

2025 HOUSE APPROPRIATIONS

HB 1011

**DEPARTMENT 414 - SECURITIES DEPARTMENT
2025-27 BASE-LEVEL BUDGET**

Base Budget - Summary

	<u>Base Level</u>
Salaries and wages	\$2,412,763
Operating expenses	<u>756,430</u>
Total other funds	\$3,169,193
Full-time equivalent positions	10.00

Selected Base Budget Information

	General Fund	Other Funds	Total
1. Includes funding for permanent salaries and wages, including \$48,690 of targeted market equity	\$0	\$2,412,763	\$2,412,763
2. Includes funding for operating expenses, including \$278,813 for professional fees and services, \$94,756 for operating fees, and \$63,000 for building leases	\$0	\$756,430	\$756,430

Continuing Appropriations

Investor education and technology fund - North Dakota Century Code Section 10-04-03 - This fund receives funding from tuition, grants, donations, and certain civil penalties assessed by the Securities Commissioner. The money in the fund can be used for public education services and for the technology needs of the Securities Department. For the 2021-23 biennium, the fund had revenues of \$613,208 and expenses of \$156,574.

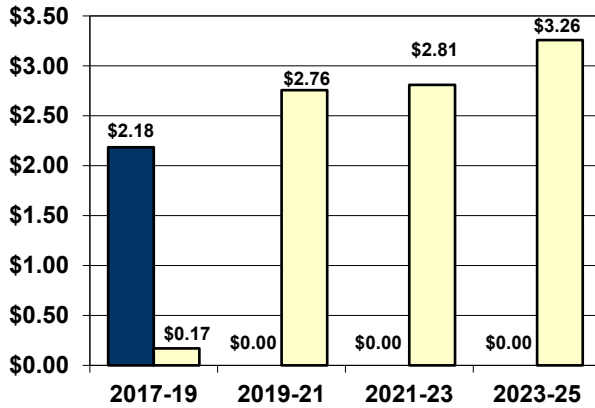
Investor restitution fund - Section 10-04-03 - This fund is used to deposit civil penalties collected from enforcement action to be distributed to aggrieved investors. For the 2021-23 biennium, this fund had revenues of \$4,900,971 and payouts of \$4,180,911.

Restitution assistance fund - Section 10-04-21 - This fund receives up to \$1 million each biennium from securities registrations and filing fees to provide restitution assistance for victims of securities violations. This fund was created by the Legislative Assembly in 2023.

Historical Appropriations Information

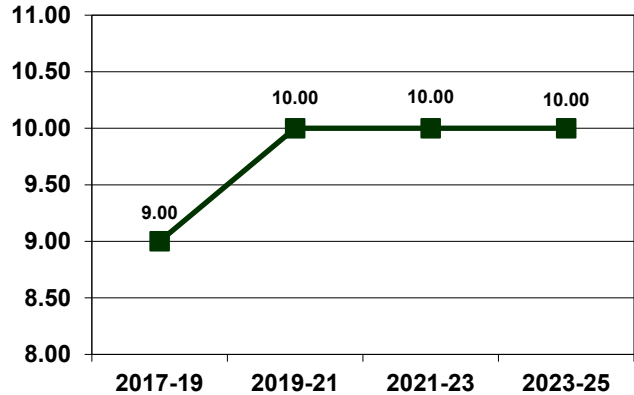
Agency Appropriations and FTE Positions

Agency Funding (Millions)



■ General Fund □ Other Funds

FTE Positions



Ongoing General and Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25
Ongoing appropriations	\$2,237,326	\$2,184,714	\$2,757,119	\$2,808,984	\$3,169,193
Increase (decrease) from previous biennium	N/A	(\$52,612)	\$572,405	\$51,865	\$360,209
Percentage increase (decrease) from previous biennium	N/A	(2.4%)	26.2%	1.9%	12.8%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(2.4%)	23.2%	25.6%	41.7%

Major Increases (Decreases) in Ongoing General Fund and Other Funds Appropriations

2017-19 Biennium

- Restored a portion of funding from the general fund for operating expenses that was removed as a result of the August 2016 general fund budget reductions \$46,545

2019-21 Biennium

- Added funding for 1 FTE financial technology research and investigation position (\$209,294) and related operating expenses (\$23,000) \$232,294
- Added funding for rent and for the statewide cost allocation plan \$64,000

2021-23 Biennium

- Added funding for Microsoft Office 365 licensing expenses \$1,542

2023-25 Biennium

- Adds funding for blockchain analytics software licenses \$150,000
- Adds funding for increased audit costs \$10,000

One-Time Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25
One-time other funds appropriations	\$0	\$0	\$0	\$0	\$150,000

Major One-Time Other Funds Appropriations

2017-19 Biennium		
None		\$0
2019-21 Biennium		
None		\$0
2021-23 Biennium		
None		\$0
2023-25 Biennium		
1. Added one-time funding for enhancements to the case management system and securities filing portal		\$150,000



EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Executive budget recommendation	12.00	\$0	\$4,877,907	\$4,877,907
Base level	10.00	0	3,169,193	3,169,193
Increase (decrease)	2.00	\$0	\$1,708,714	\$1,708,714
Percentage increase (decrease)	20.0%	N/A	53.9%	53.9%

NOTE:

More detailed information on the executive budget recommendation is attached as Appendix A.

A copy of the draft appropriations bill reflecting the executive budget recommendation is attached as Appendix B.

Integration with the Department of Financial Institutions

The executive budget recommends integrating the Securities Department with the Department of Financial Institutions. The new agency would be overseen by the Department of Financial Institutions Commissioner and would include a division for banking and credit union examinations and a division for overseeing securities. In addition, a new third division would be added to oversee digital finance and fraud including cryptocurrency transactions.

Selected Financial Highlights

- Salary increases of up to 4 percent effective July 1, 2025, and 3 percent effective July 1, 2026
- Health insurance increase of \$250 per month (15.23 percent), from \$1,643 to \$1,893, per employee
- Adds \$665,135 from special funds for positions in the new digital finance and fraud division including 1 FTE deputy position and 1 FTE examiner position
- Adds \$732,492 from special funds for cryptocurrency software, cryptocurrency consulting, and operating expenses of the new digital finance and fraud division

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency has 30 fees. The agency did not recommend any changes to the fees.

Major Related Legislation

As of the date of this report, there is no major related legislation for this agency.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



Securities Department - Budget No. 414
Agency Worksheet - House Bill No. 1011

	Executive Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	10.00	\$0	\$3,169,193	\$3,169,193
2025-27 Ongoing Funding Changes				
Base budget adjustments			\$17,326	\$17,326
Salary increase			155,537	155,537
Health insurance increase			72,062	72,062
Funding to replace 2023-25 vacant FTE pool			66,162	66,162
Deputy position	1.00		402,502	402,502
Examiner position	1.00		262,633	262,633
Cryptocurrency software and operating expenses			732,492	732,492
Total ongoing funding changes	2.00	\$0	\$1,708,714	\$1,708,714
One-Time Funding Items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	2.00	\$0	\$1,708,714	\$1,708,714
2025-27 Total Funding	12.00	\$0	\$4,877,907	\$4,877,907

Federal funds included in other funds \$0

Total ongoing changes - Percentage of base level 20.0% N/A 53.9% 53.9%

Total changes - Percentage of base level 20.0% N/A 53.9% 53.9%

Other Sections in Securities Department - Budget No. 414

Section Description	Executive Budget
FTE position adjustments	Section 3 would allow the Securities Department to increase or decrease the authorized level of FTE positions subject to the availability of funds.

Sixty-ninth
Legislative Assembly
of North Dakota

**HOUSE BILL NO. 1011
(Governor’s Recommendation)**

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of the securities department.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the securities department special fund in the state treasury, not otherwise appropriated, and from special funds derived from other income, to the securities department of the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2025 and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$2,412,763	\$1,089,481	\$3,502,244
Operating Expenses	<u>756,430</u>	<u>619,233</u>	<u>1,375,663</u>
Total All Funds	\$3,169,193	\$1,708,714	\$4,877,907
Less Estimated Income	<u>3,163,193</u>	<u>1,708,714</u>	<u>4,877,907</u>
Total General Fund	\$ 0	\$ 0	\$ 0
Full-time Equivalent Positions	10.00	2.00	10.00

SECTION 2. ONE-TIME FUNDING – EFFECT ON BASE BUDGET – REPORT TO SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-eighth legislative assembly for the 2023-25 biennium and the 2025-27 one-time funding items included in the appropriation of section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Technology investments	<u>\$ 150,000</u>	<u>\$ 0</u>
Total General Fund	\$0	\$0

The 2025-27 biennium one-time funding amounts are not part of the entity’s base budget for the 2027-29 biennium. The securities department shall report to the appropriations committees of the seventieth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2025, and ending June 30, 2027.

SECTION 3. EXEMPTION – FULL-TIME EQUIVALENT POSITION ADJUSTMENTS. Notwithstanding any other provisions of the law, the securities commission may increase or decrease authorized full-time equivalent positions as needed, subject to availability of funds, during the biennium beginning July 1, 2025, and ending June 30, 2027. The securities commission shall report to the office of management and budget and legislative council any adjustments made pursuant to this section.



**Securities Department
Department No. 414
2025 House Bill No. 1011**

**REVISED EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM**

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Burgum budget recommendation	12.00	\$0	\$4,877,907	\$4,877,907
Revisions - Increase (decrease)	(2.00)	0	(1,464,646)	(1,464,646)
Armstrong budget recommendation	10.00	\$0	\$3,413,261	\$3,413,261
Base level	10.00	0	3,169,193	3,169,193
Increase (decrease)	0.00	\$0	\$244,068	\$244,068
Percentage increase (decrease)	0.0%	N/A	7.7%	7.7%

NOTE:

More detailed information on the revised executive budget recommendation is attached as an appendix.

