

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2008

2005 SENATE APPROPRIATIONS

SB 2008

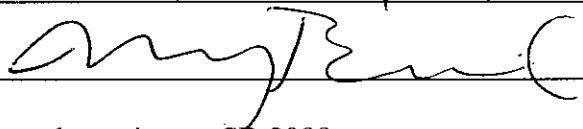
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2008

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 01/11/05

Tape Number	Side A	Side B	Meter #
Committee Clerk Signature 			

Minutes: **Chairman Holmberg** opened meeting on SB 2008.

Jim Slasser, ND Banker's Association appeared in support of SB 2008. Mr. Slasser did not provide the committee with written testimony. Mr. Slasser products that they will have 85 banks in the next three to five years. Questions were asked of Mr. Slasser regarding interest rates on mortgages.

Timothy Karsky, Commissioner, Department of Financial Institutions, appeared in support of SB 2008. (339) Mr. Karsky provided written testimony, (see attached appendix I).

Sen. Thane: "Were are payday lenders located?"

Mr. Karsky: "There are 63 payday lenders, mainly in the larger cities of ND. We must do a background check on them and they must be licensed and have a \$25,000 net worth. Questions regarding the Minot field office and the funding for it. Mr. Karsky indicated that because of staffing problems the Minot field office was closed and employees were moved to Bismarck and Grand Forks, now, however Mr. Karsky suggests that if the budget is approved 3 examiners

Page 2

Senate Appropriations Committee

Bill/Resolution Number SB 2008

Hearing Date 01/11/05

would work out of the Minot office. Questions were also asked about examination, and licensing fees. Mr. Karsky indicated that \$300 was the cost for a license and that they are examined every 36 months.

No more questions were asked of Mr. Karsky.

Chairman Holmberg closed meeting on SB 2008.


2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2008

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 02/11/05

Tape Number	Side A	Side B	Meter #
1	x		4339-4543
Committee Clerk Signature 			

Minutes: **Chairman Holmberg** called discussion to order.

Motion was made for a **DO PASS** as amended on SB 2008 by Sen. Grindberg, seconded by Sen. Fischer. There was no discussion. NOTE that on a voice vote for the amendment Sen. Mathern voted no. **DO PASS as AMENDED** passed 15 to 0.

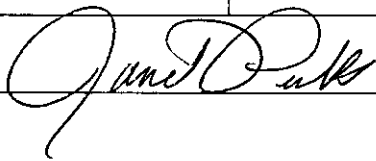
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2008

Senate Appropriations Committee

☐ Conference Committee

Hearing Date March 21, 2005

Tape Number	Side A	Side B	Meter #
2	a		98-135
Committee Clerk Signature 			

Minutes:

Chairman Holmberg called the discussion to order on SB 2008 on Financial Institutions indicating a **DO NOT CONCUR** on adding \$47,000 for employee travel. There was no indication as to what the travel was for or who it was for. Senator Lindaas will carry the bill.

The discussion was closed.

Date 2-10-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2008

Senate SENATE APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO Pass w/ Amended

Motion Made By 9 Seconded By T

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	/		SENATOR KRAUTER	/	
VICE CHAIRMAN BOWMAN	/		SENATOR LINDAAS	/	
VICE CHAIRMAN GRINDBERG	/		SENATOR MATHERN	/	
SENATOR ANDRIST	/		SENATOR ROBINSON	/	
SENATOR CHRISTMANN	/		SEN. TALLACKSON	/	
SENATOR FISCHER	/				
SENATOR KILZER	/				
SENATOR KRINGSTAD	/				
SENATOR SCHOBINGER	/				
SENATOR THANE	/				

Total (Yes) 15 No _____

Absent _____

Floor Assignment Sen Lindaas

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

REPORT OF STANDING COMMITTEE

SB 2008: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2008 was placed on the Sixth order on the calendar.

Page 1, line 14, replace "415,941" with "402,027"

Page 1, line 18, replace "550,528" with "536,614"

Page 2, line 1, replace "3,400,480" with "3,386,566"

Page 2, line 5, replace "4,207,793" with "4,193,879"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

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

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$3,400,480	(\$13,914)	\$3,386,566
Operating expenses	779,813		779,813
Capital assets	7,500		7,500
Contingency	<u>20,000</u>		<u>20,000</u>
Total all funds	\$4,207,793	(\$13,914)	\$4,193,879
Less estimated income	<u>4,207,793</u>	<u>(13,914)</u>	<u>4,193,879</u>
General fund	\$0	\$0	\$0
FTE	26.00	0.00	26.00

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

	REDUCES COMPENSATION PACKAGE TO 3/4	TOTAL SENATE CHANGES
Salaries and wages	(\$13,914)	(\$13,914)
Operating expenses		
Capital assets		
Contingency		
Total all funds	(\$13,914)	(\$13,914)
Less estimated income	<u>(13,914)</u>	<u>(13,914)</u>
General fund	\$0	\$0
FTE	0.00	0.00

2005 HOUSE APPROPRIATIONS

SB 2008

*These are excerpts from agency overview
hearing; full set of minutes/handouts available.
Ask a legislative council librarian.*

Rep. Ken Svedjan, Chairman asked if the loan program was initially funded by general funds.

