

2001 HOUSE APPROPRIATIONS

HB 1002

18002.0100

Fifty-seventh
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1002

Introduced by

Appropriations Committee

(At the request of the Governor)

HB
1002

1 A BILL for an Act to provide an appropriation for defraying the expenses of the secretary of
2 state and public printing; and to amend and reenact section 54-09-05 of the North Dakota
3 Century Code, relating to the salary of the secretary of state.

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
6 funds as may be necessary, are hereby appropriated out of any moneys in the general fund in
7 the state treasury, not otherwise appropriated, to the secretary of state for the purpose of
8 defraying the expenses of the secretary of state and public printing, for the biennium beginning
9 July 1, 2001, and ending June 30, 2003, as follows:

10 Subdivision 1.

11 SECRETARY OF STATE

12 Salaries and wages	\$2,122,684
13 Operating expenses	2,063,790
14 Equipment	84,000
15 Petition review	<u>12,000</u>
16 Total all funds	\$4,282,474
17 Less estimated income	<u>370,000</u>
18 Total general fund appropriation	\$3,912,474

19 Subdivision 2.

20 SECRETARY OF STATE - PUBLIC PRINTING

21 Operating expenses	<u>\$508,000</u>
22 Total general fund appropriation	\$508,000
23 Grand total general fund appropriation H. B. 1002	\$4,420,474

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1002

House Appropriations Committee
Government Operations Division

Conference Committee

Hearing Date January 17, 2001

Tape Number	Side A	Side B	Meter #
01-17-01 tape #1	0 - 6216		
Committee Clerk Signature <i>Artie Hall</i>			

Minutes:

The committee was called to order, and opened the hearing on HB 1002, the budget appropriation bill for the Secretary of State.

Al Jaeger: Secretary of State - presented written testimony. He began with a general introduction of his testimony for the day, that he has attached to his written testimony certain pages from the OMB budget request, and will refer to these pages as he speaks. Also included in his written testimony at attachment page 1, is an overview of the agency, its statutory authority, the agency mission, and agency accomplishments. On page 2 of the attachments there appears a future critical issues listing, and agency description. On pages 3 and 4 of the attachments there is a listing of the various services provided by the agency. Most persons do not realize the extent and variety of services performed by the Secretary of State.

On the bottom of page 4 of the attachments there is a listing of the revenues generated by the agency during the past 4 budget cycles. As of the December appropriation status report, the

revenue projected last fall will be very close to that which will be received during the biennium.

The revenue listed for this biennium is made up of two parts, approximately \$5,250,000 is revenue that will be deposited in the general fund, and the remaining \$370,000 in revenue is generated by the agency's general services operating fund and deposited into that special fund.

On the top of page 5 of the attachments there is a listing of the expenditures for the past four budget cycles. According to the December appropriations status report, the expenditures are on track with the estimate in the budget request. Some of the estimated expenditures for this biennium will be covered funding wise and expended from the agency's general services operating fund. On pages 5 and 6 of the attachments, there is a five year summary of just the services the agency provides in its business division. The agency now processes 28,800 more documents per year than it did 5 years ago. The increase has resulted in more revenue, but also has challenged the resources of the agency, both in increased operational expenses and staff. The addition of Limited Liability Partnerships, Limited Liability Corporations, and Nonprofit Corporation filings have increased the document load.

On page 2 of the written testimony, Al Jaeger notes that the revenues have increased at a much faster pace than expenditures, and a shift in the ratio of the budget that is paid for operating expenses versus salary. The salaries are higher, and operating expenses lower, which is a good shift of the ratio. He notes that this means the office has been prudent in the use of the funding required to operate the agency.

In 1999, last legislative session, a General Services Operating Fund was established, authorized in the NDCC at 54-09-08. Moneys in this fund are to be used pursuant to legislative appropriations for the provisions of services under subsections 8 and 11 of section 41-09-42 and subsection 10 of section 54-09-04. Any funds exceeding \$75,000 left over at the end of each

fiscal year are to be deposited into the general fund. The agency's "retail" services are those services that are demanded by the public and which are not related to any regulatory function of the Secretary of State. This is a hard area to predict. The department has information/records which the public may purchase. Historically, because the department has limitations under a general fund appropriation, it was difficult to respond to public request, even though they were willing to pay. Now, rather than depositing the revenue in the general fund where the department cannot use it, the revenue is deposited in the agency's general services operating fund, now available to cover the cost of providing "retail" services in direct relationship to customer demand.

