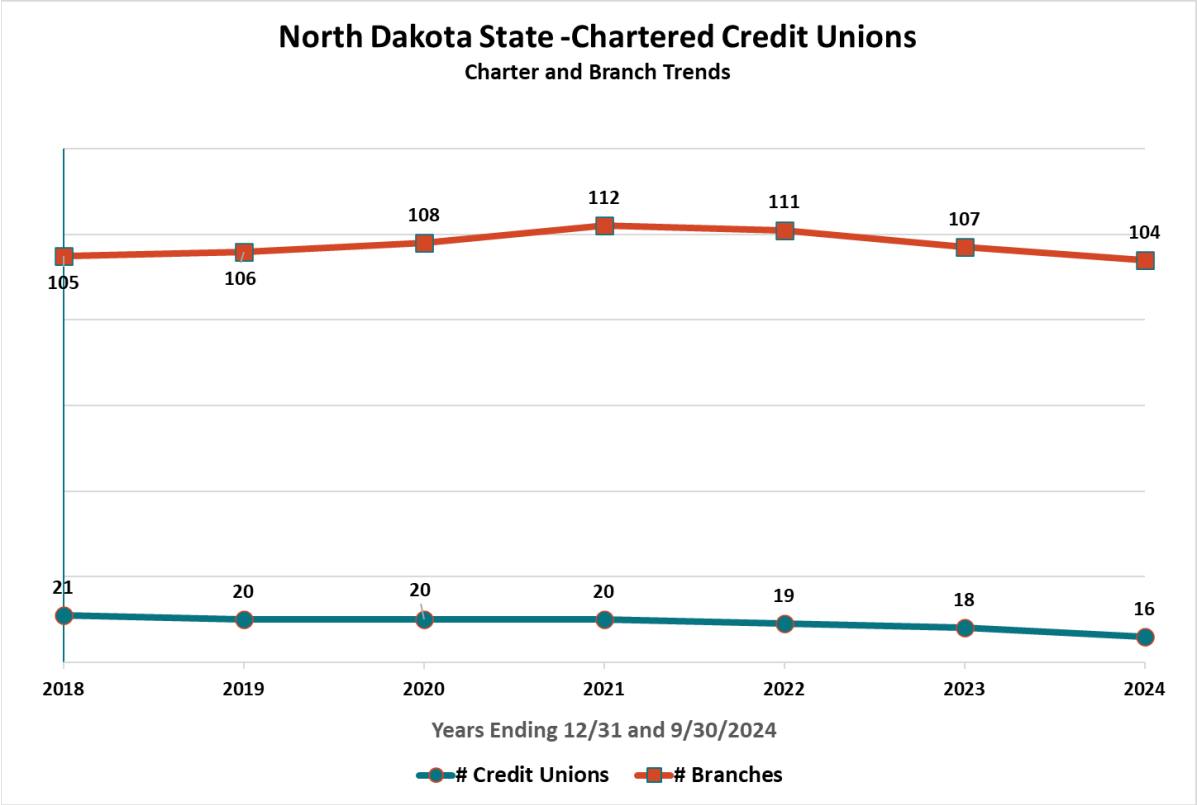


Assets increased 14% from $43 billion on December 31, 2022, to $49 billion on September 30, 2024. The continued asset growth increases the department's responsibilities and time needed to conduct examinations. A majority of examination time is spent on loan review, and loans, especially commercial loans, are becoming more complex, which therefore requires experienced examiners. Cybersecurity is a significant concern and therefore more time is dedicated to information technology review during our safety and soundness examinations. When a bank is over $10 billion in asset size, they have ongoing examinations, requiring full-time examiners dedicated to that particular bank. It benefits the bank to have continuity and examiners familiar with their operations. We have one bank in this category, where the