Ms. Halgunseth answered yes. She said that three biennium's ago, there was a 5% cut in the

budget. To keep that position on at a full-time level, they decided to start using the Veterans' Day

Loan Fund to supplement that. **Rep. Ken Svedjan, Chairman**, asked if there were some

earnings on that fund and **Ms. Halgunseth** affirmed and added that it's minimal with a fund

balance of \$190,000. **Rep. Ken Svedjan, Chairman**, asked if the loans through that fund are

used for a variety of purposes. **Ms. Halgunseth** said yes and that there are up to \$5,000 loans for

veterans or their widows for medical bills, a faulty furnace, etc. She said there is an 80-90% pay

back with this program. If they pay back in time, they get their interest refunded to them.

Rep. Jeff Delzer provided background for the Committee. He said that a number of sessions ago,

it was determined that this FTE was not needed and it was the decision of the Veteran's Affairs

Committee to fund it this way. It's something to consider carefully.

SB 2005
Mr. Tim Karsky spoke for the Department of Financial Institutions and reviewed written testimony (handout #33-8, attached). Mr. Karsky mentioned that there would need to be an additional FTE for \$188,000 added to this testimony under the salaries and wages line item.

Rep. Ken Svedjan, Chairman, asked if there were any capital assets or if this was all equipment. **Mr. Karsky** answered that no, it was all in equipment.

SB 2010
Ms. Jan Webb spoke for the Council on the Arts and reviewed written testimony (handout #33-9, attached). Ms. Webb reviewed the handout and mentioned that the Senate made no changes other than the adjustments due to the compensation package change.

SB 2011
Col. Brian Klipfel spoke on behalf of the Highway Patrol and reviewed written testimony (handout #33-10, attached).

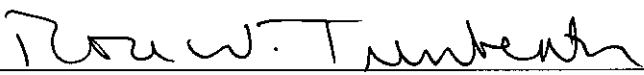
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2008

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Wednesday, March 2, 2005

Tape Number	Side A	Side B	Meter #
1	X		32-end
1		X	0.6-5.1
Committee Clerk Signature 			

Minutes:

Chairman Carlisle opened the Hearing on Engrossed SB 2008 concerning the Department of Financial Institutions. **Mr. Timothy J. Karsky, Commissioner, Department of Financial Institutions**, read his testimony in support of Engrossed Senate Bill 2008 into the record (See Handout #1).

Rep. Timm noted that according to the green sheet provided by Legislative Council, the Department spends every dime that it collects. **Comm. Karsky** said the Department tries to budget the expenses and then set the assessments for the credit unions and the banks just to cover those expenses. If the Department collects more, it cannot spend more than what the legislature appropriates. **Rep. Timm** asked what happens to the carry over and **Comm. Karsky** said there's a carry over amount in the Consumer Division set by statute; if the money exceeds that amount, it will be go to the General Fund. This happened in 1989 and 3-5 years ago. The last time was

because there was extra money in the Consumer Division; the Agency asked the Legislature for two examiner positions which are still held. **Rep. Timm** asked how fees were set. **Comm.**

Karsky said the credit unions and banks are assessed on a formula which varies according to the size of the institution. Every May the State Banking Board and the State Credit Union Board compares the expenses allocated to the Agency and determine if the assessment schedule will cover those expenses. In 2003 the State Credit Union Board raised the formula to cover the additional examiner FTE the legislature allowed for in 2003. He noted that the assessment formula has not changed because normally the increase in total assets and normal growth cover the increase in the Agency's expenses.

Chairman Carlisle explained to the Committee that the Agency was training examiners and then industry was hiring them away; he asked the Commissioner if the equity increases provided last session have reduced turnover. **Comm. Karsky** felt there has been a 50% reduction in the turnover rate. The Agency has excellent crews out East with 3-4 years experience.

Mr. Jim Schlosser, ND Bankers Association, testified in support of SB 2008. He told the Committee that the Agency was converted to a special fund agency in 1989. According to a Federal Reserve study, North Dakota has 6.1 bank facilities per 10,000 population, which is higher than any other state. He also noted that the industry likes experienced examiners.

