



HB 1005
OFFICE OF THE STATE TREASURER
Senate Appropriations Hearing



March 14, 2025

Chairman Wanzek,

Thank you for the opportunity to present our budget to you today. I look forward to working with you and members of the committee and our office is happy to be of assistance to any of you should any questions arise over the course of this session.

HB 1005 is the Budget for the Office of State Treasurer. My testimony today will begin with a summary of our requested budget items that we included in our decision package as part of the Governor's budget process, as well as additional items that we want to draw your attention to that have come up as we've moved through the legislative session. Following that, I'll go through the overview of our office and the items requested by Legislative Council at the start of session. Finally, I'll go over a comparison of our requests and what the House included.

With me today is the Director of Finance for our office, Nicole Krivoruchka. If you have any questions for us today, or as you work through your budget process please don't hesitate to reach out.

With gratitude,

A handwritten signature in black ink, appearing to read "T. Beadle".

Thomas Beadle
State Treasurer

SUMMARY OF BUDGET REQUESTS

Decision Package requests:

- **Salary Compensation Analysis Recommendation**
 - Add \$250,000 to our Salary and Benefits line
- **ITD Projects 25-27 Biennium**
 - Adds \$110,000 to support ITD projects for the 25-27 biennium
 - Adds \$7,000 as per OMB's adjustments for ITD programming cost changes
- **CO2 Payment in Lieu of Taxes appropriation**
 - Add \$2 million in General Fund Dollars for disbursement to impacted counties
- **Coal Severance Payment Increase**
 - Adds \$4,000 in additional General Fund Dollars for disbursement to impacted political subdivisions

Additional Legislative Session Requests:

- **ITD Implementation Costs**
 - Add \$185,000 in one-time dollars for ITD Implementation costs for new funds and distributions created by the 69th Assembly.
 - Carryover authority
- **Restore Cost to Continue to Operating Expenses**
 - Add \$14,372 to Operating Expenses line that was removed and transferred to Salaries line in order to allow us to continue the salary dollars we were appropriated last biennium.
- **Delayed Implementation of Unclaimed Property (UP) Transfer**
 - Requests the transfer of UP is delayed until the end of the biennium to allow both parties to properly prepare for a transfer without disrupting any service to the state and to ensure necessary compliance procedures are followed.
- **FTE Request**
 - With the proposed transfer of Unclaimed Property from the Department of Trust Lands to the Office of State Treasurer, we need 1 FTE to manage additional workload. Requesting Director level position that was included in Governor Burgum's budget.

AGENCY OVERVIEW

Article V, Section 2, of the North Dakota Constitution created the Office of State Treasurer and provides that the powers and duties of the state treasurer shall be prescribed by law. Chapter 54-11 of the North Dakota Century Code prescribes the powers, duties, and responsibilities of the state treasurer. The mission of the Office of State Treasurer is *“to fulfill our constitutional and statutory responsibilities, to assure sound financial oversight and transparency of all public funds, and to promote prudent practices in government.”*

We have six key management functions within the Office of Treasurer:

- 1. Cash management** – We collect all deposits and payables from state agencies. It is our expertise that manages the daily cash flow within the state operating fund. The forecasting and cash management done by our agency is necessary to ensure the availability of sufficient funds to cover the obligations/payables while optimizing investment opportunities. The millions and billions invested in the immediate short term are where we work diligently, making wise investment decisions ensuring the State is always “making money.”
- 2. Accounting** – The Office of State Treasurer is responsible for paying all warrants (payables) or checks drawn against the state. We manage over a dozen bank accounts which are reconciled daily to ensure enough funds are available to pay all outstanding warrants/payables. We also process void check requests and stop payments. All state funds/deposits received by state agencies are deposited through the Office of State Treasurer for investment into the operating fund account. Our agency reconciles daily in three primary areas: our accounts held with the Bank of North Dakota to the State’s accounting software, PeopleSoft; state agency deposits to PeopleSoft; and Certificate of Deposit (CD) interest income between our records and the bank’s.
- 3. Investments** – Our agency serves as the custodian for all state funds, and we are responsible for the investment of the state’s general and numerous special funds, including state agriculture commodity groups and the Veterans Postwar Trust. As of the February General Fund Revenues report, our investments have brought in over \$144 million so far this biennium.
- 4. Revenue Collection** – The State Treasurer is responsible for the collection of various revenues from political subdivisions. Revenues include, but are not limited to, the Assessed Communications Services Fee, Civil Filing Fees, Criminal Administration Fees, Indigent Defense Administrative Fund, Medical Center Levy, Domestic Violence Prevention Fund, and numerous other district court costs. Of these, a significant number are deposited directly into the general fund while others are deposited into special funds. Due to the nature of these collections, we do not anticipate any significant changes in revenue amounts for the coming biennium.

