

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2043

2005 SENATE AGRICULTURE

SB 2043

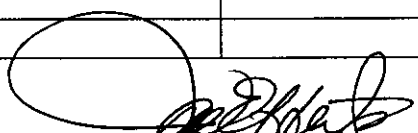
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2043

Senate Agriculture Committee

☐ Conference Committee

Hearing Date January 13, 2005

Tape Number	Side A	Side B	Meter #
1	x		1239 - 2910
Committee Clerk Signature 			

Minutes:

Vice Chairman Erbele opened the hearing on SB 2043, relating to the state bonding fund; relating to the bonding of the dairy promotion commission.

Tim Dawson, legislative council, appeared to describe the bill. This is an interim bill and Mr. Dawson staffs the interim public services committee. Presently there are no premiums charged for the bonds and no limits to the coverage of the bonds issued by the state bonding fund for state entities and political subdivisions. This bill would give the state insurance commissioner power over the amount bond coverage and make state entities and political subdivisions more responsible for determining the amount of the bond required and to be responsible for claims that may arise. The goal is to have the amount of the bond based on reasonable criteria and that is the substance of this bill. (meter 1374)

The first section, and many other sections, of the bill remove specific requirements for bonding so the amounts are not in code. Section 6 is where the bonding fund statutes begin. All the

definitions are clean up except state entity which was taken from other parts of the code for clarification. The rest of the bill to section 10 is clean up. The definition of fidelity bond was moved from another section. Section 11, political subdivisions was added to the section on coverage. Section 12 states the auditor shall evaluate blanket bond coverage. Section 13 is clean up.

The meat of the bill is in section 14 and states the state entity or political subdivision shall apply to be bonded on a biennial basis or if they request a change in their bond coverage. The over struck language was moved and still exists in law. The standard for amount of bond is the same as for school districts and approximately the same as used by the state auditor.

Section 18 makes bonded entities more responsible for wrong doing. The rest is clean up until section 23, private bonds must be filed with the commissioner.. Section 24 is more removal of the specific requirements to be bonded. Section 25 removes a requirement for the Secretary of State to do something relating to bonds that the Secretary of State does not do. The repeal is one of the specific requirements that are being removed. (meter 1820)

Senator Klein asked if the public services committee has been looking at bonding issues and that is why this bill is before us.

Mr. Dawson said yes, they had a very broad study of bonding and have reviewed every statute in the code relating to bonding.

Senator Klein asked if we could hear from the representatives of the Insurance Commissioner that are in the room. (meter 1920)

Jeff Bitz, administrator of the state bonding fund, said he was involved with the Legislative Council in drafting the bill and all the hearings. They are getting no information on exposure for

bonding requirements and there is no way to establish bond limits. This bill would require them to file minimal financial information which will help determine limits of liability. The bond fund is close to \$2.3 million and has over \$530 million in liability. The recommendations in the bill are very favorable in his view. (meter 2158)

Senator Klein asked how many hits there have been on this bond fund in the past five years.

Mr. Bitz said they have taken some hits.. For a political subdivision in Fargo the fund paid out over \$250,000 for embezzlement that took place over a period of 10 years due, in his opinion, to lack of oversight.. Midkota and the city of Hankinson required a payout of \$90,000 for the same individual. Within the last year they have paid out over \$359,000 in claims because of theft and embezzlement. Right now they have over \$500,000 on the books in potential claims. There was a transfer from the bonding fund to the general fund two years ago. It's not so much the management of the fund that controls the embezzlement but rather the audit process and the financial practices of the political subdivisions to be sure the security practices are in place. (meter 2383).

Senator Klein asked if the bond fund will continue to grow as time goes by. It's at \$2.3 million now but it will go up.

Mr. Bitz said yes, the fund grows based upon the marketplace.

Senator Klein said we are not assessing the agencies, we are living off the income.

Mr. Bitz said that is correct.

Senator Klein asked if this law will help Mr. Bitz.

Mr. Bitz said from his standpoint, yes. It brings more requirements to the entities for their bonding and also more awareness on the part of the entities of what their exposure might be.

Senator Taylor asked how prevalent is private bonding is among the entities and why would they have private bonding.

Mr. Bitz said he is not aware of anyone with a private bond. The language said if you are convicted of a felony, you can't be bonded through the state bonding fund. They know of no one who fits in this category.

Senator Urlacher asked what an entity does if they can't get a bond after a claim. Once a political subdivision has a claim, are they still eligible for bonding through the state bonding fund.

Mr. Bitz said yes. However, an individual convicted of a felony can't be bonded through the fund.

Vice Chairman Erbele closed the hearing on SB 2043. (meter 2720)

Senator Klein moved a Do Pass on SB 2043.

Senator Taylor seconded the motion.

The motion carried on a roll call vote 6-0-0. Senator Klein will carry the bill.

Chairman Flakoll moved on to other business of the Senate Agriculture Committee.

Date: 1/13/05
Roll Call Vote # 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2043

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No Pass

Motion Made By Sen. Klein Seconded By Sen. Taylor

Senators	Yes	No	Senators	Yes	No
Senator Flakoll	✓		Senator Seymour	✓	
Senator Erbele	✓		Senator Taylor	✓	
Senator Klein	✓				
Senator Urlacher	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen. Klein

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

REPORT OF STANDING COMMITTEE (410)
January 13, 2005 12:41 p.m.