Selected Highlights

- **Salary increases of up to 3 percent effective July 1, 2025, and 3 percent effective July 1, 2026**
- Health insurance increase of \$250 per month (15.23 percent), from \$1,643 to \$1,893, per employee
- Adds special funds authority of \$17,321 for information technology rate increases

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

As of the date of this report, there is no major related legislation for this agency.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



Securities Department - Budget No. 414
Agency Worksheet - House Bill No. 1011

	Armstrong Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	10.00	\$0	\$3,169,193	\$3,169,193
2025-27 Ongoing Funding Changes				
Base budget adjustments			\$4	\$4
Salary increase			100,528	100,528
Health insurance increase			60,053	60,053
Funding to replace 2023-25 vacant FTE pool			66,162	66,162
Information technology rate increases			17,321	17,321
Total ongoing funding changes	0.00	\$0	\$244,068	\$244,068
One-Time Funding Items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$244,068	\$244,068
2025-27 Total Funding	10.00	\$0	\$3,413,261	\$3,413,261

Federal funds included in other funds

\$0

Total ongoing changes - Percentage of base level

0.0%

N/A

7.7%

7.7%

Total changes - Percentage of base level

0.0%

N/A

7.7%

7.7%

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1011
1/13/2025

To provide an appropriation for defraying the expenses of the securities department.

9:01 a.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representatives: Bosch, Fischer, Meier, Pyle

Members Absent: Representative Kempenich

Discussion Topics:

- Security registrations
- Revenue breakdown of ND Securities
- Revenue projections
- Fraud and Scams
- Vacant positions
- Bitcoin
- Cryptocurrency

9:02 a.m. Tim Karsky, ND Security Commissioner, testified in favor and provided testimony #28657 and #28659.

9:12 a.m. Cody Schmidt, Securities Examiner and Investigator, Securities Department, answered questions for the committee.

9:16 a.m. Candance Johnson, Securities Examiner and Investigator, answered questions for committee and referenced testimony #28657.

9:45 a.m. Chairman Monson closed the hearing.

Madaline Cooper, Committee Clerk

House Bill 1011

Testimony of North Dakota Securities Commissioner Tim Karsky Before the House Appropriations Government Operations Committee January 13, 2025

Mr. Chairman and Members of the Committee, good morning. I am Tim Karsky, the North Dakota State Securities Commissioner. It is a pleasure to share some time with you today to discuss the budget appropriation for the North Dakota Securities Department, and to answer any questions you may have regarding the Department's budget request.

STATUTORY RESPONSIBILITIES

The Securities Department is a regulatory agency that serves the citizens of North Dakota through the administration and enforcement of the North Dakota Securities Act (10-04), the North Dakota Commodities Act (51-23), the Franchise Investment Law (51-19) and Pre-Need Funeral Services Law (43-10.1).

REGULATORY POLICY OBJECTIVES AND FUNCTIONS

The primary regulatory policy objectives of the Securities Department are investor protection and the support of legitimate capital formation. We execute on those objectives through our work in following areas:

- 1) We regulate the capital formation and franchise registration process.
- 2) We register, and regulate the conduct of, securities industry firms and professionals who want to do business in the state.
- 3) We perform conduct focused examinations of broker-dealer and investment adviser firms and professionals.
- 4) We investigate investment fraud and take enforcement actions as necessary and appropriate, and we also make criminal referrals and support criminal cases. The majority of our resources are dedicated to this enforcement function.
- 5) We produce and deliver investor education and financial literacy programs.

The North Dakota Securities Department is a small agency, with 10 full time employees. No additional FTEs are requested in our 25-27 budget. The Department's organizational chart is included in your copies of this testimony.

BUDGET REQUEST

The Securities Department is a revenue generating, special fund agency.

Current biennium revenues are on track to meet or exceed \$24 million.

The Department's total budget request for the 2025-2027 biennium is \$3,413,261. This breaks down as \$2,770,090 for the Salaries and Wages line item, and \$643,171 for the Operating line item.

DEPARTMENT REVENUE

The Securities Department is a revenue generating agency for the state, taking in over \$26 million dollars in revenue for the 21-23 biennium. Over the last several budget cycles, the Department has spent approximately 10 to 12 cents per revenue dollar generated. In the past 20 years, net deposit to the general fund from this agency is over \$180 million dollars.

REVENUE SOURCES

The majority of the Department's revenue is generated in two categories - from securities registrations and filings, and from the registration of

investment industry firms and professionals. A small percentage of our revenue is derived from franchise registrations, and we may also generate revenue from civil penalties assessed by the Commissioner.

Approximately 98% of the Department's revenue comes from out of state.

Securities Filings

Examples of types of securities registrations and filings that generate revenue for the Department would be Mutual Fund notice filings, Unit Investment Trust notice filings, Non-traded Real Estate Investment Trust registrations, and small business capital formation filings to either register securities or qualify for an exemption from registration.

A 3-year look-back for filings from North Dakota businesses seeking to raise capital through a securities offering shows approximately 125 companies filing to raise approximately \$1.5 billion dollars, with business representing diverse industry sectors of Health, Hospitality, Energy, Technology, Agriculture, Real Estate, and Finance.

Industry Registration

Investment industry registrations include broker-dealer and investment adviser firms, and their registered professionals – defined in the Securities Act as securities agents and investment adviser representatives.

For the number of investment industry firms and professionals doing business in the state of North Dakota, an industry registration snapshot as of the end of December 2024 shows:

1165	Broker-Dealers
124,257	Broker-Dealer Agents
834	Investment Advisers
1613	Investment Adviser Reps

Industry firms and professionals must make an initial registration filing and then renew each year they want to continue operating in the state. The annual renewal of these industry registrations takes place at the end of December. The most recent renewal payment made was over \$7.8 million for 124,255 renewals. These are completed in an entirely automated process, through our registration system called the Central Registration Depository (CRD). This renewal process occurs at no cost to the state.

CRD is both a registration system and a comprehensive data depository, holding important information about all the investment firms and professionals operating in the investment industry in the US. The data in the CRD is used by regulators and the industry, but it is also available to

the public to assist them in evaluating the background of a firm or professional under consideration for providing services.

2025-2027 Revenue Projections

Looking ahead, we are expecting revenue projections for the upcoming biennium to be equal or similar to the 2023 –2025 biennium of approximately \$24 million.

MISC ITEMS

There are no other line items included in our budget bill and the Department did not have any one-time funding items in the current biennium.

There were no financial audit findings in the Department's last audit, for which the audit period was for the two-year period ending June 30, 2022.

Accomplishments and Challenges

The 23-25 biennium has posed challenges to the North Dakota Securities Department. Our agency was involved in two of the largest investigations in the history of the agency.

Investigations can involve a variety of types of fraud. These include: the sale of unregistered promissory notes, fee-for-funding scams, precious

metal frauds, crypto fraud and bankruptcy related cases, private placement fraud, Ponzi schemes, social media- influenced fraud, and romance scams.

One of our largest investigations involved a nationwide Ponzi Scheme that scammed investors out of approximately \$130 Million dollars. Our agency along with other state securities regulators partnered with the Securities and Exchange Commission to stop this fraudulent activity efficiently. North Dakota was the most impacted state seeing investors losses at approximately \$45M. Our agency continues to work with national enforcement agencies to bring this case to a close.

The other investigation involves potential fraud in the millions of dollars and is ongoing. The total loss to North Dakota investors is not yet clear however, this case has proven the importance for a strong and resilient Securities Department in order to ensure investor protection under the securities laws of this state. The enforcement and investigative team continue to work diligently on this case.

Workforce Transitions – Challenge

We currently have four vacant positions. One of the positions is currently advertised and expected to be filled within the next couple of weeks. One is ready to advertise within the next week. The other two open positions are expected to be filled in the coming months. After years of low turnover,

our

department has entered a retirement and restructuring period. We are currently working diligently to hire and train key positions. In the last 6 years, we have had approximately 135 years of experience leave the department.

Early 2024, we had the retirement of our talented, highly experienced attorney who had been practicing law for 42 years, 16 of which were with the Department. I replaced the former Commissioner who was with the department for over 20 years.

Next Biennium goals and plans

Fintech Focus

Financial Technology innovations, and the benefits and risks created by these innovations, remain a primary focus for the Department. These financial products and services present new regulatory challenges, and they include but are not limited to robo-advisors, app-based stock trading platforms, crowdfunding platforms for capital formation by start-up companies, cryptocurrency and digital or crypto asset derivative products, digital asset intermediaries, crypto interest accounts, and securities token offerings which are a new approach to raising capital.

Related to our focus on fintech, the Department has seen and anticipates continued growth in social media driven investment fraud as well as fraud related to cryptocurrency. Social media platforms and dating websites and applications are proving exceptionally fertile ground for financial criminals to exploit victims and steal money. Two areas of continued heightened concern:

- 1) Social platforms are commonly used to perpetrate investment fraud related to certain stocks and digital financial instruments such as securities tokens and cryptocurrency. The frauds may be pushed through discussion communities and apps like reddit, quora, medium and telegram, and the fake businesses will also have a more mainstream social presence like facebook and twitter. Financial criminals can easily establish highly convincing fake profiles, connect to potential victims through common interests, and extract personal information after establishing a relationship – this is leading to an increase in “romance scams”, and of particular concern is that as seniors become more comfortable with these social sites, apps and services, they also become more easily targeted.
- 2) Financial criminals establish fake company websites and cryptocurrency trading platforms on the internet. Social media hooks

are used to push victims to the trading platforms. A typical fraud formula is to give the victim a period of trading success and get them to add money to their account and trade more. Eventually when a victim tries to withdraw funds, they are told they have to pay taxes and fees with new money before they can access their gains. The victim then adds more money to their account and continues unsuccessfully to attempt to withdraw funds. Eventually the account is drained by the financial criminals.

