

**2011 HOUSE GOVERNMENT AND VETERANS AFFAIRS**

**HB 1088**

# 2011 HOUSE STANDING COMMITTEE MINUTES

## House Government and Veterans Affairs Committee

Fort Union Room, State Capitol

HB 1088

January 13, 2011

12887 (First Part of Recording)

☐ Conference Committee

Committee Clerk Signature

*Carmen Hart*

### Explanation or reason for introduction of bill/resolution:

Duties of the State Treasurer

### Minutes:

The hearing on HB 1088 was opened by Chairman Bette Grande.

**Kelly Schmidt, State Treasurer**, appeared in support of HB 1088. **Attachment 1.** Before I begin this process I want to give you a little background information about how a check becomes unclaimed property. The last couple days I have become aware that there are a lot of questions relating to this ability to go to the general fund relating to the distribution or what we need to acquire to make these corrections or adjustments. In an effort to address those concerns, we felt it may be appropriate to bring an amendment to this bill that would limit our scope of going to the general fund up to \$100 per biennium and anything over \$100 that we would need to seek authority from the Emergency Commission. **Attachment 2.**

**Vice Chairman Randy Boehning:** Do we have a minimum amount before we will issue a check?

**Kelly Schmidt:** No, we do not have a minimum, and one other thing you should note is a state check never expires. Those are two things. You can cut a check for 3 cents.

**Vice Chairman Randy Boehning:** Is there anything we can do about that, or is it basically policy throughout the states that we issue everything?

**Kelly Schmidt:** Our office is in the process right now of collecting data from other states to find out what their policies are using their warrants and check system. I know some states - there are a couple of them that have shared with us that their checks do not expire as North Dakota's don't, but they put a note on the check stock when a check is written that says expires in 90 days which is their effort to prompt people to get to the bank and get that check expired. The check doesn't necessarily void or expire, but the fact remains that information is put there and people think I better get this to the bank. That's the world of electronics that we live in now. That is why it is so important. I was telling my deputy we get checks, we hang them on the fridge until the first of the month, and then I run them to the bank. It is like getting a root canal. It is not the one thing you take the time to do

anymore, because we don't go to the banks. That is why it is important that we look at the processes that we have in state government and how we can refine those processes to bring them to the current day to make things more efficient. The fact that it costs \$35 to \$55 to write a check is very frustrating when we have agencies that at times may void a check and then write a second check, and now we have just spent \$100 to give somebody a dollar.

No one was neutral or in opposition to this bill.

The hearing was closed on HB 1088.

**Rep. Lisa Meier** moved to adopt the amendment presented. **Rep. Karen Karls** seconded the motion. **Voice vote was taken. Motion carried.**

**Rep. Mark Sanford** made a motion for a **Do Pass as amended.**

**Rep. Lisa Meier** seconded the motion.

**Rep. Vicky Steiner:** Do we want to take up some of the efficiency issues that are in addition to this?

**Chairman Bette Grande:** Other efficiencies as the limits on the time frame?

**Rep. Vicky Steiner:** Why do we have checks that never expire?

**Chairman Bette Grande:** I think right now the state has this as the policy and where it is, I think what I would like to do is allow the Treasurer's Office to finish their study to see what are the policies and how other states are doing it so that we can merge in and find out where the efficiencies will lie. You will allow them to finish off that study before we ask for those types of changes.

**Kelly Schmidt:** We are hoping to get that in before the end of the session.

**DO PASS AS AMENDED, 12 YEAS, 0 NAYS, 1 ABSENT. Rep. Bill Amerman is the carrier of the bill.**

Amendment to HB 1088

Page 3, line 14, after the underscored period insert: "This authority is limited to one hundred dollars per biennium, unless approved by the emergency commission."

