

2025 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1026

2025 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1026
1/14/2025

Relating to the administration of the state bonding fund; and to provide a continuing appropriation.

10:39 a.m. Chairman Warrey called the meeting to order.

Members Present: Chairman Warrey, Vice Chair Ostlie, Vice Chair Johnson, Representatives Bahl, Brown, Christy, Finley-DeVille, Grindberg, Kasper, Koppelman, D. Ruby, Schatz, Schauer, Vollmer

Discussion Topics:

- Feasibility studies
- Insurance Department to Office of Management and Budget
- Updates for consistency
- Staffing issues
- Current contract for administration.

10:40 a.m. Representative Emily O'Brien, District 42, Grand Forks, North Dakota, introduced the bill and submitted testimony #29017.

10:43 a.m. John Arnold, Deputy Insurance Commissioner, ND Insurance Department, testified in favor.

10:45 a.m. Tag Anderson, Director of Risk Management Division of the Office of Budget and Management testified as neutral and submitted testimony #29013.

10:50 a.m. Keith Pic, CEO, North Dakota Insurance Reserve Fund, testified as neutral.

10:52 a.m. Chairman Warrey closed the hearing.

Diane Lillis, Committee Clerk



Management
and Budget

Neutral Testimony on
House Bill No. 1026
House Industry, Business and Labor
January 14, 2025

TESTIMONY OF

Tag Anderson, Director Risk Management Division

Chairman Warrey and members of the committee, my name is Tag Anderson. I am the Director of the Risk Management Division of OMB. I appear today in a neutral position.

This legislation came out of interim study and prior testimony from OMB, the Insurance Department, and the North Dakota Insurance Reserve Fund is available for review. The primary focus during the interim study was the administration of the Fire and Tornado Fund, which is HB 1027. If administration of the Fire and Tornado Fund is transferred pursuant to HB 1027, it is recognized that transfer of the State Bonding Fund would also make sense as it is also administered pursuant to a contract with the North Dakota Insurance Reserve Fund.

However, if that working relationship were to end, OMB may not be able to properly administer the State Bonding Fund without additional staff and resources. Section 4 of the bill, amending NDCC 26.1-21-02, requires the contractual relationship with NDIRF or other entity to have a two-year term that cannot be terminated except upon sufficient notice given prior to the next legislative session in order to address the need for an appropriation or other legislative changes. But the bill as drafted does not take into account there is an existing contract that does not incorporate these statutory terms. Ensuring that NDIRF will continue to administer day to day activities of the State Bonding Fund is essential.

Chairman Warrey and committee members, this concludes my testimony. I would be happy to answer any questions.

Thank you.



North Dakota House of Representatives

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Representative Emily O'Brien

District 42
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Grand Forks, ND 58203-0606

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COMMITTEES:

Appropriations

01/14/2025

HB 1026

House Industry, Business and Labor Committee

Representative Warrey, Chairman

Chairman Warrey and members of the Industry, Business and Labor Committee:

I am Representative Emily O'Brien, from District 42, Grand Forks, North Dakota.

House Bill 1026 is derived from your Interim Government Finance Committee and was reported to Legislative Management. This is the sister bill to House Bill 1027, that was heard yesterday afternoon.

We studied the feasibility and desirability of changing administration of the state fire and tornado fund and state bonding fund from the insurance commissioner to the director of the office of management and budget. The state fire and tornado fund, as codified in Chapter 26.1-22, was created in 1919 to insure political subdivisions and state agencies against losses to public buildings and permanent fixtures. The funds are invested by the State Investment Board and the Insurance Commissioner contracts with the North Dakota Insurance Reserve Fund (NDIRF) for the administration of the funds pursuant to continuing appropriation authority. The Insurance Commissioner administered the funds until 2019 when the Legislative Assembly provided continuing appropriations for the funds and authorized the Insurance Commissioner to contract for administration of the funds.

We received information from representatives of the Insurance Department that provided information regarding the administration of the funds and similar self-insurance programs in other states. Florida, Kentucky, and North Carolina administer similar funds under their risk management offices. The Legislative Assembly removed 3 FTE

positions from the Insurance Department during the 2019 legislative session when the department started contracting for the administration of the funds.

The testimony received indicated that the department supports changing the administration of the funds from the department to Office of Management and Budget due to a conflict of interest with regulating NDIRF and contracting for administrative services from NDIRF.