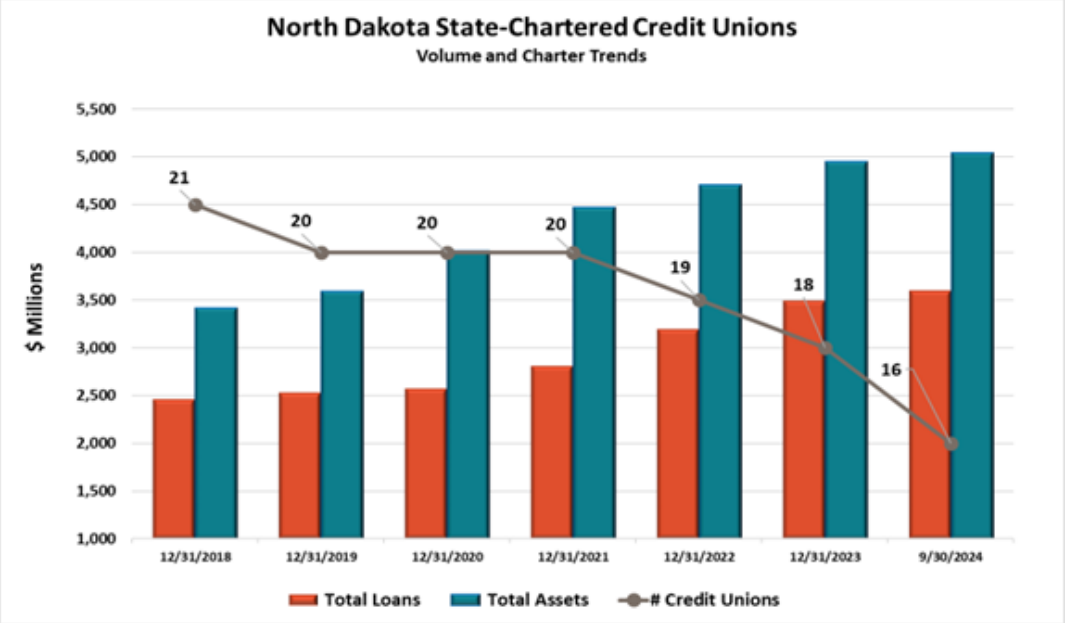
Federal regulator has three dedicated FTEs, while we have one. We need to ensure the state has the same impact on bank oversight as the federal regulators. Additional examination time is also required when banks engage in new and novel activities.

State-Chartered Credit Unions

Currently, there are 16 state-chartered credit unions. As with banks, the reason for the decline is that credit unions are merging.