Date: 1-13-11  
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1288

House GOVERNMENT AND VETERAN AFFAIRS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep Meier Seconded By Rep. Karls

Representatives	Yes	No	Representatives	Yes	No
Chairman Bette Grande			Bill Amerman		
Vice Chairman Randy Boehning			Ron Guggisberg		
Glen Froseth			Lonny Winrich		
Karen Karls					
Lisa Meier					
Gary Paur					
Karen Rohr					
Mark Sanford					
Vicky Steiner					
Roscoe Streyle					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Vote  
adopt amendment  
motion carried

VK  
1/13/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1088

Page 3, line 14, after the underscored period insert "This authority is limited to one hundred dollars per biennium, unless approved by the emergency commission."

Renumber accordingly

Date: 1-13-11  
Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1088

House GOVERNMENT AND VETERAN AFFAIRS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 11.8023.01001

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep Sanford Seconded By Rep Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Bette Grande	✓		Bill Amerman	✓	
Vice Chairman Randy Boehning	✓		Ron Guggisberg	✓	
Glen Froseth	✓		Lonny Winrich	✓	
Karen Karls	✓				
Lisa Meier	✓				
Gary Paur	✓				
Karen Rohr	<u>Absent</u>				
Mark Sanford	✓				
Vicky Steiner	✓				
Roscoe Streyle	✓				

Total (Yes) 12 No 0

Absent 1

Floor Assignment Rep. Amerman

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

**REPORT OF STANDING COMMITTEE**

**HB 1088: Government and Veterans Affairs Committee (Rep. Grande, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1088 was placed  
on the Sixth order on the calendar.

Page 3, line 14, after the underscored period insert "This authority is limited to one hundred  
dollars per biennium, unless approved by the emergency commission."

Renumber accordingly



**2011 SENATE GOVERNMENT AND VETERANS AFFAIRS**

**HB 1088**

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Government and Veteran's Affairs Committee

Missouri River Room, State Capitol

HB 1088

March 3, 2011

14891

☐ Conference Committee

Committee Clerk Signature

*Katie Oliver*

### Explanation or reason for introduction of bill/resolution:

Relating to the duties of the state treasurer.

### Minutes:

Testimony Attached

**Kelly Schmidt:** State Treasurer. See attached testimony #1.

There was no further discussion or questions and Chairman Dever closed the public hearing on HB 1088.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veteran's Affairs Committee  
Missouri River Room, State Capitol

HB 1088  
March 3, 2011  
14896

☐ Conference Committee

Committee Clerk Signature

*Kate Oliver*

## Explanation or reason for introduction of bill/resolution:

Relating to duties of the state treasurer.

## Minutes:

No testimony attached

Senator Cook made a motion for a do pass with a second by Vice Chairman Sorvaag, there was no further discussion, roll was taken and the motion passed 7-0 with Senator Berry carrying the bill to the floor.

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

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1088

Senate Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Cool Seconded By Snyder

Senator	Yes	No	Senator	Yes	No
Bever	X			X	
	X		Nelson	X	
	X				
	X				
	X				
	X				

Total Yes 7 No 0

Absent \_\_\_\_\_

Floor Assignment Benny

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

**REPORT OF STANDING COMMITTEE**

**HB 1088, as engrossed: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1088 was placed on the Fourteenth order on the calendar.**

**2011 TESTIMONY**

**HB 1088**



Kelly L. Schmidt  
State Treasurer

STATE OF NORTH DAKOTA

## OFFICE OF STATE TREASURER

STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT 120, BISMARCK, NORTH DAKOTA 58505-0600

701-328-2643 FAX 701-328-3002

<http://www.treasurer.nd.gov>

Attachment 1  
1088

**House Bill 1088**  
**Testimony in Support**  
**Committee: House Government and Veterans Affairs**  
**Kelly Schmidt**  
**State Treasurer**

Madam Chair, members of the committee:

The Office of the State Treasurer supports House Bill 1088 relating to the duties of the Office of State Treasurer. For the record, I am Kelly Schmidt, State Treasurer.

