

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



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| ROLL NUMBER |
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DESCRIPTION

1105

2001 HOUSE JUDICIARY

HB 1105

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1105

House Judiciary Committee

Conference Committee

Hearing Date 01-24-01

| Tape Number                                 | Side A | Side B | Meter #    |
|---|--------|--------|------------|
| Tape 1                                      | x      |        | 01 to 2189 |
|   |        |        |            |
| Committee Clerk Signature <i>John Diers</i> |        |        |            |

Minutes: Chr DeKrey opened the hearing on HB 1105. Relating to secured transactions.

Jay Buringrud: Assistant Director Legislative Council. Secretary of the North Dakota Commission on Uniform State Laws. I am here to describe HB 1105. (see page 285 of the Report of the North Dakota Legislative Council entitled Revised Uniform Commercial Code Article 9 (1999). Rep Klemin was a member of the task force of the State Bar Association.

Rep Klemin: District 47, Bismarck. (see Introductions & Adoptions of Uniform Acts attached)

The objective is to have the law become effective July 1, 2001. There has been an ad hoc committee working on this bill.

Chr DeKrey: Is anyone here in opposition to this bill or have amendments to offer.

Al Jaeger: Secretary of State, we have made a study of article 9 for over a year, we were involved in the Interim Committee and the ad hoc committee. Our involvement is because of a the data, the recording of the documents in the states mainframe through our office. We are the Office of

Records. There are a couple of technical things that need to be changed. That is why we brought in the amendments (see attached).

Jennifer Clark: with the Legislative Council, this is the fourth version of the draft. She provided the committee a one-sided copy with the sections of the bill marked in yellow that were the changes, if anyone wanted to see where the changes. There is a typo on page 59, line 25 the second term money, just delete it. The second change in on page 121 line 19, strike line 19 and move up the referenced numbered sections.

Rep Delmore: How many sub bills are drafted?

Jennifer Clark: I know there was a concerted effort to keep the ag liens out of this bill, so it would not tie this bill up, I don't know how many related issues are coming to this bill.

Chr DeKrey: thank you for appearing before our committee.

Dan Kuntz: North Dakota Grain Dealers Association, I am appearing before this committee because ag liens are appearing for the first time. The draft of this bill would incorporate ag liens into uniform commercial code for certain purposes. We have worked with the task force to correct these situations. If the amendment are included we can support this bill.

Marilyn Foss: general counsel of the North Dakota Bankers Association, pointed out the changes made at the request of the association.

Chr DeKrey: If there are no further questions, thank you for appearing in front of the committee.

Greg Tschider: North Dakota Credit Union League, we feel this work product is acceptable. And we strongly recommend a do pass of this bill.

Rep Mahoney: Are you in agreement with the amendments?

Greg Tschider: Yes.

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Joel Gilbertson: ICBND, we support the bill.

Chr DeKrey: Is there anyone else wishing to testify, if not we will close the hearing on HIB 1105.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1105A

House Judiciary Committee

Conference Committee

Hearing Date 01-24-01

| Tape Number                                 | Side A | Side B | Meter #      |
|---|--------|--------|--------------|
| TAPE II                                     |        | x      | 4930 to 6237 |
| TAPE III                                    | x      |        | 01 to 55     |
| Committee Clerk Signature <i>Joan Davis</i> |        |        |              |

Minutes: Chairman DeKrey, we will open the committee hearing on HB 1105. We have amendments to this bill. Rep Delmore moved the amendments (10030.0401) and Rep Mahoney seconded. A voice vote was taken and the amendments passed. Is there any discussion on this bill. Several questions were asked about how the amendments worked.

Rep Kleinj: moved a amendments that would take out the word and on page 121 line 18.

Rep Delmore: seconded.

Chairman DeKrey: A voice vote was taken and the amendments passed.

Rep Disrud: Move a DO PASS as amended.

Rep Delmore: seconded.

Chairman DeKrey: Discussion on the bill. The clerk will call the roll on a DO PASS motion on HB 1105. The motion passed with a vote of 13 YES, 4 NO, and 2 ABSENT. The bill will be referred to Appropriations Committee. The Carrier for the bill Vice Chr Kretschmar.

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/06/2001

Bill/Resolution No.:

Amendment to:           Engrossed  
                                   HB 1105

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

|                       | 1999-2001 Biennium |             | 2001-2003 Biennium |             | 2003-2005 Biennium |             |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                       | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| <b>Revenues</b>       | \$0                | \$0         | \$0                | \$5,000     | \$0                | \$5,000     |
| <b>Expenditures</b>   | \$0                | \$0         | \$0                | \$26,000    | \$0                | \$5,000     |
| <b>Appropriations</b> | \$0                | \$0         | \$0                | \$21,000    | \$0                | \$0         |

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 1999-2001 Biennium |        |                  | 2001-2003 Biennium |        |                  | 2003-2005 Biennium |        |                  |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties           | Cities | School Districts | Counties           | Cities | School Districts | Counties           | Cities | School Districts |
| \$0                | \$0    | \$0              | \$0                | \$0    | \$0              | \$0                | \$0    | \$0              |

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill has been introduced at the request of the Commission on Uniform State Laws and makes a number of changes to the Uniform Commercial Code (UCC), commonly known as Article 9. These UCC documents are filed in the Secretary of State's Central Indexing System (CIS), which is connected to the Register of Deeds in each of the state's 53 counties.