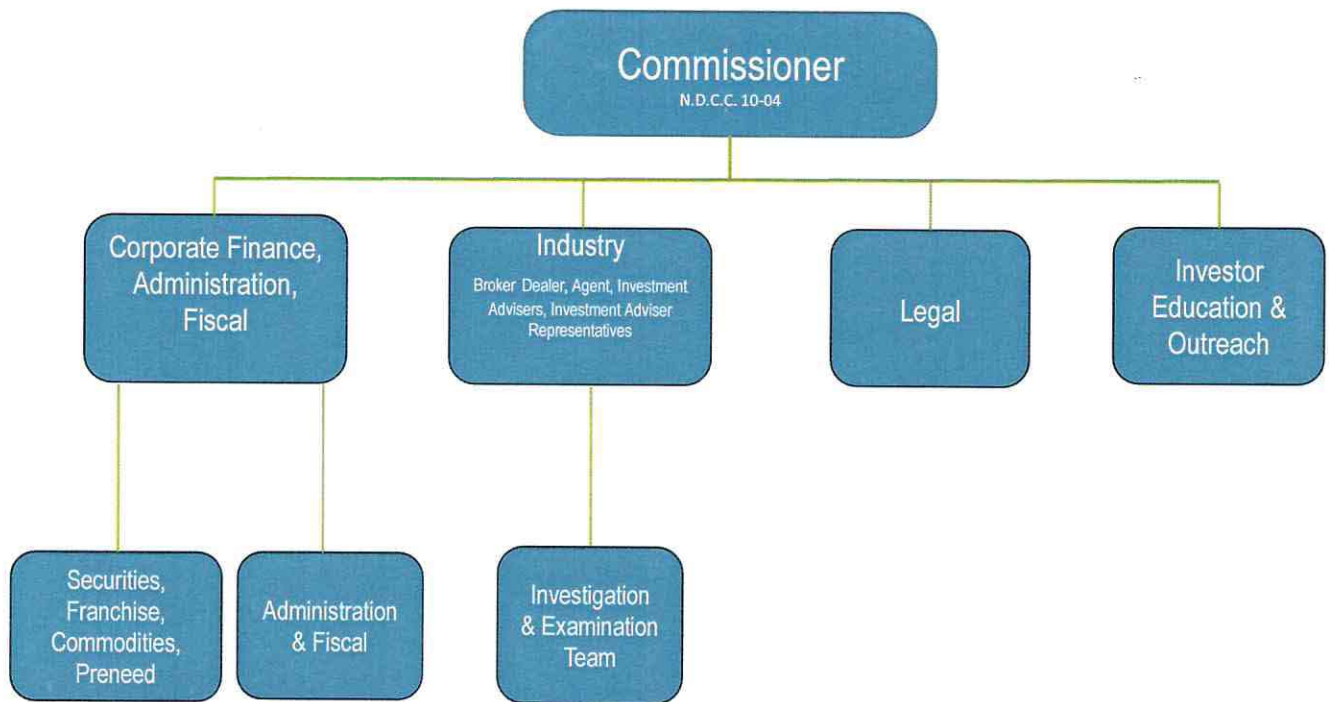
Examination System/Industry Outreach

Supported by our new case management system, which was completed in April of 2021, the Department launched a new approach to managing examinations of investment industry firms and professionals, with an enhanced focus on state registered investment adviser firms. From July 1, 2021, through June 30, 2023, two hundred and seventeen examinations were either opened, closed, or worked on. One hundred and forty-nine investigations were either open, closed or worked on during the same period.

Focus on Seniors

In the 2017 Legislative Session, the legislature passed a law to strengthen protections for seniors and vulnerable adults who may be targeted for financial exploitation. Section 10-04-08.5 of the Securities Act requires brokerage firms and investment adviser firms to report to the Securities Department and Adult Protective Services if they believe a client is being financially exploited, and provides the firms the ability, with indemnity, to withhold distribution of funds. In 2023 legislation was passed establishing a restitution assistance fund managed by the securities department to specifically assist harmed seniors also considered vulnerable adults.

ORGANIZATIONAL CHART



NORTH DAKOTA SECURITIES DEPARTMENT

WHO WE ARE

10

Full-time Team Members

WHAT WE DO

We **protect** investors and **support** legitimate capital formation.

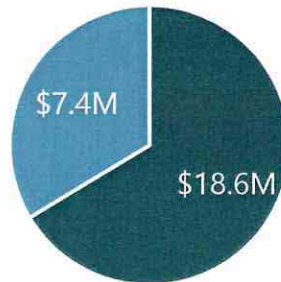
WHY WE DO IT

In a **securities** transaction, it is the **investor** that carries the **risk**. Investor **confidence** in the **integrity** of our **capital markets** drives economic **growth** and financial **security**.

WHAT WE EARN

\$26 million

- Industry Registration
- Securities & Franchise Filings

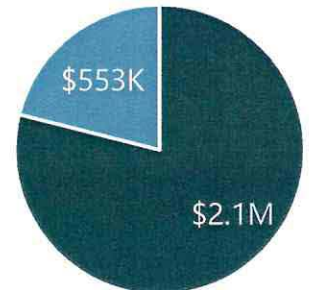


2021-2023

WHAT WE SPEND

\$2.2 million

- Salaries
- Operating



2021-2023

WHO WE SERVE

Investors

who seek to build wealth and financial security by investing in our capital markets.



Business Owners

who seek to raise capital from investors by issuing securities.



Industry

firms and professionals who want to do business with North Dakota investors.



Teachers & Students

who support and benefit from financial capability programs.



Seniors

who are target #1 and need to learn about financial fraud and exploitation.