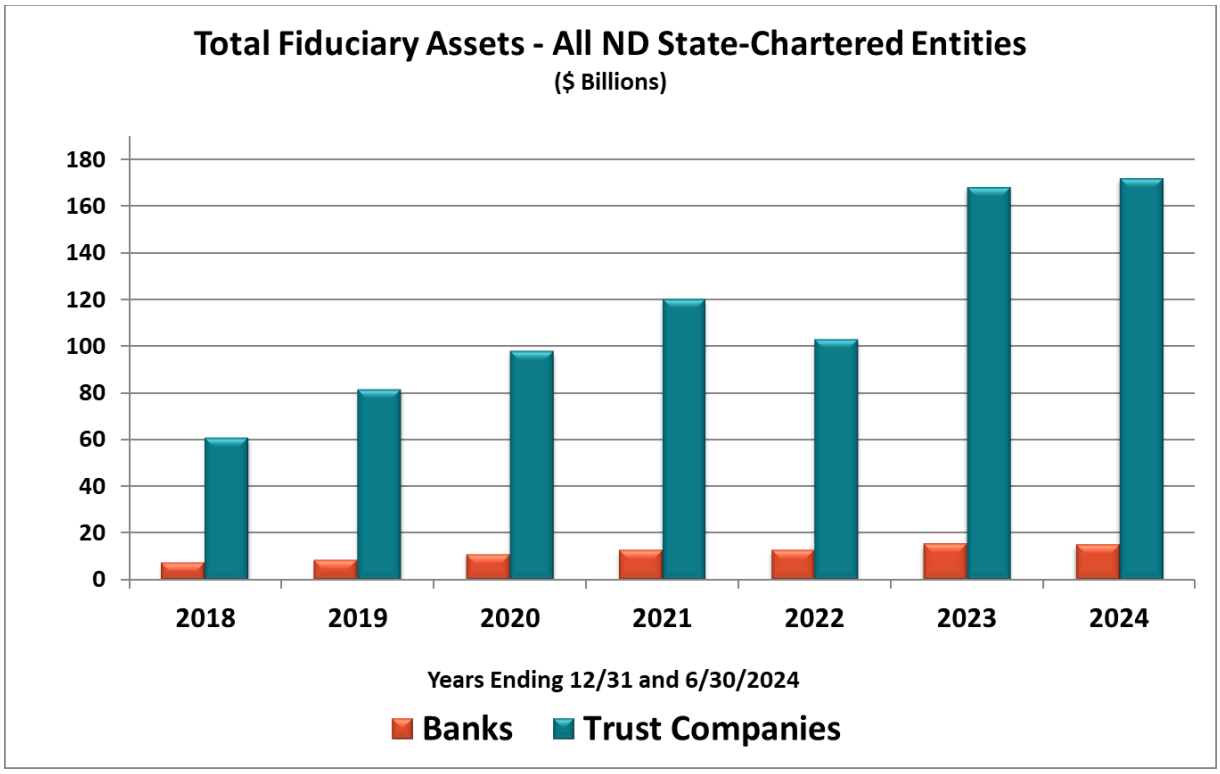


Credit unions also continue to show asset growth, with total assets increasing 6% from $4.7 billion as of December 31, 2022, to $5 billion as of September 30, 2024.



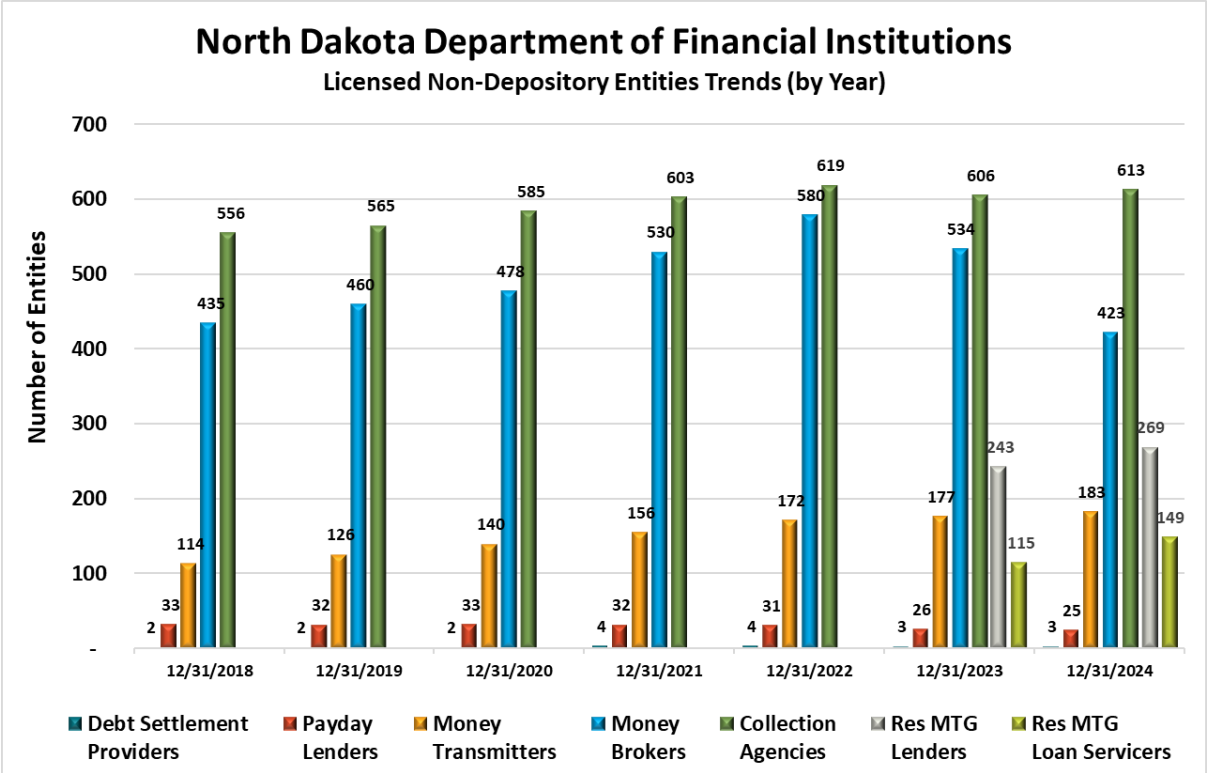
State-Chartered Trust Companies and Bank Trust Departments

There are four state-chartered independent trust companies for which the department has oversight responsibility; we also have 13 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 of the four independent trust companies totaled $172 billion as of June 30, 2024, a 67% increase from year-end 2022. The banks with trust powers had combined fiduciary assets of $15 billion as of June 30, 2024, an 18% increase from year-end 2022.



