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10/16/03
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2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1413

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1413

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 2/04/03

| Tape Number | Side A | Side B | Meter # |
|--|--------|--------|----------|
| I | x | | 0.0-54.3 |
| | | | |
| Committee Clerk Signature <i>Judith Hammer</i> | | | |

Minutes: **Chairman Keiser** opened the hearing on HB 1413.

Rep. Clark introduced the bill and presented amendments. This bill proposes to consolidate three departments into one unit, namely the insurance, securities and banking commissions which would become the Financial Services Commission. Combining these three boards would present a uniform perspective. The structure of the banking department is set up with the credit union and the banking boards, they are left intact to operate as they do now. The fundamental change is the appointment of the banking, and securities and insurance boards. This was traditionally done by the Governor but will forthwith be appointed by the Commissioner of Financial Services. The bulk of the other changes begin on page 58. All three divisions are to be separate but equal. We'll remove two commissioners and slide things over horizontally, the departments can analyze themselves internally so if there are savings to be achieved. Excess funds raised by the insurance department through licensing fees etc. are returned to the general fund. The Securities

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House Industry, Business and Labor Committee
Bill/Resolution Number HB 1413
Hearing Date 2/04/03

Department raises revenues too. As for banks, their excess funds are returned to the banks, no the general fund. Statutorily I didn't change they way those funds are handled.

Chairman Keiser: How about this skilled accountant referred to on page 58?

Rep. Clark: Legislative council suggested that.

Rep. Kasper: How much time did you spend interviewing existing department heads?

Rep. Clark: There's already crossover between these departments. sometimes there are problems relating to dual enforcement issues that would be alleviated if all three entities were under one roof. The consolidation could help regulate these concerns. The banking industry doesn't think there are savings to be achieved.

Rep. Ekstrom: Will all three divisions be in one location?

Rep. Clark: Co-location is not necessary, the Commissioner will be responsible for making all this work. There's a projected cost savings of \$250,000 per biennium, half returned to the banks, half to general fund.

As there was no one else present to testify in support of HB 1413, **Chairman Keiser** called for testimony in opposition to HB 1413.

Tim Karsky, representing the Department of Financial Institutions, testified in opposition to HB 1413. (See attached # 1)

John Skowronek, an attorney from Minot, testified in opposition to HB 1413. He stated that the lack of venture capital is a deterrent to economic development in ND. Intrastate private securities offerings don't have federal or state protection. At present, the three separate divisions assist in bolstering consumer confidence which regulates the products. What will happen to the rules and

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House Industry, Business and Labor Committee

Bill/Resolution Number HB 1413

Hearing Date 2/04/03

regulations administered by the Securities Commission? He thinks that this proposed legislation is premature and not necessarily in the best interests for the public good.

Greg Tschider, representing the North Dakota Credit Union League, testified in opposition to HB 1413. (See attached # 2)

Jim Schlosser, representing the North Dakota Bankers Association, testified in opposition to HB 1413. (See attached # 3)

Donald Forsberg, Independent Community Banks of North Dakota, present oral testimony in opposition to HB 1413. He stated that no savings were determined in a study that was prepared back in 1999. This is "a major example of substance over form".

Michael Fix, Actuary for the ND Department of Insurance, came forward to clarify some aspects of the fiscal note. The department's stance is neutral in regard to whether this proposed bill becomes statute. Until a Finance Commissioner is in place to sort out what a new department would look like, there is no way to know what the cost savings may or may not be.

Rep. Kasper: Is there staff in the insurance department now who has banking and securities experience?

Fix: I don't think so.

As there was no one else present to testify in opposition to HB 1413, the hearing was closed.

Rep. Kasper moved a **Do Not Pass**.

Rep. Boe seconded the motion. Results of the roll call vote were unanimous: 14-0-0.

Rep. Kasper will carry this on the floor.

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FISCAL NOTE
 Requested by Legislative Council
 01/21/2003

Bill/Resolution No.: HB 1413

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.

| | 2001-2003 Biennium | | 2003-2005 Biennium | | 2005-2007 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Expenditures | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Appropriations | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

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

| 2001-2003 Biennium | | | 2003-2005 Biennium | | | 2005-2007 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.

At the present time, the Insurance Department is unable to project in a meaningful manner the fiscal impact of HB 1413 upon the general fund. The proposed change could potentially result in some long-term administrative efficiencies and savings, especially by potentially eliminating duplicative functions and combining office space, to the extent combined offices could result in lower rent costs. At the outset, there would be transitional costs, particularly one-time expenditures to consolidate the three departments. Among these might include website and letterhead redesign, and the costs in integrating the accounting functions of the three Departments if such integration is feasible.

Whether or not any additional costs or savings would result would depend largely upon the decisions made by the Commissioner of Finance as to how best to integrate the three departments. These are impossible to predict today. Therefore this fiscal note does not project an impact on the general fund for the next biennium.

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.

N/A

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.

N/A

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.

N/A

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10/16/03
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| | | | |
|---------------|---------------------|----------------|----------------------|
| Name: | Douglas L. Holloway | Agency: | Insurance Department |
| Phone Number: | 328-2440 | Date Prepared: | 02/03/2003 |

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Date: 2/4/03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1413

House Industry, Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Kasper Seconded By Boe

| Representatives | Yes | No | Representatives | Yes | No |
|---------------------------|-----|----|-----------------|-----|----|
| Chairman Keiser | / | | Rep.Boe | / | |
| Rep. Severson, Vice-Chair | / | | Rep. Ekstrom | / | |
| Rep. Dosch | / | | Rep. Thorpe | / | |
| Rep. Froseth | / | | Rep. Zaiser | / | |
| Rep. Johnson | / | | | | |
| Rep. Kasper | / | | | | |
| Rep. Klein | / | | | | |
| Rep. Nottlestad | / | | | | |
| Rep. Ruby | / | | | | |
| Rep. Tleman | / | | | | |
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Total (Yes) 14 No 0

Absent 0

Floor Assignment Kasper

If the vote is on an amendment, briefly indicate intent:

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Coloeta Rickford 10/16/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
February 5, 2003 11:18 a.m.

Module No: HR-22-1696
Carrier: Kasper
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1413: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO NOT PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
HB 1413 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-22-1696

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2003 TESTIMONY

HB 1413

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