SRO/Jurisdiction Fee and Setting Schedule

Fees As Of 1/2/2025

	Individual Fees					Individual Settings					BD Fees and Settings							
	Initial Reg	Transfer / Relicense*	Renewal	Mass Transfer	Mass Dual AG/RA	Registration Review Method	Dual AG	Dual AG/RA	S63 Required	Accepts AG EVEP	BD Initial Reg	BD Renewal	BD Branch Reqmt	Accepts RSL*	Branch Office	BR Renewal	Form BR Amd	Dual E Office
Alabama	70	70	70	70	140	Automatic	Affiliates Only	Always	Yes	N	250	250	Notice File	Yes	0	0	0	0
Alaska	75	75	75	75	150	Automatic	Never	Affiliates Only	Yes	N	250	250	Notice File	No	75	75	0	75
Arizona	45	45	45	45	85	Home State	Affiliates Only	Always	Yes	N	300	300	Notice File	--	0	0	0	0
Arkansas	75	75	75	75	150	Automatic	Affiliates Only	Affiliates Only	Yes	N	300	300	Register	Yes	50	50	0	100
California	25	25	35	25	50	Automatic	Always	Always	Yes	N	300	75	Neither	--	0	0	0	0
Colorado	14	0	14	0	0	Automatic	Always	Always	No	N	65	65	Neither	--	0	0	0	0
Connecticut	125	100	125	75	150	Automatic	Affiliates Only	Always	Yes	N	340	215	Register	Yes	125	0	125	250
Delaware	65	65	65	65	130	Automatic	Always	Always	Yes	N	300	300	Register	--	0	0	0	0
District of Columbia	45	45	45	0	0	Automatic	Affiliates Only	Always	No	N	250	250	Neither	--	0	0	0	0
Florida	50	50	50	0	0	Automatic	Always	Always	No	Yes	200	200	Notice File	No	100	100	0	200
Georgia	55	35	45	0	0	Automatic	Always	Always	Yes	N	255	105	Neither	--	0	0	0	0
Hawaii	50	50	50	50	100	Automatic	Always	Always	Yes	N	200	200	Notice File	Yes	0	0	0	0
Idaho	50	50	50	0	0	Automatic	Always	Always	Yes	N	200	200	Notice File	Yes	0	0	0	0
Illinois	150	150	150	150	300	Automatic	Always	Always	Yes	N	600	600	Notice File	Yes	20	20	0	40
Indiana	25	25	25	25	25	Automatic	Affiliates Only	Always	Yes	N	250	125	Notice File	Yes	0	0	0	0
Iowa	40	40	40	40	70	Automatic	Affiliates Only	Always	Yes	N	200	200	Neither	--	0	0	0	0
Kansas	30	30	30	30	60	Automatic	Affiliates Only	Always	Yes	N	100	100	Notice File	Yes	0	0	0	0
Kentucky	50	50	50	50	100	Automatic	Affiliates Only	Always	Yes	Yes	120	120	Neither	--	0	0	0	0
Louisiana	60	60	60	0	0	Automatic	Affiliates Only	Always	No	N	250	250	Neither	--	0	0	0	0
Maine	50	50	25	50	100	Home State	Affiliates Only	Always	Yes	N	250	250	Register	Yes	50	30	0	50
Maryland	50	50	50	50	100	Automatic	Always	Always	No	N	250	250	Neither	--	0	0	0	0
Massachusetts	75	75	75	75	125	Automatic	Never	Always	Yes	N	450	450	Neither	--	0	0	0	0
Michigan	65	65	65	65	65	Automatic	Affiliates Only	Always	Yes	^ Yes	300	300	Neither	--	0	0	0	0
Minnesota	65	25	65	0	0	Automatic	Affiliates Only	Always	Yes	Yes	200	200	Neither	--	0	0	0	0
Mississippi	50	50	50	0	0	Automatic	Always	Always	Yes	Yes	200	200	Neither	--	0	0	0	0
Missouri	50	50	50	50	50	Automatic	Always	Always	Yes	N	200	200	Neither	--	0	0	0	0
Montana	100	100	100	100	200	Home State	Affiliates Only	Always	Yes	Yes	400	400	Neither	--	0	0	0	0
Nebraska	40	40	40	40	80	Automatic	Never	Always	Yes	Yes	250	250	Neither	--	0	0	0	0
Nevada	125	125	125	0	0	Automatic	Never	Always	Yes	N	300	300	Register	No	100	100	50	0
New Hampshire	130	130	100	25	50	Automatic	Affiliates Only	Always	Yes	N	300	250	Notice File	No	0	0	0	0
New Jersey	190	190	190	190	190	Automatic	Always	Always	Yes	Yes	600	600	Neither	--	0	0	0	0
New Mexico	50	50	50	50	100	Automatic	Affiliates Only	Always	Yes	N	300	300	Notice File	No	0	0	0	0
New York	70	60	37	30	30	Automatic	Always	Always	Yes	N	300	300	Neither	--	0	0	0	0
North Carolina	125	125	125	125	200	Automatic	Never	Always	Yes	N	300	300	Neither	--	0	0	0	0
North Dakota	60	60	60	60	110	Automatic	Always	Always	Yes	N	200	200	Neither	--	0	0	0	0
Ohio	60	60	60	15	30	Manual	Affiliates Only	Always	Yes	N	200	200	Notice File	Yes	0	0	0	0
Oklahoma	50	50	50	10	20	Automatic	Always	Always	Yes	Yes	300	300	Neither	N/A	0	0	0	0
Oregon	60	60	60	0	0	Automatic	Never	Never	Yes	N	250	250	Neither	--	0	0	0	0
Pennsylvania	135	135	120	135	135	Automatic	Never	Always	Yes	N	550	550	Neither	--	0	0	0	0
Puerto Rico	150	150	150	150	150	Automatic	Affiliates Only	Affiliates Only	No	N	500	500	Notice File	Yes	0	0	0	0
Rhode Island	100	100	100	100	160	Automatic	Affiliates Only	Affiliates Only	Yes	N	300	300	Notice File	Yes	100	100	0	0
South Carolina	110	110	110	110	165	Automatic	Affiliates Only	Always	Yes	Yes	310	310	Neither	--	0	0	0	0
South Dakota	125	125	125	125	175	Automatic	Affiliates Only	Affiliates Only	Yes	Yes	150	150	Notice File	No	0	0	0	0
Tennessee	50	50	50	50	100	Home State	Always	Always	Yes	N	200	200	Notice File	Yes	0	0	0	0
Texas	35	35	20	35	35	Automatic	Always	Always	Yes	N	75	40	Notice File	No	0	0	0	0
Utah	40	40	40	40	70	Automatic	Never	Always	Yes	N	130	130	Neither	--	0	0	0	0
Vermont	145	145	145	145	225	Home State	Affiliates Only	Always	Yes	N	300	300	Register	No	120	120	0	240
Virgin Islands	50	50	50	50	50	Home State	Affiliates Only	Always	Yes	N	200	200	Register	No	100	100	0	100
Virginia	40	40	40	40	80	Automatic	Never	Always	Yes	N	200	200	Neither	--	0	0	0	0
Washington	50	25	30	25	50	Automatic	Always	Always	Yes	N	160	85	Notice File	No	0	0	0	0
West Virginia	96	96	78	96	201	Automatic	Never	Always	Yes	N	300	300	Notice File	No	60	60	0	120
Wisconsin	80	80	80	80	160	Automatic	Affiliates Only	Always	Yes	N	400	200	Notice File	Yes	80	80	0	160
Wyoming	45	45	45	0	0	Automatic	Always	Always	Yes	N	250	250	Neither	--	0	0	0	0
BOX	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
BX	0	0	0	0	0	SuperAutomatic					0	4000		--	0	0	0	0

Current change(s) in (^ Green)

	Individual Fees					Individual Settings					BD Fees and Settings							
	Initial Reg	Transfer / Relicense*	Renewal	Mass Transfer	Mass Dual AG/RA	Registration Review Method	Dual AG	Dual AG/RA	S63 Required	Accepts AG EVEP	BD Initial Reg	BD Renewal	BD Branch Reqmt	Accepts RSL*	Branch Office	BR Renewal	Form BR Amd	Dual E Offic
CBOE	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
CBOE BYX	0	0	0	0	0	SuperAutomatic					0	2500		--	0	0	0	0
CBOE BZX	0	0	0	0	0	SuperAutomatic					0	2500		--	0	0	0	0
CBOE C2	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
CBOE EDGA	0	0	0	0	0	SuperAutomatic					0	2500		--	0	0	0	0
CBOE EDGX	0	0	0	0	0	SuperAutomatic					0	2500		--	0	0	0	0
FINRA	125	125	70	125	0	Automatic					0	0	Notice File	Yes	75	75	0	0
IEX	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
ISE	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
ISE GEMX	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
ISE MRX	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
LTSE	0	0	0	0	0	SuperAutomatic					0	10000		--	0	0	0	0
MEMX	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
MIAX Emerald	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
MIAX Options	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
MIAX Pearl	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
MIAX Sapphire	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
NQX	^ 75	^ 75	0	0	0	SuperAutomatic					0	5000		--	0	0	0	0
NYSE	0	0	0	0	0	SuperAutomatic					0	0	Notice File	Yes	0	0	0	0
NYSE-AMER	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
NYSE-ARCA	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
NYSE-CHI	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
NYSE-NAT	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0
PHLX	0	0	0	0	0	SuperAutomatic					0	0		--	0	0	0	0

FINRA Branch Office tiered fee structure: \$75-175 based on # of branches registered. Note: FINRA waives one Branch Office System Processing Fee and one Annual Branch Office Renewal Fee per year. For more info, see FINRA Regulatory N Individual Registration Review Methods:

- **Jurisdictions** review methods: **Manual, Automatic or Home State.**
 - **Home State:** Similar to Automatic, but applicants with a residential address in that jurisdiction will be reviewed Manually.
- **SROs** review methods: **Manual, Automatic or SuperAutomatic.**
 - **SuperAutomatic:** if an individual's registration is non-deficient, the registration will also be approved for that SRO (even if there is new or updated disclosure.)

Dual Registrations:

- **Always:** Dual registrations permitted.
- **Never:** Dual registrations prohibited. Please contact the state directly for exceptions.
- **Affiliates Only:** Dual registrations permitted for employment with affiliated firms (any firm under common ownership or control.) The system only recognizes a firm as affiliated if the filing firm already reported the affiliate firm under Question on the Form ADV.

Dual Branch Office Fee and Dual BR Renewal Fee applies to branch offices filing as both BD and IA branches:

- The Dual fee will apply in full when filing both sides (BD and IA) simultaneously.

If a branch is already registered as BD or IA, the dual fee minus the fee already paid will apply. (i.e.; Already filed as a BD branch, then files as an IA branch, the fee will be the Dual fee minus the BD fee.)

RSL - Residential Supervisory Locations as defined in Supplementary Material .19 to FINRA Rule 3110

Response options:

- Yes – The jurisdiction does not require the registration/notice filing of branch offices that are designated as RSLs for FINRA
- No – The jurisdiction does require the registration/notice filing of branch offices that are designated as RSLs for FINRA
- N/A – The RSL rule is not applicable and the specific state's branch registration/notice filing requirements should be followed
- Jurisdiction does not register or notice file branch offices

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1011
1/20/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department.
--

8:35 a.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representatives: Bosch, Fisher, Meier, Pyle.

Members Absent: Representative Kempenich

Discussion Topics:

- Out-of-state revenues for securities
- Comparison of other States to North Dakota with security
- Securities licenses fee adjustments
- Base budget adjustment

8:36 a.m. Tim Karsky, Commissioner, ND Security Commission, testified in favor and submitted testimony #30182.

9:07 a.m. Adam Mathiak, Fiscal Analyst, Legislative Counsel, provided testimony #30130 and #31693.

9:12 a.m. Tim Karsky, Commissioner, ND Security Commission, referenced previous testimony #28657.

9:12 a.m. Candance Johnson, Securities Examiner/Investigator, ND Security Commission, testified in favor.

9:18 a.m. Chairman Monson closed the meeting.