During the interim, I contacted OMB in regard to this study and proposals moving forward. The interim committee ended up receiving information from OMB and opposing the change due to concerns about administering the funds if the contracted services from NDIRF were discontinued. We also received information from NDIRF regarding the identification of undervalued properties after taking over administration of the fund and an alternative scenario in which NDIRF would issue insurance policies to political subdivisions apart from the funds.

This bill relates to changing the administration of the state bonding fund from the Insurance Commissioner to OMB. The bill changes the administration of the funds, removes obsolete references, provides updates for consistency and clarity, and require a 2-year contract for administrative services with NDIRF or another entity.

There is a fiscal note attached to House Bill 1026 that was provided by the Office of Management and Budget. The Office of Management and Budget states that they do not have the staff to directly administer the Fund should the current contractual relationship with the North Dakota Insurance Reserve Fund terminate. In Section 4, Subsection 2, the office is giving the authority and may contract for administrative services.

2025 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1026
1/28/2025

Relating to the administration of the state bonding fund; and to provide a continuing appropriation.

8:33 a.m. Chairman Warrey called the meeting to order.

Members Present: Chairman Warrey, Vice Chair Ostlie, Vice Chair Johnson, Representatives Bahl, Brown, Finley-DeVille, Grindberg, Kasper, Koppelman, D. Ruby, Schatz, Schauer, Vollmer

Member Absent: Representative Christy

Discussion Topics:

- Lack of coverage
- Constitutional
- Operations of funds
- Conflict of interest
- Contract negotiations
- Potential fiscal note
- Privatize = rate increase
- North Dakota Insurance Reserve Fund (INDRF)

8:34 a.m. Jon Godfread, Commission, ND Insurance Department, to answer questions.

8:45 a.m. Representative Schauer moved Do Pass.

8:45 a.m. Representative Vollmer seconded the motion.

Representatives	Vote
Representative Jonathan Warrey	Y
Representative Mitch Ostlie	Y
Representative Landon Bahl	Y
Representative Collette Brown	Y
Representative Josh Christy	AB
Representative Lisa Finley-DeVille	Y
Representative Karen Grindberg	Y
Representative Jorin Johnson	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	AB
Representative Dan Ruby	Y
Representative Mike Schatz	Y
Representative Austin Schauer	Y
Representative Daniel R. Vollmer	Y

Motion passed 12-0-2

8:47 a.m. Representative Ostlie will carry the bill.

8:47 a.m. Chairman Warrey closed the hearing.

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1026 ([25.0245.02000](#))

Industry, Business and Labor Committee (Rep. Warrey, Chairman) recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1026 was placed on the Eleventh order on the calendar.

2025 SENATE INDUSTRY AND BUSINESS

HB 1026

2025 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee Fort Union Room, State Capitol

HB 1026
3/31/2025

A bill relating to changing the administration of the state bonding fund from the insurance commissioner to the office of management and budget and relating to the administration of the state bonding fund; and to provide a continuing appropriation.

9:30 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chair Boehm, Senator Klein, Senator Kessel, Senator Enget

Discussion Topics:

- ND Insurance Reserve Fund (NDIRF)
- Office of Management and Budget (OMB)
- Liability against government employees
- Fiscal note and additional staff
- Fire and Tornado Fund
- Regulatory authority and conflicts of interest
- Political subdivisions
- State Investment Board
- Fund administration and discontinued contract services

9:35 a.m. Representative Emily O'Brien, District 42, testified in favor, introduced the bill, and submitted testimony #44434.

9:40 a.m. John Arnold, Deputy Commissioner, ND Insurance Department, testified in favor and submitted testimony #44404

9:42 a.m. Tag Anderson, Director of the Risk Management Division, Office of Management and Budget, testified in favor.

9:46 a.m. Chairman Barta closed the hearing.

Audrey Oswald, Committee Clerk



NORTH DAKOTA
Insurance Department

TESTIMONY IN SUPPORT OF HB 1026

John Arnold, Deputy Commissioner

Senate Industry and Business Committee

March 31, 2025

Good morning, Chairman Barta and members of the Senate Industry and Business Committee,

On behalf of Commissioner Godfread, I encourage your favorable consideration of a Do Pass recommendation for House Bill 1026. I want to assure the committee that the Department does not view the transition of the State Bonding Fund to the Office of Management of Budget (OMB) as a negative. In fact, we view this as the natural progression of the efforts that Commissioner Godfread initiated with the 66th Legislative Assembly to allow for the authority to enter into a contract with the North Dakota Insurance Reserve Fund (NDIRF) to administer both the State Bonding Fund and the Fire and Tornado Fund.