Rep. Timm observed that banks seem prosperous--lots of new buildings. **Mr. Schlosser** admitted that we might be overbanked, but that's good for the consumer. **Rep. Timm** also added that it's curious that small town banks are now coming into big towns.

Chairman Carlisle thanked Mr. Schlosser for his years of service to the industry and the Committee wished him well during his retirement.

Mr. Don Forsberg, Executive Vice-President of Independent Community Banks of North

Dakota, testified in favor of SB 2008. **Mr. Forsberg** told Committee members that small

community banks that are branching out are survivors; others, unless proactive, will go down.

Banks need to provide for coming changes. He also stated that banks have always paid their own way and SB 2008 is as it should be. If there were a surplus in the budget, the banks would perceive that as an additional tax.

Rep. Timm asked if the Independents belong to other organizations and **Mr. Forsberg** said that 70-80% are dual members.

Rep. Kempenich asked **Comm. Karsky** about community banks branching into Minnesota.

Comm. Karsky used State Bank of Fargo as an example. They have branches in Minnesota,

which become the Agency's responsibility, yet they get charged in Minnesota for doing nothing.

There's a bank in Minnesota with a branch in Grand Forks and the Agency, taking the high road, is not charging those people because the Agency doesn't do anything to earn those fees. The

Agency is trying to work out agreements with Minnesota, Montana, Arizona, and South Dakota

so banks don't get charged duplicate fees and switch to the national banking system. The Agency

is working for a seamless regulation. Conference of State Banks has a model agreement, but

some states don't want to follow that because of budget concerns, etc. **Rep. Kempenich** asked if the legislature had to do anything and **Comm. Karsky** said not right now.

Chairman Carlisle hearing no further discussion, closed the Hearing on SB 2008.

(Meter #5.1)

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2008

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Thursday, March 10, 2005

Tape Number	Side A	Side B	Meter #
1	X		14.2-21.8
Committee Clerk Signature <i>Don W. Trenbath</i>			

Minutes:

Chairman Carlisle opened discussion on SB 2008 concerning the expenses of the Department of Financial Institutions. He referred the Committee to Amendment .0201. He said that he talked with Comm. Karsky and there are 18-20 FTE's that travel constantly. If SB 2195 is approved, the Agency will need authority to spend the money because the Dept. of Financial Institutions is a special fund agency. **Rep. Timm** stated that this Agency would like to go to the same rate as the rest of state employees and he needs that authority. He asked about mileage. **Mr. Joe Morrisette, Legislative Council**, said it deals with meals only. **Rep. Timm** suggested they must use state vehicles and **Mr. Morrisette** agreed. **Chairman Carlisle** gave the Committee copies of a Memo dated March 9, 2005, from Comm. Karsky, which explains the request (See Handout #1).

Page 2

Government Operations Division

Bill/Resolution Number SB 2008

Hearing Date Thursday, March 10, 2005

Chairman Carlisle asked for a motion to approve Amendment .0201. **Rep. Kempenich** so moved; **Rep. Kroeber** seconded.

Hearing no further discussion, **Chairman Carlisle** called for Roll Call Vote #1. Motion passed 6-0-0 .

Rep. Kempenich moved a Do Pass on SB 2008 as amended; seconded by **Rep. Thoreson**.

Hearing no further discussion, **Chairman Carlisle** called for Roll Call Vote #2. Motion passed 6-0-0 . **Rep. Kempenich** will carry the bill to the Full Committee.

Chairman Carlisle closed discussion on SB 2008.

(Meter #21.8)

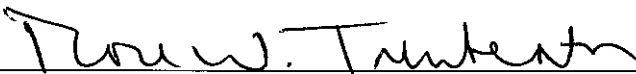
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2008

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Friday, March 11, 2005

Tape Number	Side A	Side B	Meter #
1	X		2.8-5.2
Committee Clerk Signature 			

Minutes:

Chairman Carlisle opened discussion on SB 2008 concerning the Department of Financial Institutions. **Rep. Thoreson** moved to reconsider SB 2008; **Rep. Kempenich** seconded. Hearing no discussion, **Chairman Carlisle** called for a voice vote. Motion passed.

Rep. Kempenich moved to approve Amendment .0202 which provides for health benefits adjustments; seconded by **Rep. Thoreson**. Hearing no discussion, **Chairman Carlisle** called for Roll Call Vote #1; motion passed, 5-0-1.

Rep. Thoreson moved a Do Pass on SB 2008 as amended; **Rep. Timm** seconded. Motion passed 5-0-1.

Chairman Carlisle closed discussion on SB 2008.

(Meter #5.2)

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2008
Department of Financial Institutions

House Appropriations Full Committee

☐ Conference Committee

Hearing Date March 15, 2005

Tape Number	Side A	Side B	Meter #
1	X		#5.8 - #9.8
1	X		#23.2 - #25.9
Committee Clerk Signature <i>Chris Alexander</i>			

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on SB2008.