Madaline Cooper, Committee Clerk



Securities Department - Budget No. 414
Agency Worksheet - House Bill No. 1011

	Burgum Budget				Armstrong Budget				Armstrong Budget Compared to Burgum Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	10.00	\$0	\$3,169,193	\$3,169,193	10.00	\$0	\$3,169,193	\$3,169,193	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base budget adjustments			\$5	\$5			\$4	\$4			(\$1)	(\$1)
Salary increase			155,537	155,537			100,528	100,528			(55,009)	(55,009)
Health insurance increase			72,062	72,062			60,053	60,053			(12,009)	(12,009)
Funding to replace 2023-25 vacant FTE pool			66,162	66,162			66,162	66,162				0
Information technology rate increase			17,321	17,321			17,321	17,321				0
Deputy position	1.00		402,502	402,502				0	(1.00)		(402,502)	(402,502)
Examiner position	1.00		262,633	262,633				0	(1.00)		(262,633)	(262,633)
Cryptocurrency software and operating expenses			732,492	732,492				0			(732,492)	(732,492)
Total ongoing funding changes	2.00	\$0	\$1,708,714	\$1,708,714	0.00	\$0	\$244,068	\$244,068	(2.00)	\$0	(\$1,464,646)	(\$1,464,646)
One-Time Funding Items												
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	2.00	\$0	\$1,708,714	\$1,708,714	0.00	\$0	\$244,068	\$244,068	(2.00)	\$0	(\$1,464,646)	(\$1,464,646)
2025-27 Total Funding	12.00	\$0	\$4,877,907	\$4,877,907	10.00	\$0	\$3,413,261	\$3,413,261	(2.00)	\$0	(\$1,464,646)	(\$1,464,646)
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0			\$0	\$0
<i>Total ongoing changes - Percentage of base level</i>	20.0%	N/A	53.9%	53.9%	0.0%	N/A	7.7%	7.7%	N/A	N/A	N/A	N/A
<i>Total changes - Percentage of base level</i>	20.0%	N/A	53.9%	53.9%	0.0%	N/A	7.7%	7.7%	N/A	N/A	N/A	N/A

The following is a breakdown of how many ND domiciled registrants by filing type: (numbers are approximate as it is a large spreadsheet and a lot of filtering had to be done.) Also keep in mind that individuals can be dually registered, meaning that they can be associated with both a BD firm and an IA firm.

Broker-Dealer

- 1,160 renewed for 2025
- **4 are ND domiciled**

Registered Agents

- 124,255 renewed for 2025
- **481 are ND domiciled**

Investment Adviser Firms

- 882 renewed for 2025
- **36 are ND domiciled**

Investment Adviser Representatives

- 1,666 renewed for 2025
- **741 are ND domiciled**

Type of Fee	Current Fee	Dec 2024 Registration	Current Fee Income	What if \$240	What if \$75	What if \$120	What if \$60	20% increase concept
Broker Dealer	\$200.00	1,165	\$233,000.00	\$279,600.00				
Broker Dealer Agents	\$60.00	124,254	\$7,455,240.00		\$9,319,050.00			
Investment Advisers	\$100.00	881	\$88,100.00			\$105,720.00		
Investment Advise Reps	\$50.00	1,613	\$80,650.00				\$96,780.00	
			\$7,856,990.00					\$9,801,150.00
*Fee Numbers projective in nature. Based on registrations staying the same								
Minnesota- Agents \$65 Broker Dealers \$ 200				Potential Biennium Increase with 20% increase concept would be:				\$3,888,320.00
Montana- Agents \$ \$100 Broker Dealers \$400								

25.0155.01002
Title.
Fiscal No. 2

Prepared by the Legislative Council
staff for House Appropriations -
Government Operations Division
Committee

January 24, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

HOUSE BILL NO. 1011

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the securities
2 department; and to amend and reenact subsection 8 of section 10-04-10 of the North Dakota
3 Century Code, relating to fees charged by the securities department.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
6 as may be necessary, are appropriated from special funds, to the securities department for the
7 purpose of defraying the expenses of the securities department, for the biennium beginning
8 July 1, 2025, and ending June 30, 2027, as follows:

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	\$2,412,763	\$0	\$2,412,763
Operating expenses	756,430	0	756,430
Total special funds	\$3,169,193	\$0	\$3,169,193
Full-time equivalent positions	10.00	0.00	10.00
<u>Salaries and wages</u>	<u>\$2,412,763</u>	<u>\$274,224</u>	<u>\$2,686,987</u>
<u>New and vacant FTE pool</u>	<u>0</u>	<u>58,172</u>	<u>58,172</u>
<u>Operating expenses</u>	<u>756,430</u>	<u>(113,259)</u>	<u>643,171</u>
<u>Total special funds</u>	<u>\$3,169,193</u>	<u>\$219,137</u>	<u>\$3,388,330</u>
<u>Full-time equivalent positions</u>	<u>10.00</u>	<u>0.00</u>	<u>10.00</u>

1 **SECTION 2. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST.** The
2 securities department may not spend funds appropriated in the new and vacant FTE pool line
3 item in section 1 of this Act, but may request the office of management and budget to transfer
4 funds from the new and vacant FTE pool line item to the salaries and wages line item in
5 accordance with the guidelines and reporting provisions included in House Bill No. 1015, as
6 approved by the sixty-ninth legislative assembly.

7 **SECTION 3. AMENDMENT.** Subsection 8 of section 10-04-10 of the North Dakota Century
8 Code is amended and reenacted as follows:

9 8. Fees. The fee, which must accompany the application, for registration, transfer, or
10 notice filing, and for each annual renewal thereof is:

- | | |
|--|---------------------------|
| 11 a. For each broker-dealer | \$200.00 \$240 |
| 12 b. For each agent | \$60.00 \$75 |
| 13 c. For each investment adviser or federal covered adviser | \$100.00 \$120 |
| 14 d. For each investment adviser representative | \$50.00 \$60 |

15 An application to register as a broker-dealer, agent, investment adviser, or investment
16 adviser representative may, with the consent of the commissioner, be withdrawn upon
17 written application.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1011 - Securities Department - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$2,412,763	\$274,224	\$2,686,987
New and vacant FTE pool		58,172	58,172
Operating expenses	756,430	(113,259)	643,171
Total all funds	\$3,169,193	\$219,137	\$3,388,330
Less estimated income	3,169,193	219,137	3,388,330
General fund	\$0	\$0	\$0
FTE	10.00	0.00	10.00

Department 414 - Securities Department - Detail of House Changes

	Base Budget Adjustments ¹	Adds Funding for Salary and Benefit Increases ²	Adds Funding to Replace 2023-25 Vacant FTE Pool ³	Transfers Funding for 2025-27 New and Vacant FTE Pool ⁴	Adds Funding for Information Technology Increases ⁵	Total House Changes
Salaries and wages	\$130,584	\$160,581	\$66,162	(\$83,103)		\$274,224
New and vacant FTE pool				58,172		58,172
Operating expenses	(130,580)				\$17,321	(113,259)
Total all funds	\$4	\$160,581	\$66,162	(\$24,931)	\$17,321	\$219,137
Less estimated income	4	160,581	66,162	(24,931)	17,321	219,137
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

¹ Funding is adjusted for base payroll and budget changes.

² The following funding is added for 2025-27 biennium salary adjustments of 3 percent on July 1, 2025, and 3 percent on July 1, 2026, and increases in health insurance premiums from \$1,643 to \$1,893 per month:

<u>Other Funds</u>	
Salary increase	\$100,528
Health insurance increase	60,053
Total	\$160,581

³ Funding is added to replace 2023-25 biennium vacant FTE pool funding.

⁴ Funding of \$83,103 is removed for estimated savings from 2025-27 vacant FTE positions and \$58,172 is added for a vacant FTE pool line item for an estimated savings of \$24,931.

⁵ Funding is added for increases in information technology costs.

House Bill No. 1011 - Other Changes - House Action

This amendment also:

- Adds a section regarding the use of funding in the new and vacant FTE pool line item.
- Amends Section 10-04-10 to increase various fees charged by the Securities Department. The fee changes are estimated to increase general fund revenues by \$3,888,320 for the 2025-27 biennium.

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1011
1/20/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department.
--

11:30 a.m. Chairman Monson opened the hearing.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representatives: Bosch, Fischer, Kempenich, Meier, Pyle.

Discussion Topics:

- Breakdown of the ND domiciled registrants by type
- Comparison of Montana, Minnesota, and North Dakota agents and broker dealers
- Statutory changes to fees for Securities

11:30 a.m. Tim Karsky, Commissioner, ND Security Commission, testified and provided testimony in favor #30182.

11:45 a.m. Representative Bosch proposed an Amendment for changing the budget and the fees to \$75.

11:46 a.m. Representative Bosch motioned a vote on Amendment # 30469.

11:47 a.m. Representative Meier seconded the motion.

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Glenn Bosch	Y
Representative Jay Fisher	Y
Representative Keith Kempenich	Y
Representative Lisa Meier	Y
Representative Brandy L. Pyle	Y

Motion passed 7-0-0.

11:53 a.m. Representative Bosch moved a Do Pass as Amended.

11:53 a.m. Representative Meier seconded the motion.

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Glenn Bosch	Y
Representative Jay Fisher	Y
Representative Keith Kempenich	Y
Representative Lisa Meier	Y
Representative Brandy L. Pyle	Y

Motion passed 7-0-0.

Representative Bosch will carry the bill.

Additional written testimony:

Adam Mathiak, Fiscal Analyst, Legislative Counsel, submitted testimony in neutral #30519.

11:54 a.m. Chairman Monson adjourned the meeting.