As requested, the agency submitted a budget proposal for consideration. The lines for equipment and petition review remained the same. Some expenses, like postage, will be higher, but it was possible to submit a request at the same level by making adjustments between categories within the same operating line. However, because ITD and IT related costs consist of almost 58% of the operating line, these costs outside of the control of the agency could not be absorbed. Therefore, \$284,000 is requested over the budget. The agency requests the increase of FTE's from 25.5 to 26, at a cost of \$21,515. They also request finding for overtime for several key employees, who do not qualify for an exception from the payment of overtime. The budget does not include any funding for temporary employees, and they need some extra work done. It is more cost effective to pay overtime, than to pay his staff to train temporary employees, and spend their time training. They also request an increase of \$175,000 for the agency's share to operate the wide area network (WAN) used by Central Indexing Division (CIS) and the states Register of Deeds. In the 1997-1999 biennium the WAN charges were \$75,000, and now they are \$375,000. The increases in the WAN costs were beyond the agency's control. They are also

asking for funds of \$109,000 for ITD costs, to cover rate adjustments and costs related to increased usage because of filing demands. And they are also seeking \$66,300 for programming enhancements to the CIS.

Also this committee needs to be aware of HB 1105, that has an appropriation tied to it relating to Article 9 of the UCC. The passage of this bill will allow customers to do direct data entry for UCC filings and the appropriation is needed to pay for programming. The funds needed are \$21,000, so the appropriations committee will eventually see this bill.

Subdivision two of HB 1002 deals with appropriation pertaining to public printing, which is the publication of the NDCC, Session Laws, Administrative Rules, and a few miscellaneous items. These items are included in the Secretary of State's budget, although he has no control or decision making over these items. The agency is only the distributor, and pays the bills. Each session, the agency receives a cost estimate for these items, and the agency then adds mailing and handling expenses to the budget.

Chairman Byerly: The pink sheet shows that HB 1139 deals with increasing fees, but has a minimal fiscal note. Any thoughts on this.

Response: The only bill that has any fiscal impact is HB 1105 - all others have minimal impact.

Rep. Carlisle: Do the lawmakers still get a copy of the Century Code, or do they get this on CD?

Response: The legislators are given a choice of hard bound or CD, or both. They can recycle the old sets.

Rep. Carlisle: Are you getting the old Century Code back from retired legislators?

Response: Some, and the state will pay for shipping costs back. If the lawmakers keep their copies, they are given the opportunity to pay for updates, these are not at the state expense.

Rep. Huetter: Do you have a breakdown of corporate filings, corporations vs. Subchapter s corporations, like that?

Response: No, not as to subchapter S corporations. I could do a query, and can find some categories, farm related, LLC, LLP, etc, but not subchapter S.

Rep. Koppelman: What is your responsibility of licensing corporations, and the related costs?

Response: Our responsibility is created by law, and the corporations are to check in each year with the filing of an annual report. The annual reports are scanned in and can be retrieved by computer. We are currently adding charitable solicitations onto the web site.

Rep. Koppelman: Can you explain the change you referred to in regard to Article 9.

Response: This is a one-time costs. The process will have ongoing costs from year to year, but the requested appropriation would be for programming changes that allow those who choose, by charging a membership fee, to input their own data.

Rep. Koppelman: Do you have to cover benefits for the one half-time employee.

Response: Yes, I believe so, but someone else could answer this better than me.

Sandy (OMB): Yes, anyone who works more than 20 hours per week gets benefits.

Al Jaeger: We also in addition to the half time employee have a student that comes in a few hours per day to file, from Century High School.

Rep. Glassheim: Do your revenues exceed your expenses every year?

Response: Yes, we profit about 1.5 - 2 million.

Rep. Glassheim: Why the big increase in the wide area network (WAN)?

Response: It has to do with an "application" of connection. Last biennium it was recommended for a fee increase too. The WAN is like a new computer highway. (There was some basic discussion as to the mainframe computer usage, and how costs are apportioned for mainframe usage, interactive video usage, phone lines, etc.). (There was also some general discussion as to the budget, and building the ITD figures into it. This includes computer programming, computer problem solving, debugging, etc).

Al Jaeger: Does give ITD lots of credit for the help they provide. Most of the services can be provided by ITD. His agency does have some outside consulting work necessary for a AS400 project. The web site is only 4 years old, and they have come a very long way since that was first introduced.