Rep. Keith Kempenich explained that this bill was amended because \$32,000 was put into SB2195 for travel and they needed additional authority for travel put in this bill to spend it, so the committee made these adjustments and the adjustments for salaries and health care premiums. This appropriation is contingent upon the passage of SB2195 that changes the mileage reimbursement from \$.25 to \$.37.5 as reflected in amendment #0202.

Rep. Keith Kempenich moved to adopt amendment #0202 to SB2008

Rep. Ron Carlisle seconded

Rep. Jeff Delzer asked if there was any discussion of the level of funding on computers

Rep. Keith Kempenich answered that this was not asked in our subcommittee.

Rep. Jeff Delzer commented that the ITD plan as explained in the overview to this committee stated that costs should be less than what was listed in the Governor's budget so hopefully these lesser costs will start to be reflected in these budgets.

Rep. Ken Svedjan, Chairman asked if Rep Delzer had anything specific in mind

Rep. Jeff Delzer answered that the budgets should reflect that ITD anticipated the 4 year replacement cycle at \$800 for the low level and \$900 - \$1000 for the high level. This is the level of cost we should be looking for in all of the budgets that come before us.

Rep. Bob Skarphol commented that he had a document available that listed the computer needs of each agency for those who wished to review this.

Rep. Jeff Delzer commented that Ms Lori Laschkewitch from OMB mentioned that this agency had no plans to by computers in this biennium

Rep. Eliot Glassheim asked if we would need to question every budget concerning their mileage increase needs and make sure their budgets have contingency appropriations.

Rep. Keith Kempenich answered that this agency is sourced through special funds so we would need an appropriation for travel spending for this agency

Rep. Mike Timm, Vice Chairman commented that these folks traveled all the time and they need an increase.

Rep. Ken Svedjan, Chairman commented that the committee will set this amendment and bill aside until Rep Skarphol returns with information regarding the computers needed in each agency.

Rep. Ken Svedjan, Chairman called the discussion back on SB2008 (meter Tape #1, side A, 23.2)

Rep. Bob Skarphol explained the report he has concerning the computer needs for each agency and said that these reports would be available to everyone.

Rep. Ken Svedjan, Chairman called for a voice vote on the motion to adopt amendment #0202 on SB2008. Motion carried.

Rep. Keith Kempenich moved a Do Pass As Amended motion for SB2008.

Rep. Ron Carlisle seconded

Rep. Jeff Delzer asked about the one new FTE

Rep. Keith Kempenich answered that they need another examiner to carry the increased workload in Minot.

Rep. Ken Svedjan, Chairman called for a roll call vote on the Do Pass As Amended motion for SB2008. Motion carried with a vote of 21 yeas, 1 nay and 1 absence. Rep Kempenich will carry the bill to the house floor.

Rep. Ken Svedjan, Chairman closed the discussion on SB2008.

March 4, 2005

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2008

Page 1, line 2, after "institutions" insert "; and to provide a contingent appropriation"

Page 2, after line 5, insert:

"SECTION 4. CONTINGENT APPROPRIATION. If Senate Bill No. 2195 is approved by the fifty-ninth legislative assembly, the department of financial institutions is appropriated out of any moneys in the financial institutions regulatory fund in the state treasury, not otherwise appropriated, the amount of \$32,169, or so much of that amount as is necessary, for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides a contingent appropriation to the Department of Financial Institutions for the increase in the meal allowance reimbursement for state employees provided in Engrossed Senate Bill No. 2195.

Date: 3/10/05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2008

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58008.0201

Action Taken Approve Amendment .0201

Motion Made By Rep. Kempenich Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams	✓	
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

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

Date: 3/10/05
Roll Call Vote #: 2

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2008

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58008.0261

Action Taken DO PASS SB 2008 as amended

Motion Made By Rep. Kempenich Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams	✓	
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Rep. Kempenich

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

Date: 3/11/05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2008

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Approve Amendment .0202

Motion Made By Rep. Kempenich Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams		
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 5 No 0

Absent 1

Floor Assignment _____

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

Date: 3/11/05
Roll Call Vote #: #2

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2008

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58008.0202

Action Taken DO PASS AS Amended

Motion Made By Rep. Thoreson Seconded By Rep. Timm

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams		
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 5 No 0

Absent 1

Floor Assignment Rep. Kempenich

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

Date: March 15, 2005
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2008

House Appropriations - Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58008.0202

Action Taken DO PASS AS AMENDED

Motion Made By Rep. Kempenich Seconded By Rep. Carlisle

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	AB		Rep. Jeff Delzer		X
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew	X	
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Guleson	X		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	X				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson	X				