Madaline Cooper, Committee Clerk

25.0155.01001
Title.
Fiscal No. 1

Prepared by the Legislative Council
staff for House Appropriations -
Government Operations Division
Committee

January 20, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

HOUSE BILL NO. 1011

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the securities
2 department; and to amend and reenact subsection 8 of section 10-04-10 of the North Dakota
3 Century Code, relating to fees charged by the securities department.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
6 as may be necessary, are appropriated from special funds, to the securities department for the
7 purpose of defraying the expenses of the securities department, for the biennium beginning
8 July 1, 2025, and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
11 Salaries and wages	\$2,412,763	\$0	\$2,412,763
12 Operating expenses	756,430	0	756,430
13 Total special funds	\$3,169,193	\$0	\$3,169,193
14 Full-time equivalent positions	10.00	0.00	10.00
15 <u>Salaries and wages</u>	<u>\$2,412,763</u>	<u>\$357,327</u>	<u>\$2,770,090</u>
16 <u>Operating expenses</u>	<u>756,430</u>	<u>(113,259)</u>	<u>643,171</u>
17 <u>Total special funds</u>	<u>\$3,169,193</u>	<u>\$244,068</u>	<u>\$3,413,261</u>
18 <u>Full-time equivalent positions</u>	<u>10.00</u>	<u>0.00</u>	<u>10.00</u>

1 **SECTION 2. AMENDMENT.** Subsection 8 of section 10-04-10 of the North Dakota Century
2 Code is amended and reenacted as follows:

3 8. Fees. The fee, which must accompany the application, for registration, transfer, or
4 notice filing, and for each annual renewal thereof is:

- | | |
|---|----------------------------------|
| 5 a. For each broker-dealer | \$200.00 <u>\$240</u> |
| 6 b. For each agent | \$60.00 <u>\$75</u> |
| 7 c. For each investment adviser or federal covered adviser | \$100.00 <u>\$120</u> |
| 8 d. For each investment adviser representative | \$50.00 <u>\$60</u> |

9 An application to register as a broker-dealer, agent, investment adviser, or investment
10 adviser representative may, with the consent of the commissioner, be withdrawn upon
11 written application.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1011 - Securities Department - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$2,412,763	\$357,327	\$2,770,090
Operating expenses	756,430	(113,259)	643,171
Total all funds	\$3,169,193	\$244,068	\$3,413,261
Less estimated income	3,169,193	244,068	3,413,261
General fund	\$0	\$0	\$0
FTE	10.00	0.00	10.00

Department 414 - Securities Department - Detail of House Changes

	Base Budget Adjustments ¹	Adds Funding for Salary and Benefit Increases ²	Adds Funding to Replace 2023-25 Vacant FTE Pool ³	Adds Funding for Information Technology Increases ⁴	Total House Changes
Salaries and wages	\$130,584	\$160,581	\$66,162		\$357,327
Operating expenses	(130,580)			\$17,321	(113,259)
Total all funds	\$4	\$160,581	\$66,162	\$17,321	\$244,068
Less estimated income	4	160,581	66,162	17,321	244,068
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

¹ Funding is adjusted for base payroll and budget changes.

² The following funding is added for 2025-27 biennium salary adjustments of 3 percent on July 1, 2025, and 3 percent on July 1, 2026, and increases in health insurance premiums from \$1,643 to \$1,893 per month:

<u>Other Funds</u>	
Salary increase	\$100,528
Health insurance increase	60,053
Total	\$160,581

³ Funding is added to replace 2023-25 biennium vacant FTE pool funding.

⁴ Funding is added for increases in information technology costs.

House Bill No. 1011 - Other Changes - House Action

Section 10-04-10 is amended to increase various fees charged by the Securities Department. The fee changes are estimated to increase general fund revenues by \$3,888,320 for the 2025-27 biennium.



Securities Department - Budget No. 414
Agency Worksheet - House Bill No. 1011

	Armstrong Budget				House Version				House Compared to Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	10.00	\$0	\$3,169,193	\$3,169,193	10.00	\$0	\$3,169,193	\$3,169,193	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base budget adjustments			\$4	\$4			\$4	\$4				\$0
Salary increase			100,528	100,528			100,528	100,528				0
Health insurance increase			60,053	60,053			60,053	60,053				0
Funding to replace 2023-25 vacant FTE pool			66,162	66,162			66,162	66,162				0
Information technology rate increase			17,321	17,321			17,321	17,321				0
Total ongoing funding changes	0.00	\$0	\$244,068	\$244,068	0.00	\$0	\$244,068	\$244,068	0.00	\$0	\$0	\$0
One-Time Funding Items												
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$244,068	\$244,068	0.00	\$0	\$244,068	\$244,068	0.00	\$0	\$0	\$0
2025-27 Total Funding	10.00	\$0	\$3,413,261	\$3,413,261	10.00	\$0	\$3,413,261	\$3,413,261	0.00	\$0	\$0	\$0
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0				\$0
<i>Total ongoing changes - Percentage of base level</i>	0.0%	N/A	7.7%	7.7%	0.0%	N/A	7.7%	7.7%	N/A	N/A	N/A	N/A
<i>Total changes - Percentage of base level</i>	0.0%	N/A	7.7%	7.7%	0.0%	N/A	7.7%	7.7%	N/A	N/A	N/A	N/A

Other Sections in Securities Department - Budget No. 414

Section Description	Armstrong Budget	House Version
FTE position adjustments		Section 2 increases various fees charged by the Securities Department. The fee changes result in an increase in estimated general fund revenues of \$3,888,320.

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1011
1/30/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department.

9:49 a.m. Chairman Vigesaa opened the meeting.

Members Present: Chairman Vigesaa, Vice Chair Kempenich, Representatives: Anderson, Berg, Bosch, Brandenburg, Fisher, Hanson, Louser, Martinson, Meier, Mitskog, Monson, Murphy, Nathe, Nelson, O'Brien, Pyle, Richter, Sanford, Stemen, Swiontek, Wagner.

Discussion Topics:

- FTE pool authority
- Securities Department budget overview
- Securities Department Base budget adjustments
- Funding for base benefits for Securities Department
- Broker Fees for North Dakota
- IT costs

10:01 a.m. Representative Bosch presented amendment 25.0155.01002.

10:09 a.m. Representative Bosch moved to adopt amendment 25.0155.01002.

10:09 a.m. Representative Monson seconded the motion.

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glen Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y

Representative David Richter	Y
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

Motion Passed 23-0-0

10:14 a.m. Representative Bosch moved a Do Pass as Amended.

10:14 a.m. Representative Monson seconded the motion.

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glen Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

Motion Passed as Amended 23-0-0

Representative Bosch will carry the bill.

10:16 a.m. Chairman Vigesaa adjourned the meeting.

Madaline Cooper, Committee Clerk

January 24, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

*JB 1-30-25
1012*

HOUSE BILL NO. 1011

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the securities
2 department; and to amend and reenact subsection 8 of section 10-04-10 of the North Dakota
3 Century Code, relating to fees charged by the securities department.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
6 as may be necessary, are appropriated from special funds, to the securities department for the
7 purpose of defraying the expenses of the securities department, for the biennium beginning
8 July 1, 2025, and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
11 Salaries and wages	\$2,412,763	\$0	\$2,412,763
12 Operating expenses	756,430	0	756,430
13 Total special funds	\$3,169,193	\$0	\$3,169,193
14 Full-time equivalent positions	10.00	0.00	10.00
15 <u>Salaries and wages</u>	<u>\$2,412,763</u>	<u>\$274,224</u>	<u>\$2,686,987</u>
16 <u>New and vacant FTE pool</u>	<u>0</u>	<u>58,172</u>	<u>58,172</u>
17 <u>Operating expenses</u>	<u>756,430</u>	<u>(113,259)</u>	<u>643,171</u>
18 <u>Total special funds</u>	<u>\$3,169,193</u>	<u>\$219,137</u>	<u>\$3,388,330</u>
19 <u>Full-time equivalent positions</u>	<u>10.00</u>	<u>0.00</u>	<u>10.00</u>

JB 2012

1 **SECTION 2. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST.** The
2 securities department may not spend funds appropriated in the new and vacant FTE pool line
3 item in section 1 of this Act, but may request the office of management and budget to transfer
4 funds from the new and vacant FTE pool line item to the salaries and wages line item in
5 accordance with the guidelines and reporting provisions included in House Bill No. 1015, as
6 approved by the sixty-ninth legislative assembly.

7 **SECTION 3. AMENDMENT.** Subsection 8 of section 10-04-10 of the North Dakota Century
8 Code is amended and reenacted as follows:

9 8. Fees. The fee, which must accompany the application, for registration, transfer, or
10 notice filing, and for each annual renewal thereof is:

- | | |
|--|----------------------------------|
| 11 a. For each broker-dealer | \$200.00 <u>\$240</u> |
| 12 b. For each agent | \$60.00 <u>\$75</u> |
| 13 c. For each investment adviser or federal covered adviser | \$100.00 <u>\$120</u> |
| 14 d. For each investment adviser representative | \$50.00 <u>\$60</u> |

15 An application to register as a broker-dealer, agent, investment adviser, or investment
16 adviser representative may, with the consent of the commissioner, be withdrawn upon
17 written application.

**REPORT OF STANDING COMMITTEE
HB 1011**

Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS** ([25.0155.01002](#)) and when so amended, recommends **DO PASS** (23 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1011 was placed on the Sixth order on the calendar.

2025 SENATE APPROPRIATIONS

HB 1011

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1011
3/10/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department; and to amend and reenact subsection 8 of section 10-04-10 of the North Dakota Century Code, relating to fees charged by the securities department.

8:30 a.m. Chairman Wanzek opened the meeting.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- Statutory responsibilities
- Regulatory policy objectives and functions
- Budget requests and revenue
- Securities filings
- Industry registrations
- Revenue projections
- Investigations and investor protection
- Agency workforce
- Financial technology innovations and challenges
- Social media and targeting of senior citizens
- Fee increases
- Crypto currency
- Potential merger of ND Insurance and ND Securities Department
- Department legal costs

8:30 a.m. Grant Gader, LC Fiscal Analyst, distributed budget information, testimony #39926.

8:32 a.m. Tim Karsky, ND State Securities Commissioner, testified in favor and submitted testimony #39593.

8:36 a.m. Candace Johnson, Corporate Finance and Fiscal Manager, ND Securities, answered a question.

8:53 a.m. Stephanie Gullickson, OMB Analyst, provided budget information.

8:56 a.m. Commissioner Karsky resumed testimony.

9:01 a.m. Stephanie Gullickson, OMB Analyst, provided additional budget information.