This bill provides for an additional reporting duty and clarifies an issue that developed during our last audit.

The reporting requirement proposed by this bill is needed to provide greater transparency to the state's fiscal practices in an effort to provide more efficient and cost effective service. Each year, the Office of State Treasurer transfers thousands of outstanding checks, totaling millions of dollars, to the University and School Lands Department (Land Dept.) as unclaimed property. Those checks represent two things: 1) the people's money which has not been received by the proper recipient, or checks that have not been cashed and 2) the state's money which has not been properly returned to the appropriate funds. Annually, checks over three years old are transferred to the Land Dept. to be treated as unclaimed property. Our new TDOC (Tax Distribution Outstanding Check) system gives state agencies the opportunity to "work" their outstanding check list for the three years between issue and the transfer to Unclaimed Property. The "work" includes researching the validity of the payment, contacting the recipient to discover the reason the check remains outstanding, and determining whether a check should be voided and reissued by check or other methods. The closer to the date of issue the checks are worked, the more likely a resolution is found. Once a resolution is achieved, money held up by the outstanding check is received by its rightful owner—either the person deserving the payment or the state. Also, achieving resolution sooner rather than transferring the money to LAND provides a more efficient government, as the money is handled fewer times, less tracking is necessary, and money belonging to the state can be put back to proper use.

There is nothing in law that requires each agency to "work" its outstanding check list, and this bill does not create such a requirement. However, this bill does make the issue more transparent in the hope that the legislature and agencies will be made more aware of the issue and its impact on the state checkbook. This reporting requirement provides that the State Treasurer's Office will provide a report to the Budget Section each fiscal year showing outstanding checks between 90 days and three years old. In other words, this office will show the legislative body all the money being held up in outstanding checks beyond the normal cashing period (90 days) before the checks are so old that the money goes to unclaimed property.

In a review of the 2010 outstanding check transfer report, the opportunity for increased efficiencies in state check practices was striking. In more than one department, there were multiple checks (as many as six) written to one party over a short period of time that were outstanding. Each check written by the state costs the state anywhere between \$35 to \$55 dollars in processing. Issuing multiple checks (some for less than a dollar) to the same party, letting those checks sit, not aggregating for reissue, etc., has a dramatic effect on the efficiency of the state. My office has worked to improve the state's check processes, and this report is an additional step towards greater transparency and efficiency.

This report would be issued excluding any information that would be protected by privacy laws.

The second change proposed in this bill is a clarification to the mechanism by which the State Treasurer's Office makes its adjustments to tax distributions.

In most tax distributions, any adjustment needed is made from the fund that provides for the distribution. Distributions occur frequently enough that there is never a significant lag or net effect greater than zero. If a city or county needs an adjustment for an overpayment or underpayment, the adjustment can be made from the next distribution.

One exception is the estate tax, which happens sporadically, on a quarterly basis as estates settle. In the 2007-2009 biennium, this office was required by law to make a series of minor adjustments to estate tax distributions. The adjustments made for a period of multiple years totaled \$15.32. Because of the fund accounting involved in the estate tax distribution, there were no available funds in the "estate tax fund" to make the required adjustments. The office made the adjustments from the general fund relying on a section of code (54-27-24) that provides for agencies putting money in the general fund have the authority to make adjustments from it. However, the State Auditor's Office believes that language should be strengthened in this particular section of code to clarify that authority. The proposed language is very limited in scope for necessary adjustments to distributions that do not provide their own revenue source.

There is no fiscal note attached to this bill.

We ask this committee for a DO PASS on this bill.



Amendment to HB 1088

Attachment 2  
HB 1088

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Kelly L. Schmidt  
State Treasurer

STATE OF NORTH DAKOTA

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**House Bill 1088**  
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**Committee: Senate Government and Veterans Affairs**  
**March 3, 2011**  
**Kelly Schmidt**  
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There is no fiscal note attached to this bill.

We ask this committee for a DO PASS on this bill.