Total Yes 21 No 1

Absent 1

Floor Assignment Rep. Kempenich

If the vote is on an amendment, briefly indicate intent: GO Do Pass As Amended 5-0-1

REPORT OF STANDING COMMITTEE

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

Page 1, line 2, after "institutions" insert "; and to provide a contingent appropriation"

Page 1, line 14, replace "402,027" with "398,782"

Page 1, line 18, replace "536,614" with "533,369"

Page 2, line 1, replace "3,386,566" with "3,383,321"

Page 2, line 5, replace "4,193,879" with "4,190,634"

Page 2, after line 5, insert:

"SECTION 4. CONTINGENT APPROPRIATION. If Senate Bill No. 2195 is approved by the fifty-ninth legislative assembly, the department of financial institutions is appropriated out of any moneys in the financial institutions regulatory fund in the state treasury, not otherwise appropriated, the amount of \$32,169, or so much of that amount as is necessary, for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

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

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$3,400,480	\$3,386,566	(\$3,245)	\$3,383,321
Operating expenses	779,813	779,813		779,813
Capital assets	7,500	7,500		7,500
Contingency	20,000	20,000		20,000
Contingent appropriation			<u>32,169</u>	<u>32,169</u>
Total all funds	\$4,207,793	\$4,193,879	\$28,924	\$4,222,803
Less estimated income	<u>4,207,793</u>	<u>4,193,879</u>	<u>28,924</u>	<u>4,222,803</u>
General fund	\$0	\$0	\$0	\$0
FTE	26.00	26.00	0.00	26.00

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

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	PROVIDES A CONTINGENT APPROPRIATION FOR EMPLOYEE TRAVEL REIMBURSEMENT INCREASES	TOTAL HOUSE CHANGES
Salaries and wages	(\$3,245)		(\$3,245)
Operating expenses			
Capital assets			
Contingency			
Contingent appropriation		<u>\$32,169</u>	<u>32,169</u>
Total all funds	(\$3,245)	\$32,169	\$28,924

REPORT OF STANDING COMMITTEE (410)
March 15, 2005 4:13 p.m.

Module No: HR-47-5085
Carrier: Kempenich
Insert LC: 58008.0202 Title: .0300

Less estimated income	<u>(3,245)</u>	<u>32,169</u>	<u>28,924</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

This amendment also provides a contingent appropriation to the Department of Financial Institutions in the amount of \$32,169 from the financial institutions regulatory fund for the increase in travel expense reimbursement for state employees provided in Engrossed Senate Bill No. 2195.

2005 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2008

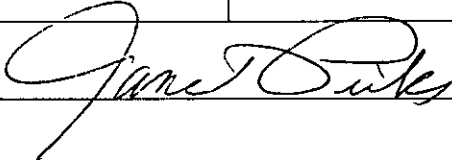
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2008

Senate Appropriations Committee

☐ Conference Committee

Hearing Date April 6, 2005

Tape Number	Side A	Side B	Meter #
1	a		2711 - 4200
Committee Clerk Signature 			

Minutes:

Members of the Conference Committee include, Senators Andrist, Christmann, Lindaas and Representatives Kempenich, Timm and Williams.

Senator Andrist called the conference committee to order on SB 2008 with roll call. He indicated the significant change the house made was the addition of section 4 for a contingency appropriation.

Senator Kempenich explained the House changes. He indicated on section 4 the contingency appropriation was based on SB 2195 amount of travel for this agency.

Senator Christmann asked for a refresher on SB 2195, asking if it included mileage or is this just lodging and food. The response was that it covers just lodging and food.

Senator Christmann then asked what other agencies are doing and will this have to be built into all other agencies that have significant travel. Why is this department an exception. The response was that this department travels for making audits all over the state and they needed

extra spending authority. These are funds the department raises from doing audits and there are 17 - 18 people on the road all of the time. The department has the money, this is allowing for the authority to spend it.

Senator Christmann asked if other agencies are traveling a significant part of their time, he felt if this is approved there will be other departments wanting the same thing. The response was that most departments built in the additional expenses for their travel. It was determined that if other agencies had a need, it would have been brought forward earlier.

Senator Lindaas moved that the Senate Accede to the House amendments, Representative Timm. A roll call vote was taken and the motion carried.

The conference committee closed.