Senate Appropriations Government Operations Division
HB 1011
3/10/2025
Page 2

9:13 a.m. Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

House Bill 1011

Testimony of North Dakota Securities Commissioner Tim Karsky

Before the Senate Appropriations Government Operations

Committee

March 10, 2025

Mr. Chairman and Members of the Committee, good morning. I am Tim Karsky, the North Dakota State Securities Commissioner. It is a pleasure to share some time with you today to discuss the budget appropriation for the North Dakota Securities Department, and to answer any questions you may have regarding the Department's budget request.

STATUTORY RESPONSIBILITIES

The Securities Department is a regulatory agency that serves the citizens of North Dakota through the administration and enforcement of the North Dakota Securities Act (10-04), the North Dakota Commodities Act (51-23), the Franchise Investment Law (51-19) and Pre-Need Funeral Services Law (43-10.1).

REGULATORY POLICY OBJECTIVES AND FUNCTIONS

The primary regulatory policy objectives of the Securities Department are investor protection and the support of legitimate capital formation. We execute on those objectives through our work in following areas:

- 1) We regulate the capital formation and franchise registration process.
- 2) We register, and regulate the conduct of, securities industry firms and professionals who want to do business in the state.
- 3) We conduct focused examinations of broker-dealer and investment adviser firms and professionals.
- 4) We investigate investment fraud and take enforcement actions as necessary and appropriate, and we also make criminal referrals and support criminal cases. Most of our resources are dedicated to this enforcement function.
- 5) We produce and deliver investor education and financial literacy programs.

The North Dakota Securities Department is a small agency, with 10 full time employees. No additional FTEs are requested in our 25-27 budget. The Department's organizational chart is included in your copies of this testimony.

BUDGET REQUEST

The Securities Department is a revenue generating, special fund agency.

Current biennium revenues are on track to meet or exceed \$24 million.

The Department's total budget request for the 2025-2027 biennium is \$3,388,330. This breaks down as \$2,686,987 for the Salaries and Wages line item, and \$643,171 for the Operating line item.

DEPARTMENT REVENUE

The Securities Department is a revenue generating agency for the state, taking in over \$26 million dollars in revenue for the 21-23 biennium. Over the last several budget cycles, the Department has spent approximately 10 to 12 cents per revenue dollar generated. In the past 20 years, the net deposit to the general fund from this agency is over \$180 million dollars.

REVENUE SOURCES

The majority of the Department's revenue is generated in two categories - from securities registrations and filings, and from the registration of

investment industry firms and professionals. A small percentage of our revenue is derived from franchise registrations, and we may also generate revenue from civil penalties assessed by the Commissioner.

Approximately 98% of the Department's revenue comes from out of state.

Securities Filings

Examples of types of securities registrations and filings that generate revenue for the Department would be Mutual Fund notice filings, Unit Investment Trust notice filings, Non-traded Real Estate Investment Trust registrations, and small business capital formation filings to either register securities or qualify for an exemption from registration.

A 3-year look-back for filings from North Dakota businesses seeking to raise capital through a securities offering shows approximately 125 companies filing to raise approximately \$1.5 billion dollars, with business representing diverse industry sectors of Health, Hospitality, Energy, Technology, Agriculture, Real Estate, and Finance.

Industry Registration

Investment industry registrations include broker-dealer and investment adviser firms, and their registered professionals - defined in the Securities Act as securities agents and investment adviser representatives.

For the number of investment industry firms and professionals doing business in the state of North Dakota, an industry registration snapshot as of the end of December 2024 shows:

1165	Broker-Dealers
124,257	Broker-Dealer Agents
834	Investment Advisers
1613	Investment Adviser Reps

Industry firms and professionals must make an initial registration filing and then renew each year they want to continue operating in the state. The annual renewal of these industry registrations takes place at the end of December. The most recent renewal payment made was over \$7.8 million for 124,255 renewals. These are completed in an entirely automated process, through our registration system called the Central Registration Depository (CRD). This renewal process occurs at no cost to the state.

CRD is both a registration system and a comprehensive data depository, holding important information about all the investment firms and professionals operating in the investment industry in the US. The data in the CRD is used by regulators and the industry, but it is also available to

the public to assist them in evaluating the background of a firm or professional under consideration for providing services.

2025-2027 Revenue Projections

Looking ahead, we are expecting revenue projections for the upcoming biennium to be equal or similar to the 2023 -2025 biennium of approximately \$24 million.

MISC ITEMS

There are no other line items included in our budget bill and the Department did not have any one-time funding items in the current biennium.

There were no financial audit findings in the Department's last audit, for which the audit period was for the two-year period ending June 30, 2022.

Accomplishments and Challenges

The 23-25 biennium has posed challenges to the North Dakota Securities Department. Our agency was involved in two of the largest investigations in the history of the agency.

Investigations can involve a variety of types of fraud. These include: the sale of unregistered promissory notes, fee-for-funding scams, precious

metal frauds, crypto fraud and bankruptcy related cases, private placement fraud, Ponzi schemes, social media- influenced fraud, and romance scams.

One of our largest investigations involved a nationwide Ponzi Scheme that scammed investors out of approximately \$130 Million dollars. Our agency along with other state securities regulators partnered with the Securities and Exchange Commission to stop this fraudulent activity efficiently. North Dakota was the most impacted state seeing investors losses at approximately \$45M. Our agency continues to work with national enforcement agencies to bring this case to a close.

The other investigation involves potential fraud in the millions of dollars and is ongoing. The total loss to North Dakota investors is not yet clear however, this case has proven the importance for a strong and resilient Securities Department in order to ensure investor protection under the securities laws of this state. The enforcement and investigative team continue to work diligently on this case.

Workforce Transitions - Challenge

We currently have two vacant positions. One of the positions is currently advertised and expected to be filled in May 2025. The other open position is expected to be filled in the coming months. After years of low turnover,

our department has entered a retirement and restructuring period. We are currently working diligently to hire and train key positions. In the last 6 years, we have had approximately 135 years of experience leave the department.

Early 2024, we had the retirement of our talented, highly experienced attorney who had been practicing law for 42 years, 16 of which were with the Department. I replaced the former Commissioner who was with the department for over 20 years.

Next Biennium goals and plans

Fintech Focus

Financial Technology innovations, and the benefits and risks created by these innovations, remain a primary focus for the Department. These financial products and services present new regulatory challenges, and they include but are not limited to robo-advisors, app-based stock trading platforms, crowdfunding platforms for capital formation by start-up companies, cryptocurrency and digital or crypto asset derivative products, digital asset intermediaries, crypto interest accounts, and securities token offerings which are a new approach to raising capital.

Related to our focus on fintech, the Department has seen and anticipates continued growth in social media driven investment fraud as well as fraud related to cryptocurrency. Social media platforms and dating websites and applications are proving exceptionally fertile ground for financial criminals to exploit victims and steal money. Two areas of continued heightened concern:

- 1) Social platforms are commonly used to perpetrate investment fraud related to certain stocks and digital financial instruments such as securities tokens and cryptocurrency. The frauds may be pushed through discussion communities and apps like reddit, quora, medium and telegram, and the fake businesses will also have a more mainstream social presence like facebook and twitter. Financial criminals can easily establish highly convincing fake profiles, connect to potential victims through common interests, and extract personal information after establishing a relationship - this is leading to an increase in "romance scams", and of particular concern is that as seniors become more comfortable with these social sites, apps and services, they also become more easily targeted.
- 2) Financial criminals establish fake company websites and cryptocurrency trading platforms on the internet. Social media hooks

are used to push victims to the trading platforms. A typical fraud formula is to give the victim a period of trading success and get them to add money to their account and trade more. Eventually when a victim tries to withdraw funds, they are told they have to pay taxes and fees with new money before they can access their gains. The victim then adds more money to their account and continues unsuccessfully to attempt to withdraw funds. Eventually the account is drained by the financial criminals.

Examination System/Industry Outreach

Supported by our new case management system, which was completed in April of 2021, the Department launched a new approach to managing examinations of investment industry firms and professionals, with an enhanced focus on state registered investment adviser firms. From July 1, 2021, through June 30, 2023, two hundred and seventeen examinations were either opened, closed, or worked on. One hundred and forty-nine investigations were either open, closed or worked on during the same period.