If adopted, this bill will allow for the direct data entry and electronic filing of UCC documents via the Internet on the part of those pre-paid direct filing subscribers that choose to utilize this option. Rather than filing a paper copy, the filer will have the option to file a UCC document via the Internet. As is now the choice with subscriber's to the CIS direct search option, the filing subscriber will choose which county will receive credit for the UCC document filing fee.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Under current law, an annual subscription fee is charged to filing customers who have signed on to access the Central Indexing System's (CIS) Internet UCC document search option. A similar subscription fee structure will be implemented for those customers who wish to electronically file UCC documents via the Internet. This annual subscription fee will offset the various ongoing costs related to supporting and providing the direct filing service for the filing customer. It is expected that the subscription revenue to the agency's general services operating fund will be less than \$5,000 for the biennium. However, it will always

exceed the expenditures because the fees will be set accordingly to always cover the cost to the agency for providing the service.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The expenditures to operate the Central Indexing System (CIS) will be the same, whether or not this bill is adopted. The operational funding for the CIS is already included in HB 1002, which is the Secretary of State's appropriation bill.

To cover the extra costs associated with supporting and providing the direct Internet filing option, an annual subscription fee will be charged to those customers who wish to electronically file their UCC documents. This subscription fee will be similar in structure, which currently exists in state law for those customers who conduct Internet searches for UCC documents filed in the CIS. This proposed annual subscription fee would offset the various ongoing costs related to supporting and providing the direct filing service for the filing customers. It is expected that the expense charged to the agency's general services operating fund will be less than \$5,000 for the biennium.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

In order to provide the online direct data entry and electronic filing of UCC documents, the agency will need to do one-time programming that will cost approximately \$21,000. The revenue that is received in the agency's general service operating fund will cover the funding for this programming.

|                      |           |                       |                    |
|----------------------|-----------|-----------------------|--------------------|
| <b>Name:</b>         | Al Jaeger | <b>Agency:</b>        | Secretary of State |
| <b>Phone Number:</b> | 328-2900  | <b>Date Prepared:</b> | 02/07/2001         |



**FISCAL NOTE**  
 Requested by Legislative Council  
 01/26/2001

Bill/Resolution No.:

Amendment to:            HB 1105

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

|                       | 1999-2001 Biennium |             | 2001-2003 Biennium |             | 2003-2005 Biennium |             |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                       | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| <b>Revenues</b>       | \$0                | \$0         | \$0                | \$5,000     | \$0                | \$5,000     |
| <b>Expenditures</b>   | \$0                | \$0         | \$21,000           | \$5,000     | \$0                | \$5,000     |
| <b>Appropriations</b> | \$0                | \$0         | \$21,000           | \$0         | \$0                | \$0         |

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 1999-2001 Biennium |        |                  | 2001-2003 Biennium |        |                  | 2003-2005 Biennium |        |                  |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties           | Cities | School Districts | Counties           | Cities | School Districts | Counties           | Cities | School Districts |
| \$0                | \$0    | \$0              | \$0                | \$0    | \$0              | \$0                | \$0    | \$0              |

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This bill has been introduced at the request of the Commission on Uniform State Laws and makes a number of changes to the Uniform Commercial Code (UCC), commonly known as Article 9. These UCC documents are filed in the Secretary of State's Central Indexing System (CIS), which is connected to the Register of Deeds in each of the state's 53 counties.

If adopted, this bill will allow for the direct data entry and electronic filing of UCC documents via the Internet on the part of those pre-paid direct filing subscribers that choose to utilize this option. Rather than filing a paper copy, the filer will have the option to file a UCC document via the Internet. As is now the choice with subscriber's to the CIS direct search option, the filing subscriber will choose which county will receive credit for the UCC document filing fee.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The UCC document filing revenue generated under this bill, if adopted, will be equivalent to the revenue generated under the current law.

Under current law, an annual subscription fee is charged to filing customers who have signed on to access the Central Indexing System's (CIS) Internet UCC document search option. A similar subscription fee structure will be implemented for those customers who wish to electronically file UCC documents via the

Internet. This annual subscription fee will offset the various ongoing costs related to supporting and providing the direct filing service for the filing customer. It is expected that the subscription revenue to the agency's general services operating fund will be less than \$5,000 for the biennium. However, it will always exceed the expenditures because the fees will be set accordingly to always cover the cost to the agency for providing the service.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The expenditures to operate the Central Indexing System (CIS) will be the same, whether or not this bill is adopted. The operational funding for the CIS is already included in HB 1002, which is the Secretary of State's appropriation bill.

To cover the extra costs associated with supporting and providing the direct Internet filing option, an annual subscription fee will be charged to those customers who wish to electronically file their UCC documents. This subscription fee will be similar in structure, which currently exists in state law for those customers who conduct Internet searches for UCC documents filed in the CIS. This proposed annual subscription fee would offset the various ongoing costs related to supporting and providing the direct filing service for the filing customers. It is expected that the expense charged to the agency's general services operating fund will be less than \$5,000 for the biennium.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

In order to do the computer programming necessary to provide the online direct data entry and electronic filing of UCC documents, the agency will need a one-time appropriation of \$21,000. The funding for this programming is not included in the agency's appropriation bill. Therefore, when the bill was heard by the House Judiciary Committee, the committee agreed to amend HB 1105 to include the required appropriation for the direct data entry.

|                      |           |                       |                    |
|----------------------|-----------|-----------------------|--------------------|
| <b>Name:</b>         | Al Jaeger | <b>Agency:</b>        | Secretary of State |
| <b>Phone Number:</b> | 328-2900  | <b>Date Prepared:</b> | 01/29/2001         |