Consumer Licenses

As of December 31, 2024, the consumer division had active licenses totaling 1,665, which is an increase of 18% from the 1,406 licensed year-end 2022.



Not included in the graph above are the 3,983 licensed mortgage loan originators, for which we are responsible to track pre-licensing and continuing education requirements.

Attachment 1 is our organizational chart, which shows the structure of our department. The department has 35 FTEs and this chart is what it will look like in a couple of weeks. Our deputy for non-depositories will start February 3. There is one other vacancy that we are in the process of filling with a starting date in late February. As you can see from the chart, the department has 2 chief examiners, 16 bank examiners, 4 credit union examiners, 7 non-depository examiners, and 6 office staff to supervise and examine our regulated entities. The department has 3 offices: in Bismarck, Grand Forks and Fargo.

2. FINANCIAL AUDIT FINDINGS

There were no audit findings in the most recent audit of our Department.

3. ACCOMPLISHMENTS AND CHALLENGES

Accomplishments

To help with the availability of financial services to North Dakota citizens, the department continues to engage in dialogue with federal regulators to discuss national policy matters and its effect on people in North Dakota. We are involved on a national basis to ensure North Dakota's voice is heard – not only with our federal counterparts, but as a network with other state regulators across the nation. I was elected to serve on the Conference of State Bank Supervisors (CSBS) Executive Board in March 2020, and served as Chair last year. Corey Krebs, the department's assistant commissioner, serves on the National Association of State Credit Union Supervisors (NASCUS) Board. In addition, I have also served on the FDIC Regulatory Advisory Board until it sunset in 2024. Effective January 1st, I will be the state bank regulators' representative on the Financial Stability Oversight Council (FSOC) under the U.S. Treasury Department. This involvement ensures that North Dakota and the state regulators' interests are represented on the national stage.

The department's banking division has maintained accreditation through CSBS since 1992, the credit union division through NASCUS since 2000 and the consumer division through the CSBS/AARMR (American Association of Residential Mortgage

Regulators) Mortgage Accreditation Program since 2015. Accreditation signifies that our department meets or exceeds comprehensive organizational and performance standards. It assures the public of the competency of the agency charged with supervising the safety and soundness of the financial institutions entrusted with their savings and personal finances. It assures the industries that we are effective and efficient, with highly trained professionals. It also provides you, our legislators, with an independent validation of the quality and faithfulness to our mission. Lastly, strong state oversight keeps an important balance between state and federal supervision, limiting the risk of increased federal government preemption of state government authorities.

To ensure the safety of our financial system, the department takes action against bad actors. In recent years, we have seen an increase in fraud and scams across the country, which has resulted in revocation of licenses and prohibition orders where individuals can no longer work for entities overseen by the department. It is important that our department has the resources to educate and assist financial institutions when citizens are taken advantage of. To enhance our financial literacy and education efforts, in 2023 we took over the LifeSmarts program from the Attorney General's office. It is a program where high school students compete and we hosted our first annual competition last year, with the next event on February 12.