Rep. Skarphol: Can you explain to me what your responsibilities are to the Century Code and supplements?

Response: This is not my favorite topic. We are in charge of distributing these, but we have no control over them, the Legislative Council has the control.

Rep. Skarphol: Why are the budget numbers different?

Response: That is due because of the salary package.

Rep. Skarphol: Do you have any IT persons on your staff?

Response: Not fully trained, but one person does many jobs. ITD provides desktop support, and their budget does not allow an IT person, they cannot justify the cost. (In response to a question by Rep. Glassheim, Al Jaeger responded that some of the programming costs are for programming changes to hide social security numbers, and some privacy issues. Some programming changes are necessary for Article 9 changes, not related to the other bill.

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Rep. Skarphol: Can you put a number on the CIS, the Article 9 issue, for one-time work

Response: About \$66,000.

Sandy (OMB): Confirms the one-time programming costs of \$66,000.

Rep. Carlisle: Is there a huge increase in activity in trade name registration?

Response: Some increase, due to more education, and better rules to register. The fee is \$25 for five years.

Rep. Carlisle: Do you register fictitious partnership names?

Response: Yes. Because there is a need for this information for the public record.

The chairman closed the hearing on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1002

House Appropriations Committee
Government Operations Division

Conference Committee

Hearing Date January 25, 2001

Tape Number	Side A	Side B	Meter #
01-25-01 tape #1	-	315 - 1220	
Committee Clerk Signature <i>Kelli Hall</i>			

Minutes:

The committee was called to order, and opened committee work on HB 1002, the budget of the Secretary of State.

Roxanne, LC staff: reminds the committee that his bill has the salary adjustment problem.

Chairman Byerly: Basically, there was no place to cut this budget at all. They did spend a lot of time discussing this public printing problem that the office has. The majority leaders have decided that it is to stay here forever. We also discussed not doing any amendments to any money items, other than the salary and wages problem. We left this just as the governor recommended. We did spend some time discussing the IT issues and CIS issues, and the bottom line is that after we were all done, we will leave the budget alone. We left the approved half time FTE request alone because the department continues to have new duties assigned each session. The department was already paying benefits on this FTE as half time, so the only increase is the

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salary itself. I felt fairly uncomfortable with the overtime line item, but we ran into a situation where he can get in trouble with the federal overtime wage law, that says even salaried persons are to get overtime. The secretary ends up spending overtime, and they need to be able to pay her. The \$109,000 line item for ITD, is due to the fact that the CIS system is on an old IBM AS 400 computer, which is housed in ITD, and the department has to pay storage on it, and pay for time used. This is a very old system, and no one on the state payroll can write computer programs for it. They must contract this work out for changes, and it isn't cheap. Eventually this will have to be changed over to a different system.

(The committee discussed the various changes and need for changes coming from the Secretary of State's office. They also discussed some other related bills, and that they will deal with them later).

Rep. Huetter: Isn't the overtime actually comp. time?

Chairman Byerly: The overtime is for salaried persons, who are spending extra hours not being done by temporary employees.

Rep. Skarphol: moves to amend to reflect the salary changes as required. Rep. Glassheim seconded.

Vote to adopt the amendment, 7 yes, 0 no. Motion passes.

Rep. Skarphol: Moves DO PASS AS AMENDED. Rep. Thoreson seconded.

Vote on the motion to pass as amended, 7 yes, 0 no. Motion passes.

Rep. Huetter is assigned this bill to carry to the full committee.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1002

House Appropriations Committee

Conference Committee

Hearing Date **January 31, 2001**

Tape Number	Side A	Side B	Meter #
1	x		1481 - 2424
Committee Clerk Signature <i>L. J. Danley</i>			

Minutes:

Appropriations Committee action on HB1002.

Rep. Robert Heuther: HB1002 is the budget bill for the Secretary of State's office. The only two changes that we made to the governor's budget, we added back in the half time position of office assistant, and we increased the funding for overtime by **\$62,800**, and then there was an error in the wages and salary line that we corrected, and we added funding for the network access for \$175,000, and we increased the funding Information Technology Department services, for \$9,000, Mr. Chairman I move a Do Pass on HB1002 as amended.

Rep. Mike Timm: We have a motion to amend by Rep. Heuther, and a second by Rep. Skarphol. Any discussion?

Rep. Pam Gulleason: During 6 or 8 months of this last year the position, or the elections officer was absent from the Secretary of State's office. Was that position opened up for hire or was that