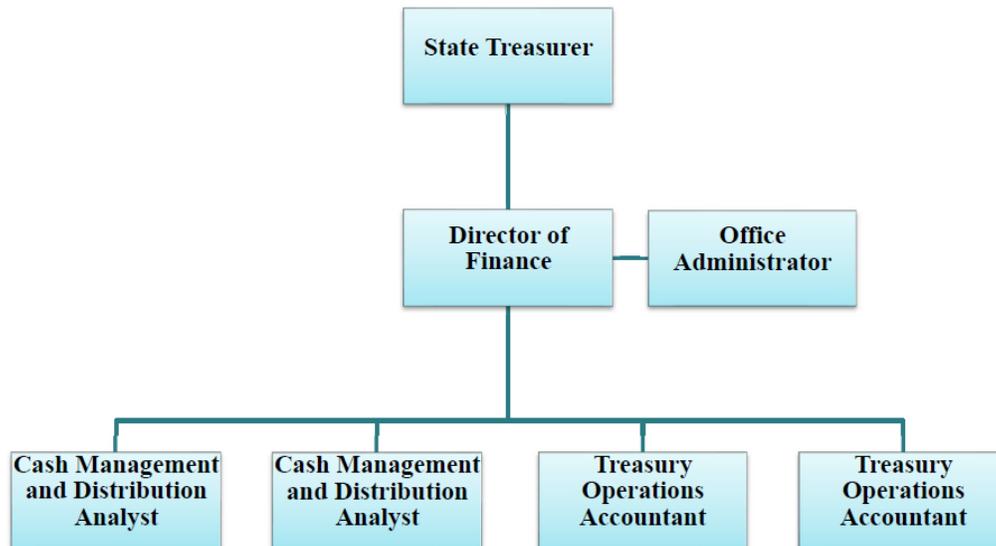
- 5. Tax Distribution** – The State Treasurer oversees disbursing over 30 tax distributions to political subdivisions. The office’s web-based, Tax Distribution and Outstanding Checks (TDOC) system, pulls data from a variety of sources, which streamlines our distributions and ensures greater accuracy, transparency, and efficiency.

Airline	Electric Generation Transmission	Primary Residence Tax Credit
Carbon Dioxide Payment In Lieu of Taxes	Flood Control	Prepaid Wireless E-911 Fee
City Cigarette Tax	Forest Service	Senior Mill Levy
City Motor Vehicle Rental Tax	Highway Tax Distribution Fund	Special Highway
City/County Occupancy Tax	Homestead Tax Credit	Special Township Road
City/County Restaurant/Lodging Tax	Legacy Earnings Highway Distribution Fund	State Aid
City & County Sales Tax	Legacy Earnings Township Highway Aid Fund	Taylor Grazing
Coal Conversion Tax	Medical Center Levy	Telecommunication Carriers
Coal Conversion Shortfall	Mineral Management	Township Road & Bridge Fund
Coal Severance Tax	Motorboat	Tribal Alcohol Tax
Coal Severance Shortfall - Tipple Share Reimbursement	Municipal Infrastructure	Tribal Cigarette Tax
County & Township Infrastructure	New Jobs Program	Tribal Highway Fund
County Aid	Oil and Gas Gross Production Tax	Tribal Sales Tax
Disabled Veterans Homestead Tax Credit	Oil Extraction/Gross Production Tax-Tribal	

- 6. Financial Education** – The Office of State Treasurer is involved in financial literacy efforts for the state, empowered to help promote education and tools for our citizens. Treasurer co-chairs the statewide Financial Literacy Commission as part of this effort. Additionally, the Office of State Treasurer provides analysis, data, and education of various tax distributions and state laws to legislators, employees of other state agencies, officials and employees of local political subdivisions, and the general public.

OFFICE OF STATE TREASURER ORGANIZATIONAL CHART

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SALARIES AND WAGES

Our agency consists of seven full time employees, including the Treasurer. Our request going into this session did not include any additional FTEs. With the unclaimed property transfer discussion we need additional resources. The current fiscal staff is made up of two Cash Management and Distribution Analysts, two Treasury Operations Accountants, and a Director of Finance. As a testament to the complexity of the work we perform, all fiscal positions require a minimum of a four-year college degree and varying levels of work experience to be qualified. With the timing and complexity of everything we do in our office, we are very fortunate to have an excellent team that is eager to cross train and work collaboratively with each other.

With the duties required of our office, this level of staffing is vitally important not only to be able to perform these duties, but also to provide the essential checks and balances so that one person is not handling all stages of a process. This is true not only with daily depositing to and reconciling of the state’s checkbook, but also with our revenue distribution processes for all the funds we send out to the political subdivisions.