Module No: SR-08-0403
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2043: Agriculture Committee (Sen. Flakoll, Chairman) recommends DO PASS
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2043 was placed on the
Eleventh order on the calendar.

2005 HOUSE AGRICULTURE

SB 2043

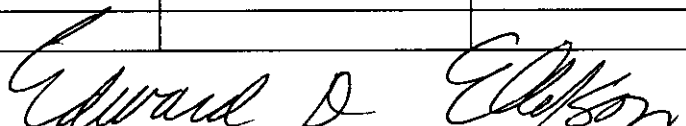
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SE 2043

House Agriculture Committee

☐ Conference Committee

Hearing Date 2---24---05

Tape Number	Side A	Side B	Meter #
ONE	A		23.1 TO 49.7
Committee Clerk Signature 			

Minutes:

CHAIRMAN NICHOLAS: Committee Members, we will open on SB 2043.

TIM DAWSON: PUBLIC SERVICE COMMISSION. We support 2043. Currently there is no premium for state bonding fund. There is no limit to amount of coverage you can get under the fund. So you pay nothing and get as much coverage as you want. This bill give the insurance commissioner power over the amount of the bond coverage and makes more responsible

For coverage and possible claims. The amount of bond should be on something reasonable.

As to a possible loss. See Section 6 26.121-01 of N.D. Century Code is amended and reenacted as follows; BLANKET BOND MEANS A BOND THAT COVERS COLLECTIVELY ALL PUBLIC EMPLOYEES AND PUBLIC OFFICIALS WITHOUT THE NECESSITY OF SCHEDULING NAMES OR POSITIONS AS A PARTA OF THE BOND.

FUND means the state bonding fund. The definitions are basically all clean up language.

ATTORNEY GENERAL SHALL ACT AS ATTORNEY FOR THE COMMISSIONER IN ANY PROCEEDING TO WHICH THE COMMISSIONER IS A PARTY ON BEHALF OF THE FUND. [[please read entire bill. Tim basically used the bill as his testimony as he highlighted the bill]]

REPRESENTATIVE ONSTAD: When you refer to commissioner. That is who?

TIM: That is the Insurance commissioner.

REP. ONSTAD: If I may continue. On page 9 line 8 it says shall apply to be bonded and then I notice on line 18 if a bond is not requested.

If the board of such and such says no bond then that person does not have to apply.

In practice that probably will not happen. The county applies for a blanket bond.

JEFF BITZ: State Bonding Fund.

I am primarily here for the bond

CHAIRMAN NICHOLAS: Any other testimony as to SB 2043.

OK THE CHAIR WILL ENTERTAIN A MOTION ON SB 2043.

REPRESENTATIVE KREIDT MADE A MOTION FOR A DO PASS.

REPRESENTATIVE BOE SECONDED THE MOTION.

CHAIR: THE CLERK WILL TAKE THE ROLL.

THERE WERE 10 YES 0 NO 3 ABSENT

REPRESENTATIVE BOE CARRIED THE BILL.

CHAIRMAN NICHOLAS CLOSED SB 2043

SB 2043

Date: 2-24-05
Roll Call Vote #:

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

House HOUSE AGRICULTURE COMMITTEE Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do PASS

Motion Made By

KREIDT

Seconded By

BOE

Representatives	Yes	No	Representatives	Yes	No
REP. EUGENE NICHOLAS CHAIRMAN	✓		REP. TRACY BOE	✓	
REP. JOYCE KINGSBURY VICE CHAIRMAN	✓		REP. ROD FROELICH		
REP. WESLEY BELTER			REP. PHILLIP MUELLER	✓	
REP. M. BRANDENBURG			REP. KENTON ONSTAD	✓	
REP. CHUCK DAMSCHEN	✓				
REP. CHAIG HEADLAND	✓				
REP. GARY KREIDT	✓				
REP. GERALD UGLEM	✓				
REP. JOHN WALL	✓				

Total (Yes) 10 No 0

Absent

3

Floor Assignment

BOE

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

REPORT OF STANDING COMMITTEE (410)
February 24, 2005 1:14 p.m.

Module No: HR-34-3575
Carrier: Boe
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2043: Agriculture Committee (Rep. Nicholas, Chairman) recommends DO PASS
(10 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). SB 2043 was placed on the
Fourteenth order on the calendar.

2005 TESTIMONY

SB 2043

ALVIN A. JAEGER
SECRETARY OF STATE

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SECRETARY OF STATE

STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
BISMARCK ND 58505-0500

January 13, 2005

TO: Senator Flakoll, Chairman, and Members of the Senate Agriculture Committee

FR: Al Jaeger, Secretary of State

RE: SB 2043 – Section 25

For an undetermined amount of many years, The Office of the Secretary of State has not needed to perform the duty related to bonding as it currently appears in N.D.C.C. § 54-09-02(5).

Therefore, the provision is obsolete and I concur with Section 25 of the subject bill, which deletes that duty from the list of duties established for the Secretary of State in this section of the Century Code.