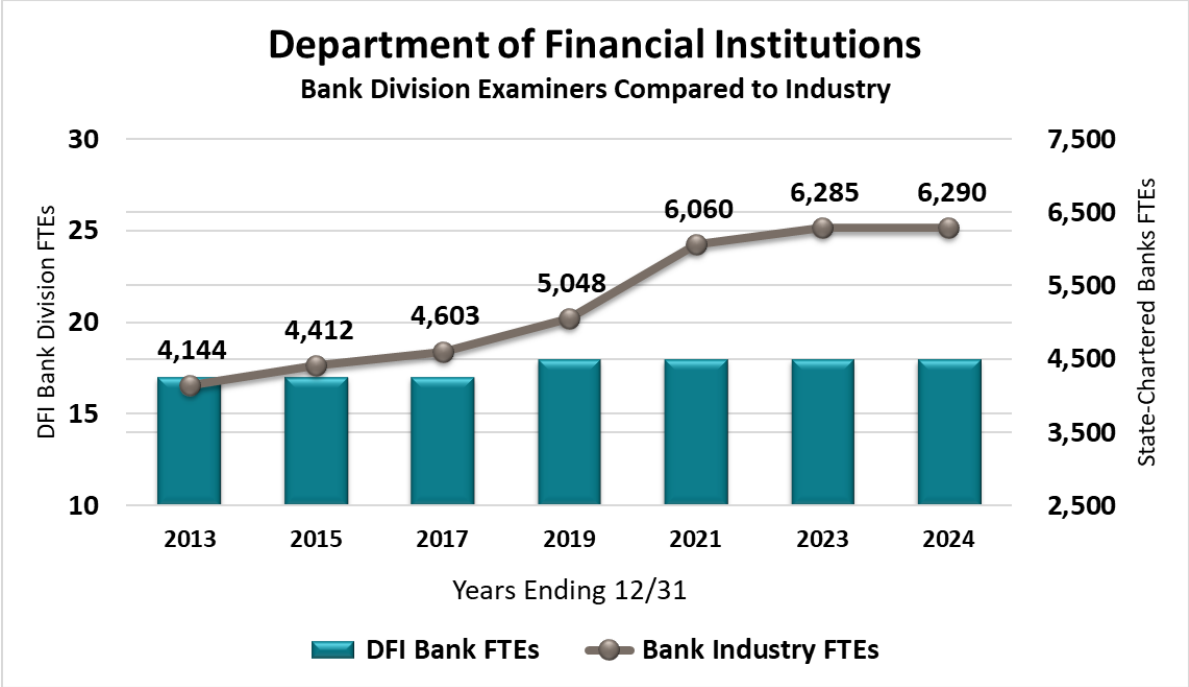
Challenges

One of the greatest challenges is to make sure the department has enough resources and staff of skilled employees to meet our

mandates, and it has been difficult to keep up with the large industry growth. When we add resources, such as FTEs, I want to emphasize that we are not growing government, rather we are responding to the explosive growth in the industries we are overseeing.

We are using automation to the extent possible, and also networking with states across the nation to improve efficiencies and reduce redundancies. However, to prevent federal intervention, it is crucial that our department has the resources to oversee these entities.

Banks and credit unions have also grown considerably and are becoming more complex with expanding product lines and partnerships. The skill and time needed to oversee financial institutions' cyber security measures puts pressure on our department. The graph below shows the number of FTEs added by the banking industry to correspond with their growth, compared to ours. Since 2013, banks have had to increase staffing by 52% to manage their growth while department bank staffing has only increased by 6%. Since we work in partnership with our federal counterparts, we need to ensure the state is a credible partner. It is important to ensure a strong state presence to protect our community banks and limit federal preemption of state authority.



Since our examiners must be competent in every aspect of banking, it takes about 5 years for an examiner to be fully proficient. In the last few years, we have had two bank examiners retire, each with more than 30 years of experience. Retention has improved but 42% of our employees joined our department within the last five years. Additionally, many employees are not staying with the department long enough to even achieve proficiency. Most employees who leave go to the private industry (banks or credit unions). The skills department staff acquire are highly valued by the very same industries we regulate, and these industries often pay a premium that we are unable to compete with.

Goals

The Department goals include the following:

1) Retain and protect strong and stable oversight to prevent federal preemption of state law. We need to make sure states retain its piece of the regulatory environment.
2) Keep pace with growth and expansion of financial institutions and services. We need the skills and resources to properly assess our institutions for risk, which has become more demanding due to new financial products and partnerships between banks and non-banks as well as the continued growth of the banks and credit unions we oversee.
3) Manage increases in non-depository institutions (non-banks).
4) Ensure state oversight of financial industry IT vendors and service providers. Since most community banks outsource for IT services, vendor management and our oversight over these entities are important.
5) Enhance data analytics capabilities to assist us in being more predictive and proactive in our oversight.
6) Continue enhancing our industry and general public communication, which includes our financial literacy program.
7) Retain and educate sufficient staff to oversee the industry, and be proactive and responsive. Providing opportunities for growth with competitive salaries and a great work environment should help us succeed in attaining our goals.

