

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
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ROLL NUMBER

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Dorinda Ballantyne
Operator's Signature

10/2/03
Date

2003 HOUSE APPROPRIATIONS

HB 1162

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1162

House Appropriations Committee

Conference Committee

Hearing Date 1-21-03

Tape Number	Side A	Side B	Meter #
1	X		0.0-33.3

Committee Clerk Signature

Chris S. Nelson

Minutes:

Chairman Svedjan Called the meeting to order. All representatives were present excluding Rep. Kroeber.

Karlene Fine, Executive Director and Secretary of the Industrial Commission of ND

Rep. Kempenich Will this proposed bond issue go over and above the current bond limits authorized by the legislature?

Fine Any financing we would do would be in addition to what we have outstanding but we would still have to be within the authorized limit that is set.

Rep. Delzer I disagree with that because in your revenue bond you don't put under that limitation. You either need to have a bond that you are doing repayments for or else you need to have a lease with the language that it is dependent on legislative appropriation.

Fine The documentation we would still have will always have that language in it.

Delzer So you are going from having either a bond or a lease to just having a loan?

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Dorinda Bell

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Fine Yes, for those instances that we could do it more efficiently. We can still make it work with the lease structure, but it is cumbersome.

Rep. Kempenich Right now we are limited by statute, if we voted for this would it change the limits?

Fine This would not change the limits already in place, it would only give us another method in financing.

Rep. Carlisle We don't need this bill if we bond for IT budget for ConnectND?

Fine We can make it work under the current lease structure, but with this bill it would make it more efficient.

Rep. Carlisle What is the origin of the bill?

Fine ConnectND prompted us to look at different ways of doing this.

Rep. Skarphol Explain the revenue bond and the lease structure more. But with this bill you don't have the implication of exceeding bonding limits because instead of the debt being a lease or a bond, it is a loan. Am I correct?

Fine We have to have a lease with ITD for ConnectND.

Rep. Skarphol I thought we purchased this software for 4.7 million dollars, how do you lease what you already own?

Fine We would be able to construct it by establishing the additional costs that go with the implementation with ConnectND.

Chair So the lease is between the authority and ITD. What are you, in fact, leasing?

Fine The equipment and services provided to implement that program.

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Chair Please distinguish between a revenue bond and the other type subject to the bonding limitation.

Fine We have the lease revenue bonds that are appropriated by the legislature. Others rely on the holding of titles of buildings and those give us more flexibility.

Rep. Delzer So you want to deal with is the lease between the Commission and ITD, what is ITD doing to get this stuff to lease to you?

Fine I'm not sure. What we are looking for is the payment source on those bonds. I think ITD will bill agencies and university systems for their cost.]

Rep. Delzer We need to find out what ITD is doing on this, because that is the true question.

Fine I don't have all that background information.

Rep. Monson I don't see this bill as anything but another form of debt. I don't understand how we can do this without coming up with a limit, at this rate there is no limit whatsoever on the debt we can pile up. Our Constitutional obligation is to not be in debt.

Fine We hold to the Constitution, but maybe that needs to be revised.

Rep. Monson If we don't authorize the repayment of this loan, then what are the repercussions?

Fine If the bondholders are defaulted on they will have other options to claim funds.

Rep. Carlson What are we bonding?

Fine I am not the best person to cover HB 1022, I would direct that to ITD.

Rep. Carlson How broad of a category are we making when we change the languages in this bill?

Fine We want to follow your wishes most efficiently. It is your choice, but we need some flexibility.

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Rep. Carlisle -to Sheila Peterson- Please refer to HB 1022.

Sheila Peterson, OMB The two bills are connected. This bill changes the statute to allow us to do that.

Rep. Carlisle There are no assets here.

Rep. Peterson Software only becomes a value when you use it, and it will last for 20 years. That creates the value.

Rep. Skarphol I can't find a definition in the Century Code for a revenue bond. What is it?

Fine It is an term commonly used in the industry.

Rep. Delzer Is this the first time the state has proposed bonding for services?

Fine The closest we have come in the past is for building repairs.

Rep. Delzer Does this go against the Constitution saying we can't spend more than is coming in?

Fine We have not asked for an opinion on that.

Rep. Koppleman Can we prognosticate that 20 year statement? Isn't technology changing more quickly now?


Peterson The new legacy systems are built to be amended easier. They are more user friendly, with report generation for example.

Rep. Glassheim Is part of our cost getting guaranteed updates from the software manufacturer?

Peterson Referred to Laurie from OMB to answer that, but says that there is a maintenance contract with PeopleSoft.

Rep. Glassheim What is the source of repayment that the bonds are sold against?

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Peterson Each agency that utilizes the system will be assessed their fair share of the cost to the system. We pay ITD for our fair share of the system.

Rep. Skarphol There is an update agreement to PeopleSoft for ERP. The distribution of the repayments is 60% Higher Education, 40% state agencies. Higher Education pays for it with student fees. Agencies will be assessed on each budget. The total annual cost over an 8 year period would be about 1.6 million dollars for Higher Education and 1 million for state agencies.

Hearing Closed

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