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

4-6-05
07398

Bill Number) SB 2008 (, as (re)engrossed):

Your Conference Committee

For the Senate:

For the House:

Sen. Andrist ✓
Sen. Christmann ✓
Sen. Lundaas ✓

Rep. Kempenich ✓
Rep. Timm ✓
Rep. Williams ✓

☒ recommends that the (SENATE/HOUSE) ~~(ACCEDE to)~~ (RECEDE from)
723/724 725/726 S724/H726 S723/H725
the (Senate/House) amendments on (SJ/HJ) page(s) 895 - 896

☒ and place 2008 on the Seventh order.
727

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

☐ having been unable to agree, recommends that the committee be discharged
and a new committee be appointed. 690/515

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

DATE: 4/6/05

CARRIER: Andrist

LC NO. _____ of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

1) LC (2) LC (3) DESK (4) COMM.

Insert LC: .

REPORT OF CONFERENCE COMMITTEE

SB 2008, as engrossed: Your conference committee (Sens. Andrist, Christmann, Lindaas and Reps. Kempenich, Timm, Williams) recommends that the **SENATE ACCEDE** to the House amendments on SJ pages 895-896 and place SB 2008 on the Seventh order.

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

2005 TESTIMONY

SB 2008

3-2-05

TESTIMONY FOR ENGROSSED SENATE BILL NO. 2008

Senate Appropriations Committee

Testimony of Timothy J. Karsky, Commissioner, Department of Financial Institutions, in support of Engrossed Senate Bill No. 2008.

Chairman Carlisle and members of the Government Operations Division, I am Timothy Karsky, Commissioner of the Department of Financial Institutions. I am here to testify in support of the appropriation of \$4,193,879 for the Department's 2005-2007 budget.

DEPARTMENT SUPERVISORY AUTHORITY

The Department of Financial Institutions supervises state-chartered banks, building and loan associations (currently there are no state-chartered savings and loan associations), credit unions, and trust companies; currently licenses consumer finance companies, collection agencies, money brokers, sale of checks, deferred presentment service providers (payday lenders); and additionally, the Department has examination responsibilities for the Bank of North Dakota.

The Department is a special fund, self-supporting agency, with no general fund dollars. The Department's budget consists of three cost centers: (1) banks, (2) credit unions, and (3) consumer licenses. Banks and credit unions pay annual assessments that cover all direct examination costs and allocated overhead for each

cost center respectively. The State Banking Board has not raised the assessment formula since the financial institution regulatory fund was created in 1989, and the State Credit Union Board raised the assessment formula in June 2003 to cover the overhead costs for an additional examiner position. Additionally, consumer licensees pay investigation fees, annual license fees, and examination fees when an examination is performed, for the processing and supervisory responsibilities related to consumer license activity.

State-Chartered Banks

Currently there are 87 state-chartered banks, plus the Bank of North Dakota, which compares with 89 state-chartered banks two years ago. As discussed at our last budget hearing two years ago, the number of banks continues a downward trend due to mergers and consolidations, a trend we expect to continue. However, the Department did charter a new bank which began its operations on December 31, 2004. It is likely that we may see additional charters in the future as banks become bigger through mergers and consolidations. Despite the reduction in the number of banks, assets continue to grow, increasing the Department's responsibilities and time needed to conduct examinations. In my testimony I have attached a graph which shows the total assets held by state-chartered banks as of September 30, 2002, through September 30, 2004. As you will notice, this number (total assets) has increased approximately 20% during that timeframe. The overall

loan volume is also shown on the graph and this volume continues to be strong, as total loans increased approximately \$1.151 billion from two years ago or a 26% increase. Again, although the number of banks has decreased slightly during the past two years, loan volume continues to increase and our examiners spend a large volume of their time reviewing loans. Currently the Department has 14 field bank examiners who conduct examinations throughout the State of North Dakota. The number of examiners has not increased during the last seven years and in this budget we are asking for an additional full-time equivalent position which will bring this total to 15. The Department has three field offices, which are located in Grand Forks, Fargo, and Bismarck. On June 30, 2003, the Department closed its Minot Field Office due to staffing problems and moved two examiner positions into the Bismarck Field Office and one to Grand Forks. Since that time, one of our examiners moved to Minot and we have hired two additional examiners to work out of the Minot Field Office, if our budget is approved as requested. We were forced to use the dollars spent on the Minot Field Office to obtain additional office space here in Bismarck. We currently lease an office at Northbrook Mall in Bismarck. The Bismarck examiners use to work out of our Department office, but due to additional staffing in the consumer division we no longer have room to house them. Additional costs in the bank division to fund the FTE would be

approximately \$90,199, including benefits of \$23,407. The Department would not anticipate having to raise fees to fund this additional position.

State-Chartered Credit Unions

Currently there are 38 state-chartered credit unions, which is one less from two years ago. Credit unions continue to show growth, with total assets increasing from \$1.032 billion on September 30, 2002, to total assets as of September 30, 2004, of \$1.152 billion. The Department has primary examination responsibility for state-chartered credit unions, utilizing three examiners to conduct examinations. The credit union division will remain at three full-time positions and we do not see a need to expand any positions at this time.