4. ***BUDGET REQUEST/RECOMMENDATION***

The Governor's recommendations will show a budget of $0, which is due to the Governor fully supporting SB 2028, which will put our department under continuing appropriation. SB 2028 was based on a study that came out of the Government Finance Committee, and it passed the Senate Industry and Labor Committee unanimously last week. The bill will have the department's appropriation determined by the state banking and state credit unions boards in a joint meeting, with the commissioner providing regular reports to the legislature. It is a similar setup to what Texas and Oklahoma have, and it will make the department able to be more responsive as the economy and the financial market changes. There are natural guardrails in place if the boards approve our budget and spending – both against excessive spending, and also to protect against underfunding where we are unable to meet our legislative obligations. The boards consist of business executives with every incentive to keep costs down since it is their money we are spending. Since our institutions have an option to be a federal charter, we must also remain competitive to be the charter of choice. The boards also know what it takes to get the work done, and they know the disadvantages if they have a weak state regulator. If we are not properly funded, they know they will have to deal more with the federal government. The industry appreciates having our department well-staffed with knowledgeable examiners who understand our local economy. The boards also have an incentive to make sure the non-depository side is funded so that we have proper oversight over the non-banks, since those are the banks' and credit unions' competition, and they do not want these entities to be

unregulated. This model is similar to what has been approved by the legislature for agricultural commodity boards and commissions. Those entities are self-funded from their own revenues, and have continuing appropriations authority and are outside the state budget and appropriation processes.

5. REQUEST COMPARED TO 2023

As mentioned above, if SB 2028 passes, the department will have continuing appropriations.

6. EMPLOYEE TURNOVER AND VACANT POSITIONS

Our turnover has declined from prior years. In 2023, two employees (6%) left and in 2024, three employees (9%) left.

Last session we were allotted four additional FTEs. Therefore, in July 2023 we had five vacant positions. This included the four new FTEs and one existing FTE. We filled the new positions internally as promotions and hired new employees to fill the entry level positions. Currently we have two vacant positions. One will be filled on February 3, 2025. The other position is posted, with hiring to take place in February. We utilize temporary employees to fill in the gaps when we have vacant positions.

Approximately $955,000 affected our budget for the FTE funding pool in the 2023-2025 session. We transferred the entire amount from the funding pool. Biennium-to-date we have saved approximately $255,000 by having vacant positions.

We have not used salary appropriations for any other purpose other than permanent salaries, temporary salaries, and benefits.

7. FUNDING EXPLANATION

The largest component of the department's budget is salaries at 79% of the current total budget. Our largest operating expenses are as follows:

i. Professional Fees and Services – 29.0% of current operating
ii. Data Processing – 23.0% of current operating
iii. Professional Development – 15.8% of current operating
iv. Travel – 12.8% of current operating
v. Rental/Lease-Bldg – 10.9% of current operating

Professional fees and services are the highest operating expenses of the department. This includes attorney fees, which has increased due to the industry growth. With the industry expansion, more fraud has resulted, which necessitates more attorney time to protect the State of North Dakota's interests. Data processing and IT costs are the second highest, while professional development is the third. Extensive training is required to become a proficient bank examiner. The work of an examiner is specialized, and 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. Training is conducted along with our federal and state counterparts, which keeps our examiners up to date on the most recent laws and regulations. Also, 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. Much of the training is conducted out of state, which contributes to higher travel costs.

In the past, travel was by far the highest operating expense since examiners must travel to the institutions to conduct examinations. With 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. For banks and credit unions, the travel increases if there is economic/industry deterioration, and therefore, travel costs are 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. Both the industry and the examiners recognize the importance of face-to-face interactions when discussing challenging topics.

8. ONE-TIME FUNDING FOR CURRENT BIENNIUM

There were no one-time funding items for the current biennium.

9. ONE-TIME FUNDING REQUESTED

No one-time funding requested.

10. AGENCY FEE COLLECTIONS

The department is a special funds agency. Assessments are set by the State Credit Union Board and the State Banking Board for their respective areas. The assessments are set based on what the expected expenses are, which do not exceed our appropriated amount. For the last few years, the industries received significant discounts due to limited expenditures. The non-bank fees are set in statute and fluctuate depending on the number of companies we license.

11. FEDERAL STATE FISCAL RELIEF FUNDS

Not applicable

12. OTHER SECTIONS TO BE ADDED

None

13. OTHER BILLS

The Department introduced one agency bill: HB 1127, with the most significant component adding a model law to ensure we have cyber security oversight over our non-banks at the same level as the federal government.

Other bills affecting the department:

- SB 2028, which gives the department continuing appropriation;
- A bill will be introduced that will requires enhanced oversight over crypto ATMs;
- A bill will be introduced regarding litigation financing to be overseen by the department;

- A bill addressing earned wage access will be introduced, which is also an additional industry to be overseen by the department.