OPERATING EXPENSES

Our operating expenses consist mainly of amounts paid for data processing and other services provided by ITD. These costs primarily include data processing, desktop support, and telecommunication service charges from ITD. Our office has always been heavily reliant on this technology and improvements over the last few years have allowed for efficient and effective remote work which provides added flexibility to our team and increases efficiency and effectiveness of the whole office.

BOARDS

In addition to the responsibilities of the office, as required by statute or Constitution, the State Treasurer serves on six Boards: State Investment Board, Teachers Fund for Retirement, Board of University and School Lands, State Board of Tax Equalization, State Historical Board, and the State Canvassing Board.

Following an executive order by Governor Burgum, Treasurer Beadle also serves as Co-Chair of the statewide Financial Literacy Commission.

FINANCIAL AUDIT FINDINGS

Our agency performs all our responsibilities with tremendous pride and accuracy, and we have consistently received a “clean” audit since 2009. Our most recent audit was completed in June of 2024 for the biennium ended June of 2023, with no findings. That report can be found at nd.gov/auditor/2023-treasurer-office-state.

AGENCY ACCOMPLISHMENTS

- **Tax Distributions** – Continue to make tweaks to our distribution platforms to account for statutory changes and to improve functionality. Successfully implemented new distributions such as the Legacy Earnings Distribution.
- **“Prairie Dog” Funds** –Successful collection of 304 municipal reports and 45 county reports for dollars distributed during the 21-23 biennium. Unfortunately, despite our best efforts 11 municipalities did not submit reports and will be ineligible from the 23-35 biennium’s distribution of these funds.
- **Process Updates** – Updated office processes to allow for efficient and effective remote work which provides added flexibility to our team and increases efficiency and effectiveness of the whole office.

AGENCY CHALLENGES

- **Turnover and Compensation** – We are a small agency. When we have vacancies, whether they be due to employee time off or due to a departure, it hits our office hard. This past biennium we worked through this challenge, but we’ve had to do so with what feels like one hand behind our back. I’ve attached a compensation analysis study that was put together by HRMS that highlights this challenge for our office.
- **IT Costs** – One of the major challenges we face relates to our day-to-day IT costs. We continue to receive excellent service from ITD, but we want to make you aware that what feels like minor and obvious adjustments to our systems does have a significant impact on our budget.

Throughout session, we will continue to monitor bills that will affect our agency and analyze the potential IT costs which may be associated with implementing a formula change or new distribution.

AGENCY GOALS

- **Enhance TDOC System** – Our Tax Distribution and Outstanding Checks system is robust and powerful, but it always needs tweaking and updating. We hope to continue working with ITD to improve this program to allow for smoother operations and reduce manual data processes.
- **Cash Management Improvements** – This was a major focus of the 23-25 biennium interim period with a large task force being assigned to work on this and RVK being hired as a consultant. We are always looking at ways to update our processes and have begun implementing some improvements to generate returns for the state.
- **Website Upgrades** – Transparency and ease of navigation are important when it comes to government finance, and we recognize that our site needs improvements.
- **Expand Financial Education Initiatives** – The Treasurer continues to partner with BND, DPI and other agencies to promote financial literacy efforts for our citizens.

2025-2027 BUDGET COMPARISON

The Office of the State Treasurer's budget historically consists of two primary components: salaries and information technology fees. The majority of our current biennium costs fall into these categories, and this trend will continue operationally. Our office depends on both our personnel and the technology necessary to support their efficiency and effectiveness. However, for the first time since the 2009 biennium, our budget also includes CO2 PILT payments due to new projects qualifying under statute. As a result, our budget may appear different from previous years.

For the 2025-2027 biennium, our budget includes four key adjustments compared to the 2023-2025 budget. These adjustments were included in our Decision Package request submitted to the Governor's team, and I am grateful they were incorporated into the executive budget. Below is a summary of these changes, along with differences between the Decision Package, executive budget, and House action.

1. **Salary Adjustments:** The Office of Management and Budget (OMB) conducted an analysis of our positions and salaries, prompted by turnover challenges and compensation-related retention risks. Over the past year, our office has experienced a 34.8% turnover rate, significantly higher than the state average of 11%. While this is primarily due to the repeated turnover of one specific position, it highlights a broader concern. Due to our agency's size and constrained budget, we lack flexibility to offer competitive salaries, provide compensation adjustments, or recognize tenured employees.