State Trust Companies

Presently there are two state-chartered trust companies for which the Department has oversight responsibility. These trust company examinations are conducted by bank examiners who have acquired specialized trust examination training.

Consumer Licenses

The number of consumer licenses issued by the Department continues to increase. At this time two years ago, the Department had approximately 662 licensees. This number has now increased to 811 licensees, which represent 319 collection agencies, 35 consumer finance companies, 63 deferred presentment

service providers (payday lenders), 381 money brokers (mortgage lenders), and 13 sale of checks. This equates to a 28.5% increase over the past two years, and this trend is expected to continue. Mr. Chairman, we also have a companion House Bill No. 1174. If House Bill No. 1174 passes, it provides for an additional appropriation of \$193,742 to add one additional full-time equivalent position for our staff to help with the increased workload for the new licensees and to offset the workload for the current two employees in the consumer division. Our examiners have examined all of the deferred presentment service providers licensed by the Department in the last 24 months, and will continue the 24-month exam cycle in the future. Furthermore, the Department has been examining out-of-state collection agencies by way of mail, and has conducted approximately 27 examinations over this past two year period and will continue to examine collection agencies along with putting an emphasis on our money broker (mortgage lender) licensees. The statutes do not require the Department to examine these entities but we feel it is important to start this process to protect the consumers of North Dakota.

OVERVIEW

As indicated, the Department's overall recommended budget for 2005-2007 is \$4,193,879. Again, \$3,386,566 is salaries, or approximately 81%. Operating expenses total \$779,813, or approximately 19% of the overall budget. Of this

amount, a substantial portion of the budget is the direct costs associated with the examinations of bank, credit unions, and deferred presentment service providers. Furthermore, the Department will be adding the additional field office in Minot, and is asking for an additional examiner so that office can function appropriately.

CONCLUSION

The Department's responsibilities continue to grow with the ever increasing complex financial industry. Furthermore, the consumer division sees rapid growth and it is anticipated that will continue into the future.

I would encourage your favorable consideration of the Department's requested budget appropriation, and I would be happy to answer any questions.

Thank you.



State of North Dakota

DEPARTMENT
of FINANCIAL
INSTITUTIONS

#1

H.A.P.P.G.O.
March 10, 2005
SB 2008

Timothy J. Karsky
Commissioner

Robert J. Entringer
Assistant Commissioner


Douglas D. Grenz
Chief Examiner - Banks

James M. Laidlaw
Chief Examiner - Credit Unions

CSBS ACCREDITED 1993
NASCUS ACCREDITED 2000

Memorandum

TO: Representative Carlisle

FROM: Timothy J. Karsky, Commissioner 

DATE: March 9, 2005

RE: Amendments to the Department's Budget – Senate Bill No. 2008

This Memorandum is a follow-up to our conversation on Friday, March 4, 2005, concerning the Department of Financial Institutions' budget (SB 2008). As discussed, Senate Bill No. 2195 contains provisions to raise the state rate on in-state lodging by \$5.00 and will also increase the meal allowance for state employees. This will have a significant impact on the Department's budget and I gave you proposed amendments which would give the Department additional appropriations if Senate Bill No. 2195 is passed. The additional appropriation amount we are requesting is \$32,169 for the biennium.

If you have any questions regarding this Memorandum, please feel free to contact me directly at 328-9935.

Thanks for your consideration.

TJK:sr
Attachment

I
1-11-05

TESTIMONY FOR ENGROSSED SENATE BILL NO. 2008

Senate Appropriations Committee

Testimony of Timothy J. Karsky, Commissioner, Department of Financial Institutions, in support of Engrossed Senate Bill No. 2008.

Chairman Holmberg and members of the Senate Appropriations Committee, I am Timothy Karsky, Commissioner of the Department of Financial Institutions. I am here to testify in support of the appropriation of \$4,207,793 for the Department's 2005-2007 budget.

DEPARTMENT SUPERVISORY AUTHORITY

The Department of Financial Institutions supervises state-chartered banks, building and loan associations (currently there are no state-chartered savings and loan associations), credit unions, and trust companies; currently licenses consumer finance companies, collection agencies, money brokers, sale of checks, deferred presentment service providers (payday lenders); and additionally, the Department has examination responsibilities for the Bank of North Dakota.

The Department is a special fund, self-supporting agency, with no general fund dollars. The Department's budget consists of three cost centers: (1) banks, (2) credit unions, and (3) consumer licenses. Banks and credit unions pay annual assessments that cover all direct examination costs and allocated overhead for each

cost center respectively. The State Banking Board has not raised the assessment formula since the financial institution regulatory fund was created in 1989, and the State Credit Union Board raised the assessment formula in June 2003 to cover the overhead costs for an additional examiner position. Additionally, consumer licensees pay investigation fees, annual license fees, and examination fees when an examination is performed, for the processing and supervisory responsibilities related to consumer license activity.