Depending on the approach of these bills, it is likely that fiscal notes may be included since it will require resources and additional FTEs to manage the new department responsibilities. Adding supervisory authority without the resources to execute the law gives a false indication of consumer protection, which is why additional resources are necessary. It is important to note again, that our department is completely self-funded, and the additional resources required will be funded by licensing and examination fees.

14. CHANGES AGENCY IS REQUESTING TO EXECUTIVE BUDGET RECOMMENDATION

None

15. ADDITIONAL INFORMATION

None

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

NORTH Dakota | Financial Institutions
Be Legendary.™

Lise Kruse
Commissioner
Appointed by the Governor

State Banking Board
Chairman – Commissioner
Secretary – Asst. Commissioner

State Credit Union Board
Chairman – Commissioner
Secretary – Asst. Commissioner

Vacant
Deputy – Non-Depository

Corey Krebs
Assistant Commissioner

Ryan Spah
Chief Examiner

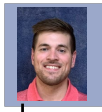
Angie Mills Fischer
Review Examiner

Heidi LaBree
Business Manager II

Chris Ludwig
Supervisor

Scott Bruns
Supervisor

Taylor Harms
Supervisor



Alex Jacobsen
Supervisor

Dave Hatton
Supervisor

Jared Hoglin
Acting Large Bank Examiner

Daphne Borth
Non-Depository Examiner II

Brad Fleck
Non-Depository Examiner II

Marlene Krebsbach
Non-Depository Examiner II

Megan Sauer
Non-Depository Examiner II

Vacant
Non-Depository Examiner I

Austin Backman
Licensing Examiner

Noah Anderson
Examiner II

Cody Gangl
Examiner II

Stephen Hillerud
Examiner II

Chris Clark
Examiner I

Yao Zhang
Examiner I

Anders Larson
Examiner I

Ryan Sletten
Examiner I

Jen Washnieski
Examiner I

Wayne Schull
Examiner II

Bea Dalmi
Examiner I

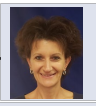
Lindsay Johnson
Examiner I

Luke Tupa
Examiner I

Tammy Egeland
Examiner III

Zachary Schell
Examiner II

Michaela Volk
Examiner II



Lisa Kirschmann
Administrative Assistant III

Katie Richard
Administrative Examiner

1/12/2025

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division
Red River Room, State Capitol

SB 2008
1/20/2025

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

2:35 p.m. Chairman Wanzek opened the hearing.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- Appropriation Amount
- Budget Procedure

2:35 p.m. Adam Mathiak, Senior Fiscal Analyst , LC, provided budget information.

2:39 p.m. Chairman Wanzek closed the hearing.

Carol Thompson, Committee Clerk

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division
Red River Room, State Capitol

SB 2008
2/20/2025

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

3:15 p.m. Chairman Wanzek opened the meeting.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- Department of Financial Institutions removed from Legislative oversight
- Concurred in the house

3:16 p.m. Senator Erbele moved a Do Not Pass for SB 2008.
3:16 p.m. Senator Sickler seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 5-0-0

Senator Burckhard will carry the bill.

3:18 p.m. Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2008
2/21/2025

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

8:40 a.m. Chairman Bekkedahl opened the hearing.

Members Present: Chairman Bekkedahl, Vice-Chairman Erbele, and Senators Burckhard, Cleary, Conley, Davison, Dever, Dwyer, Magrum, Mathern, Meyer, Schaible, Sickler, Sorvaag, Thomas, Wanzek.

Discussion Topics:

- Budget Management Changes and Concerns
- Spending Authority

8:42 a.m. Senator Burckhard moved a Do Not Pass.

8:42 a.m. Senator Wanzek seconded the motion.

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Robert Erbele	Y
Senator Randy A. Burckhard	Y
Senator Sean Cleary	N
Senator Cole Conley	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	N
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Donald Schaible	Y
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	Y
Senator Terry M. Wanzek	Y

Motion Passed 14-2-0.

Senator Burckhard will carry the bill.

8:47 a.m. Chairman Bekkedahl closed the hearing.

Elizabeth Reiten, Committee Clerk

REPORT OF STANDING COMMITTEE
SB 2008 (25.0175.01000)

Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **DO NOT PASS** (14 YEAS, 2 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). SB 2008 was placed on the Eleventh order on the calendar. This bill does not affect workforce development.