Completely removing the responsibility of these Funds from the Commissioner removes a regulatory conflict that was created by the contracting authority. Currently, the Department has both a regulatory relationship with NDIRF and a contractual relationship with NDIRF for services conducted within the insurance sector. This has led to conflicts when, for example, the contract for the administration of these funds was due to be renegotiated and renewed while the Department was also preparing to conduct a regulatory examination of NDIRF. By completely removing these funds from the Department, HB 1026, as well as HB 1027, reestablishes a purely regulatory relationship with the NDIRF by placing the contractual relationship with the OMB.

Thank you for your consideration.



North Dakota House of Representatives

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COMMITTEES:

Appropriations
Appropriations - Human Resources Division

03/31/2025

House Bill 1026 Senate Industry & Business

Chairman Barta and members of the Senate Industry & Business Committee:

I am Representative Emily O'Brien, from District 42, Grand Forks, North Dakota.

House Bill 1026 is derived from your Interim Government Finance Committee and was reported to Legislative Management. This is the sister bill to House Bill 1027, that was heard back on February 18, 2025 prior to cross over.

We studied the feasibility and desirability of changing administration of the state fire and tornado fund and state bonding fund from the insurance commissioner to the director of the office of management and budget. The state fire and tornado fund, as codified in Chapter 26.1-22, was created in 1919 to insure political subdivisions and state agencies against losses to public buildings and permanent fixtures. The funds are invested by the State Investment Board and the Insurance Commissioner contracts with the North Dakota Insurance Reserve Fund (NDRF) for the administration of the funds pursuant to continuing appropriation authority. The Insurance Commissioner administered the funds until 2019 when the Legislative Assembly provided continuing appropriations for the funds and authorized the Insurance Commissioner to contract for administration of the funds.

We received information from representatives of the Insurance Department that provided information regarding the administration of the funds and similar self-insurance programs in other states. Florida, Kentucky, and North Carolina administer similar funds under their risk management offices. The Legislative Assembly removed 3 FTE positions from the Insurance Department during the 2019 legislative session when the department started contracting for the administration of the funds.

The testimony received indicated that the department supports changing the administration of the funds from the department to Office of Management and Budget due to a conflict of interest with regulating NDIRF and contracting for administrative services from NDIRF.

During the interim, I had contacted OMB in regard to this study and proposals moving forward. The interim committee ended up receiving information from OMB and opposing the change due to concerns about administering the funds if the contracted services from NDIRF were discontinued. We also received information from NDIRF regarding the identification of undervalued properties after taking over administration of the fund and an alternative scenario in which NDIRF would issue insurance policies to political subdivisions apart from the funds.

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There is a fiscal note attached to House Bill 1026 that was provided by the Office of Management and Budget. The Office of Management and Budget states that they do not have the staff to directly administer the Fund should the current contractual relationship with the North Dakota Insurance Reserve Fund terminate. In Section 4, Subsection 2, the office is given the authority and may contract for administrative services.

I would recommend a do pass. I will stand for any questions.

2025 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee Fort Union Room, State Capitol

HB 1026
4/1/2025

A bill relating to changing the administration of the state bonding fund from the insurance commissioner to the office of management and budget; and relating to the administration of the state bonding fund; and to provide a continuing appropriation.

11:39 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chair Bohem, Senator Klein, Senator Kessel, Senator Enget

Discussion Topics:

- Committee action
- ND Insurance Reserve Fund (NDIRF)

11:39 a.m. John Arnold, Deputy Commissioner, ND Insurance Department, testified in favor.

11:40 a.m. Senator Klein moved a Do Pass.

11:40 a.m. Senator Boehm seconded the motion.

Senators	Vote
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Mark Enget	Y
Senator Greg Kessel	Y
Senator Jerry Klein	Y

Motion passed 5-0-0.

Senator Barta will carry the bill.

11:42 a.m. Chairman Barta adjourned the meeting.

Audrey Oswald, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1026 ([25.0245.02000](#))

Industry and Business Committee (Sen. Barta, Chairman) recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). HB 1026 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.