

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2094

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date

Yherosa J. Lee

10-16-03

2003 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2094

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Yuberece J. Ace
Operator's Signature

10-16-03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2094

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-13-03

Tape Number	Side A	Side B	Meter #
1		xx	220-1165
Committee Clerk Signature <i>Lisa VanBerkom</i>			

Minutes: Chairman Mutch opened the hearing on SB 2094 relating to authority to pledge securities for securities lending transactions by the board of university and school lands.

Testimony in support of SB 2094

All Senators present. SB 2094 was introduced at the request of the Board of University and School Lands. Gary D. Preszler, State Land Commissioner, spoke in support of the bill. See attached testimony.

There was no opposing testimony.

Hearing was closed.

Sen. Espegard moved DO PASS. Sen. Nething seconded.

Roll Call Vote: 7 yes. 0 no. 0 absent.

Carrier: Sen. Espegard

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Yubereca, J. Lee
Operator's Signature

10-16-03
Date

FISCAL NOTE
Requested by Legislative Council
01/03/2003

Bill/Resolution No.: SB 2094

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

This proposed bill will not have a fiscal impact.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

For the 2003-2005 biennium, approximately \$152,000 is already included in other (special) fund revenues as securities lending activity has been conducted since 1993. Enactment of SB 2094 allows this activity to continue.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

This proposed bill will not affect expenses.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Gary D. Preszler	Agency:	Land Department
Phone Number:	328-2800	Date Prepared:	01/09/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Yubereca d. Lee
Operator's Signature

10-16-03
Date

Date: 1-13-02
Roll Call Vote #:

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2004

Senate 166 2094 Committee

☐ Check here for Conference Committee**Legislative Council Amendment Number**

Action Taken

Motion Made By Espejard Seconded By Nothing

[illegible]

Total (Yes) 1 No 0

Absent

Floor Assignment

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

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date _____

REPORT OF STANDING COMMITTEE (410)
January 13, 2003 1:26 p.m.

Module No: SR-05-0494
Carrier: Espegard
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2094: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2094 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-05-0494

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Theresa J. Lee
Operator's Signature

10-16-03
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2094

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date _____

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2094

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 3, 2003

Tape Number	Side A	Side B	Meter #
2	X		3623-5013
Committee Clerk Signature <i>Elizabeth R. Grier</i>			

Minutes: **Chair Keiser:** Opened hearing on SB 2094.

Gary Preszler (Land Commissioner): Supports with written testimony. Added that securities lending is common. You have to provide collateral for protection, which is priced daily.

Rep. Keiser: Is it the daily borrowance value or the daily value of the electric stock? Preszler said both. The day they buy it, they have to make more than par value, but every day after that it is priced and they have to maintain that price for that day as well. Priced daily.

Rep. Ekstrom: What is a typical time period? Preszler said it is short-term. Definitely less than 6 months. Eligible at the current time to generate \$76,000 of income. Rep. Ekstrom asked about the income generated. Is it typical for the biennium? Preszler said that it is.

Rep. Klein: On average, what percentage do you get? Preszler said that it varies, but this is less than 1%. Really it is a few basis points.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Yubereka J. Goo
Operator's Signature

10-16-03
Date

Page 2

House Industry, Industry and Labor Committee

Bill/Resolution Number 2094

Hearing Date March 3, 2003

Rep. Keiser: Do they repay in stock or collateral? Preszler said they generally pay in stock.

Keiser then asked if you can liquidate while the stock is lent. Preszler said the Land Commission is responsible for the depreciation. It is a risk, which is why they do not deal with small firms.

Chair Keiser: Closed hearing on SB 2094.

Rep. Ekstrom moved DP. Seconded by Rep. Klein

Vote: 12 Yes 1 No 1 Absent and not voting.

Carrier: Ekstrom

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Yuberead J. Lee
Operator's Signature

10-16-03
Date

Date: 3/03/03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2094

House INDUSTRY BUSINESS & LABOR Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP

Motion Made By Ekstrom Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Boe		✓
Vice-Chair Severson	✓		Ekstrom	✓	
Dosch	✓		Thorpe	✓	
Froseth	✓		Zaiser	Absent	
Johnson	✓				
Kasper	✓				
Klein	✓				
Nottestad	✓				
Ruby	✓				
Tieman	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Ekstrom

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

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Haller
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
March 3, 2003 4:51 p.m.

Module No: HR-37-3809
Carrier: Ekstrom
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
SB 2094: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends
DO PASS (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). SB 2094 was placed on
the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-37-3809

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Yubereca J. Lee
Operator's Signature

10-16-03
Date

2003 TESTIMONY

SB 2094

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Y. Hernandez
Operator's Signature

10-16-03
Date

1707 North 9th Street
PO Box 5523
Bismarck, ND 58506-5523
Phone: (701) 328-2800
Fax: (701) 328-3650

www.land.state.nd.us
www.discovernd.com



Gary D. Preszler, Commissioner

**TESTIMONY OF GARY D. PRESZLER
STATE LAND COMMISSIONER**

**SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE
January 13, 2003**

IN SUPPORT OF SB2094

Same given House

The purpose of SB2094 is to clarify that the Board of University and School Lands has authority to enter into securities lending transactions and to establish clear authority for the Board to pledge securities when participating in securities lending transactions. In the past the Board has relied on its general authority over permanent trust investments to give it authority to enter into securities lending transactions and pledge securities as a part of these transactions. However, recent discussions with the Attorney General's Office lead the Commissioner to believe that it would be better to get specific authority from the legislature to do so. The ability to pledge those securities is a necessary component if the Board is to engage in this activity.

There is no cost to the Board to participate in securities lending. In fact, securities lending provides an opportunity for the permanent trusts to earn additional income. Investment risk does exist, but is considered minimal and acceptable. During the fiscal year ended June 30, 2002 the permanent trusts earned over \$76,000 of securities lending income (see Fiscal Note). Securities lending is a common activity and an ancillary income opportunity for many public and private investors, including the State Investment Board. The Land Board has participated in securities lending through its custodian bank, the Northern Trust Company (NTC), since 1993.

A brief definition of Securities lending is that a borrower, typically large brokerage houses, has a need for a specific stock that the trusts own and are willing to pay a fee to the trusts to borrow the security. The brokerage house must provide acceptable liquid collateral to cover the market value of the stock to the trusts. Our custodian, NTC, acts as agent for the trusts and arranges the transaction. The primary risk to the trusts is the value of the collateral. Consequently, NTC requires that the trusts pledge the original lent stock to cover any collateral value losses. To date, NTC has never experienced losses that have required it to recover losses from a lender.

As stated previously, the State Investment Board also engages in securities lending through NTC. The difference between their authority to do so and the Land Board's is that the State Investment Board currently has specific statutory authority (§N.D.C.C 21-10-02) to engage in securities lending activities.

I urge the committee to grant favorable consideration and give SB2094 a "do pass" recommendation.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Gary D. Preszler
Operator's Signature

10-16-03
Date