State-Chartered Banks

Currently there are 87 state-chartered banks, plus the Bank of North Dakota, which compares with 89 state-chartered banks two years ago. As discussed at our last budget hearing two years ago, the number of banks continues a downward trend due to mergers and consolidations, a trend we expect to continue. However, the Department did charter a new bank which began its operations on December 31, 2004. It is likely that we may see additional charters in the future as banks become bigger through mergers and consolidations. Despite the reduction in the number of banks, assets continue to grow, increasing the Department's responsibilities and time needed to conduct examinations. In my testimony I have attached a graph which shows the total assets held by state-chartered banks as of September 30, 2002, through September 30, 2004. As you will notice, this number (total assets) has increased approximately 20% during that timeframe. The overall

loan volume is also shown on the graph and this volume continues to be strong, as total loans increased approximately \$1.151 billion from two years ago or a 26% increase. Again, although the number of banks has decreased slightly during the past two years, loan volume continues to increase and our examiners spend a large volume of their time reviewing loans. Currently the Department has 14 field bank examiners who conduct examinations throughout the State of North Dakota. The number of examiners has not increased during the last seven years and in this budget we are asking for an additional full-time equivalent position which will bring this total to 15. The Department has three field offices, which are located in Grand Forks, Fargo, and Bismarck. On June 30, 2003, the Department closed its Minot Field Office due to staffing problems and moved two examiner positions into the Bismarck Field Office and one to Grand Forks. Since that time, one of our examiners moved to Minot and we have hired two additional examiners to work out of the Minot Field Office, if our budget is approved as requested. We were forced to use the dollars spent on the Minot Field Office to obtain additional office space here in Bismarck. We currently lease an office at Northbrook Mall in Bismarck. The Bismarck examiners use to work out of our Department office, but due to additional staffing in the consumer division we no longer have room to house them. Additional costs in the bank division to fund the FTE would be

approximately \$90,199, including benefits of \$23,407. The Department would not anticipate having to raise fees to fund this additional position.

State-Chartered Credit Unions

Currently there are 39 state-chartered credit unions, which remains the same from two years ago. Credit unions continue to show growth, with total assets increasing from \$1.032 billion on September 30, 2002, to total assets as of September 30, 2004, of \$1.152 billion. The Department has primary examination responsibility for state-chartered credit unions, utilizing three examiners to conduct examinations. The credit union division will remain at three full-time positions and we do not see a need to expand any positions at this time.

State Trust Companies

Presently there are two state-chartered trust companies for which the Department has oversight responsibility. These trust company examinations are conducted by bank examiners who have acquired specialized trust examination training.

Consumer Licenses

The number of consumer licenses issued by the Department continues to increase. At this time two years ago, the Department had approximately 662 licensees. This number has now increased to 811 licensees, which represent 319 collection agencies, 35 consumer finance companies, 63 deferred presentment

service providers (payday lenders), 381 money brokers (mortgage lenders), and 13 sale of checks. This equates to a 28.5% increase over the past two years, and this trend is expected to continue. Mr. Chairman, we also have a companion House Bill No. 1174. If House Bill No. 1174 passes, it provides for an additional appropriation of \$193,742 to add one additional full-time equivalent position for our staff to help with the increased workload for the new licensees and to offset the workload for the current two employees in the consumer division. Our examiners have examined all of the deferred presentment service providers licensed by the Department in the last 24 months, and will continue the 24-month exam cycle in the future. Furthermore, the Department has been examining out-of-state collection agencies by way of mail, and has conducted approximately 27 examinations over this past two year period and will continue to examine collection agencies along with putting an emphasis on our money broker (mortgage lender) licensees. The statutes do not require the Department to examine these entities but we feel it is important to start this process to protect the consumers of North Dakota.

OVERVIEW

As indicated, the Department's overall recommended budget for 2005-2007 is \$4,207,793. Again, \$3,400,480 is salaries, or approximately 81%. Operating expenses total \$779,813, or approximately 19% of the overall budget. Of this

amount, a substantial portion of the budget is the direct costs associated with the examinations of bank, credit unions, and deferred presentment service providers. Furthermore, the Department will be adding the additional field office in Minot, and is asking for an additional examiner so that office can function appropriately.

CONCLUSION

The Department's responsibilities continue to grow with the ever increasing complex financial industry. Furthermore, the consumer division sees rapid growth and it is anticipated that will continue into the future.

I would encourage your favorable consideration of the Department's requested budget appropriation, and I would be happy to answer any questions.

Thank you.