Historically, our team has demonstrated strong retention due to a collaborative work environment. The HRMS and Gallup engagement survey reports a 4.69 out of 5 engagement mean, ranking our office above 91% of respondents in Gallup's overall database. However,

compensation remains below market standards, and analysis by HRMS indicates that our salaries lag significantly behind the median for other state agencies. Many positions offer lower starting wages than comparable roles in other agencies, despite an average tenure of seven years. This misalignment incentivizes job-hopping, posing a risk to operational stability. To address this, we requested a \$250,000 adjustment to our base funding level for the biennium. The Governor's budget included \$100,000 of this request, while the House removed the funding. We are requesting that these funds be reinstated.

2. **Information Technology (IT) Adjustments:** Our Decision Package includes two IT-related requests:
 - **\$110,000** for project support throughout the biennium.
 - **\$13,630** to accommodate cost increases following ITD's updated rate schedule.

These IT requests are included in both the executive budget and the House version.

3. **CO2 PILT Payments:** We have requested **\$2.0 million** from the General Fund for statutorily required payments to counties as compensation in lieu of taxes for CO2 pipelines, in accordance with NDCC 57-06-17.1 and 57-06-17.2. Although this statute has been in place for decades, no project has qualified for 15 years. The estimated allocation is based on projections from the Tax Department, as an additional company is expected to qualify for the exemption. Currently, two counties qualify and will receive distributions in February 2025. Emergency Commission and Budget Section approval was granted to cover a shortfall in December 2024 for the current biennium, and statute allows these projects to qualify for PILT for 10 years, and so we anticipate this line item to be included in the next few biennia as well. This funding is included in both the executive budget and the House version.
4. **Coal Severance Shortfall Payments:** We requested an additional **\$4,000** to increase the Coal Severance Shortfall payment to political subdivisions, bringing the total allocation to **\$122,000**. NDCC 57-62-02(5) requires our office to reimburse coal-producing counties for 30% of coal severance tax funds allocated to non-coal-producing counties. Due to phased statutory changes, this reimbursement amount has been modified. The executive budget and House version both include this funding.

ADDITIONAL REQUESTS BASED ON LEGISLATIVE SESSION

1. **ITD Implementation Costs:** We are tracking numerous bills that impact distributions, investment holdings, and formula adjustments. These changes require staff time and ITD implementation costs. As of now, the estimated ITD cost to implement pending bills moving through this session right now is an additional **\$185,000** to our original budget request. This dollar amount was not presented to the House Appropriations Committee initially to avoid inflating costs and to provide a better representation of bills that have an impact, but we did inform them that we would be bringing numbers forward and would continue to monitor it for your committee.

2. **Restoring Operating Expense Funding:** During the budget submission process, we identified a **\$14,372** shortfall in salaries and benefits, requiring reductions in our Operating Expenses line. We made the following cuts:
- **Travel Budget:** Reduced from **\$15,000** to **\$9,258**
 - **IT Supplies:** Reduced from **\$3,160** to **\$1,000**
 - **Professional Supplies & Materials:** Reduced from **\$4,100** to **\$3,100**
 - **Postage:** Reduced from **\$4,250** to **\$3,780**
 - **Equipment Lease:** Reduced by **\$3,500**
 - **Operating Fees & Services:** Reduced from **\$3,300** to **\$1,800**

These cuts impact our ability to operate effectively. While Representative Kempenich referenced restoring these funds, the adopted amendment did not reflect this. We request the Senate to restore these funds.

3. **Unclaimed Property Division Transfer:** Governor Burgum's budget recommended transferring the Unclaimed Property (UP) Division from the Land Department to the Office of the State Treasurer as part of a red tape reduction initiative. Governor Armstrong's budget did not include this transfer, but the House Appropriations Committee incorporated it into the current budget.

Upon reviewing logistics with the Land Commissioner and the Unclaimed Property Director, it became clear that the transition is more complex than anticipated. While we initially considered repurposing our current vault space, the secure storage requirements necessitate additional modifications. To ensure a smooth transition, we request a **delayed effective date** for this transfer. The Unclaimed Property program currently involves **14 additional DTL employees** and an average of **100 hours per month**. Our existing team lacks the capacity to absorb these responsibilities without impacting other duties. If the transfer proceeds, we request an additional FTE to facilitate a seamless transition and maintain service levels. Ideally, a **delayed effective date** would allow sufficient time for training and onboarding before the transition begins.

4. **Request for Additional Full-Time Employee (FTE):** Governor Burgum's budget originally included **two FTEs** and **\$1.1 million** for software and operational costs related to Cash Management study recommendations. While we are no longer requesting two FTEs, we recognize the need for one additional FTE at a **Deputy level** to manage the Unclaimed Property transition, support financial operations, and enhance transparency and communication from our office. In addition to salary dollars, we will need \$10,035 in one-time operating expenses for this employee and \$4,047 to cover 12 months of operating expenses.

We appreciate your consideration of these requests and look forward to working together to ensure the continued efficiency and effectiveness of the Office of the State Treasurer.