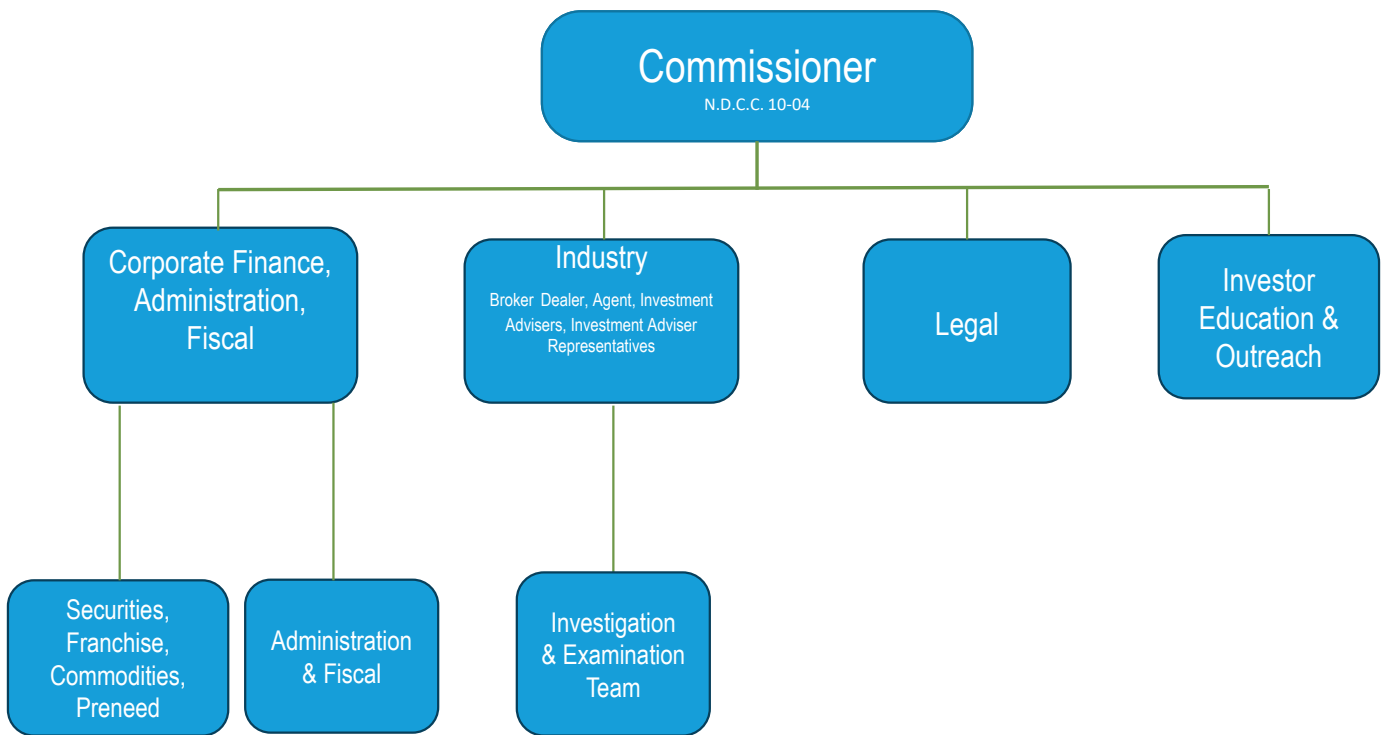
Focus on Seniors

In the 2017 Legislative Session, the legislature passed a law to strengthen protections for seniors and vulnerable adults who may be targeted for financial exploitation. Section 10-04-08.5 of the Securities Act requires brokerage firms and investment adviser firms to report to the Securities Department and Adult Protective Services if they believe a client is being financially exploited, and provides the firms the ability, with indemnity, to withhold distribution of funds. In 2023 legislation was passed establishing a restitution assistance fund managed by the securities department to specifically assist harmed seniors also considered vulnerable adults.

Mr. Chairman, that includes my written remarks, but I would be happy to address any questions the committee may have.

Exhibits Attached

ORGANIZATIONAL CHART



NORTH DAKOTA SECURITIES DEPARTMENT

WHO WE ARE

10

Full-time Team Members

WHAT WE DO

We **protect** investors and **support** legitimate capital formation.

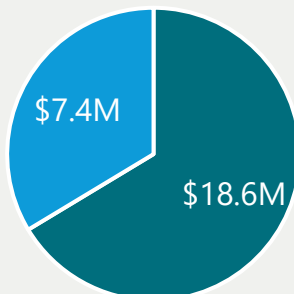
WHY WE DO IT

In a **securities transaction**, it is the **investor** that carries the **risk**. Investor **confidence** in the **integrity of our capital markets** drives economic **growth** and financial **security**.

WHAT WE EARN

\$26 million

- Industry Registration
- Securities & Franchise Filings

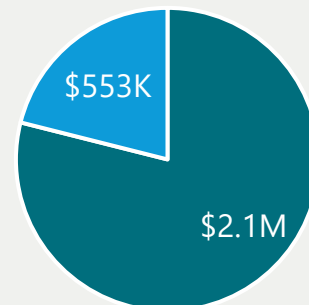


2021-2023

WHAT WE SPEND

\$2.2 million

- Salaries
- Operating



2021-2023

WHO WE SERVE

Investors

who seek to build wealth and financial security by investing in our capital markets.



Business Owners

who seek to raise capital from investors by issuing securities.



Industry

firms and professionals who want to do business with North Dakota investors.



Teachers & Students

who support and benefit from financial capability programs.



Seniors

who are target #1 and need to learn about financial fraud and exploitation.

65+

3-10-25

Legislative Council

Securities Department - Budget No. 414
Agency Worksheet - House Bill No. 1011

	Armstrong Budget				House Version				House Compared to Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	10.00	\$0	\$3,169,193	\$3,169,193	10.00	\$0	\$3,169,193	\$3,169,193	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base budget adjustments			\$4	\$4			\$4	\$4				\$0
Salary increase			100,528	100,528			100,528	100,528				0
Health insurance increase			60,053	60,053			60,053	60,053				0
Funding to replace 2023-25 vacant FTE pool			66,162	66,162			66,162	66,162				0
2025-27 new and vacant FTE pool				0			(24,931)	(24,931)				0
Information technology rate increase			17,321	17,321			17,321	17,321			(\$24,931)	(24,931)
Total ongoing funding changes	0.00	\$0	\$244,068	\$244,068	0.00	\$0	\$219,137	\$219,137	0.00	\$0	(\$24,931)	(\$24,931)
One-Time Funding Items				\$0				\$0				\$0
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$244,068	\$244,068	0.00	\$0	\$219,137	\$219,137	0.00	\$0	(\$24,931)	(\$24,931)
2025-27 Total Funding	10.00	\$0	\$3,413,261	\$3,413,261	10.00	\$0	\$3,388,330	\$3,388,330	0.00	\$0	(\$24,931)	(\$24,931)
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0			\$0	\$0

<i>Total ongoing changes - Percentage of base level</i>	0.0%	N/A	7.7%	7.7%	0.0%	N/A	6.9%	6.9%	N/A	N/A	N/A	N/A
<i>Total changes - Percentage of base level</i>	0.0%	N/A	7.7%	7.7%	0.0%	N/A	6.9%	6.9%	N/A	N/A	N/A	N/A

Other Sections in Securities Department - Budget No. 414

Section Description	Armstrong Budget	House Version
New and vacant FTE pool		Section 2 provides guidelines regarding the use of funding in the new and vacant FTE pool line item.
Securities fees		Section 3 increases various fees charged by the Securities Department.

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1011
3/18/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department; and to amend and reenact subsection 8 of section 10-04-10 of the North Dakota Century Code, relating to fees charged by the securities department.

2:34 p.m. Chairman Wanzek opened the meeting.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- New and vacant full-time employee (FTE) pool
- Technology requests
- Potential action relating to SB 2214, a bill to bring the Securities Department into the Insurance Department
- Security Department fee changes
- Potential efficiencies in agency merger
- Attorney positions in Securities Office

2:37 p.m. Levi Kinnischtzke, LC Senior Fiscal Analyst, supplied budget information and referenced testimony #39926.

2:39 p.m. Tim Karsky, ND Securities Commissioner answered questions.

2:44 p.m. Levi Kinnischtzke, LC Senior Fiscal Analyst, provided budget information.

2:48 p.m. Tim Karsky answered committee members' questions.

2:54 p.m. Rachel Kriege, Administrative Director/HR Manager, ND Insurance Department, responded to a question.

2:59 p.m. Levi Kinnischtzke, LC Senior Fiscal Analyst, referenced testimony #39284, the long sheet for the Insurance Department budget.

3:05 p.m. Rachel Kriege answered a question.

3:07 p.m. Tim Karsky answered a question about rental efficiency.

3:10 p.m. Senator Dwyer made a motion to amend HB 1010 to bring the Securities Department into the Insurance Department with just eight FTEs, minus the vacant position and an attorney position, but no other budget changes.

3:10 p.m. Senator Erbele seconded the motion.

3:10 p.m. Voice Vote - Motion Passed

3:15 p.m. Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1011
4/3/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department; and to amend and reenact subsection 8 of section 10-04-10 of the North Dakota Century Code, relating to fees charged by the securities department.

4:52 p.m. Chairman Wanzek opened the hearing.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- Securities Department into Insurance Department

4:53 p.m. Senator Dwyer moved a Do Not Pass for HB 1011.

4:53 p.m. Senator Sickler seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 5-0-0.

Senator Sickler will carry this bill.

4:55 p.m. Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1011
4/14/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department; and to amend and reenact subsection 8 of section 10-04-10 of the North Dakota Century Code, relating to fees charged by the securities department.

9:20 a.m. Vice-Chairman Erbele opened the hearing.

Members Present: Vice-Chairman Erbele, and Senators Burckhard, Cleary, Conley, Dever, Dwyer, Magrum, Mathern, Meyer, Schaible, Sickler, Sorvaag, Thomas, Wanzek.
Members Absent: Chairman Bekkedahl, Senator Davison.

Discussion Topics:

- Committee Action

9:20 a.m. Senator Wanzek moved a Do Not Pass.

9:20 a.m. Senator Burckhard seconded the motion.

Senators	Vote
Senator Brad Bekkedahl	A
Senator Robert Erbele	Y
Senator Randy A. Burckhard	Y
Senator Sean Cleary	Y
Senator Cole Conley	Y
Senator Kyle Davison	A
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Donald Schaible	Y
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	Y
Senator Terry M. Wanzek	Y

Motion Passed 14-0-2.

Senator Sickler will carry the bill.

9:26 a.m. Vice-Chairman Erbele closed the hearing.

Elizabeth Reiten, Committee Clerk

**REPORT OF STANDING COMMITTEE
ENGROSSED HB 1011 ([25.0155.02000](#))**

Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **DO NOT PASS** (14 YEAS, 0 NAYS, 2 ABSENT OR EXCUSED AND NOT VOTING). Engrossed HB 1011 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.