

Good morning, Chairman Wanzek and members of the government operations committee, my name is Mike Lefor, and I serve District 37 – Dickinson in the House of Representatives. Today, I bring HB 1278 to you for your consideration.

In the last legislative session, a study was brought forward and completed during the interim, providing a comprehensive cash management study on behalf of the state. HB 1278 seeks to continue the work done and to provide a pathway toward improving the return on the state's cash.

The bill provides for the creation of a board tasked with following through the recommendations provided by the interim task force. The task force includes four legislators, designees from OMB, the state treasurer and the Bank of North Dakota and another individual appointed by the governor.

Beginning on page 1, line 8, you will note that the state treasurer in coordination with the Bank of North Dakota and a newly created cash management board shall review existing policies and procedures and if necessary, develop policies and procedures for the management of moneys in the state treasury.

This includes general funds, special funds and excludes certain funds already managed by other entities.

The Bank of North Dakota has staff who can provide the expertise needed to complete the tasks assigned by this legislation. The cash management study focused on several areas, however, some of the main areas were providing better technology to improve the speed in which the bank can properly identify the cash flow needs of each state agency working with the agency.

The idea is to provide a plan for immediate, intermediate and long-term cash needs and provide a road map for risk mitigation in each area. The goal is to improve the return on the dollars held by the state of North Dakota.

The board is tasked with providing transparency, clarity and data to policy makers and the public regarding the state's consolidated financial position. They are to review the operational cash flow requirements of individual state agencies and forecast cash flow needs for the current and future biennia.

Further, they are to identify cash management practices that provide an opportunity to create improved cash and investment structures, managerial processes, transaction efficiency, and cash and investment holdings that closely align to expected cash inflows and outflows, for the state agencies and by extension the whole of the state.

In Section 2, the board shall review existing policies and develop policies with a goal of managing money in the state treasury to ensure principal preservation and adequate liquidity for the state's cash flow returns while maximizing total return based on an appropriate level of risk.

They are to create appropriate tiered cash flow structuring practices and policies that shall be used, where appropriate and in the context of the whole of the state, to optimize the state's financial position.

It goes on to provide that state agencies shall provide information to the board regarding cash flow and liquidity needs including projections for the timing of the revenues and expenditures. The board is authorized to create and implement a cash flow structuring arrangement for general and special fund agencies and commingle for investment purposes when it is determined to be advantageous.

The Bank of North Dakota shall provide staff services to the board. The board consists of:

1. The state treasurer or designee who shall serve as board chair.
2. The director of OMB or designee.
3. The president of the Bank of North Dakota or designee.
4. Two members of the House of Representatives as appointed by the Majority Leader.
5. Two members of the senate as appointed by the Majority Leader.
6. The governor or governor's designee.

Members of the committee, I will now hand out an amendment I am asking the committee to attach to the bill, which is document number 6001. The changes are on page 2, line 26 which makes the governor or the governor's designee, the board chair and moves onto page three line 2, which provides for the state treasurer or designee as a member and not the chair of the board.

Finally, it provides a sunset clause of June 30, 2028, unless reauthorized by the 70th legislative assembly.

Chair Wanzek and members of the Senate government operations committee, I am requesting the amendment be placed on the bill and once amended I am asking for a "do pass" recommendation as amended.

Thank you.

