

2009 HOUSE APPROPRIATIONS

HB 1005

2009 HOUSE STANDING COMMITTEE MINUTES

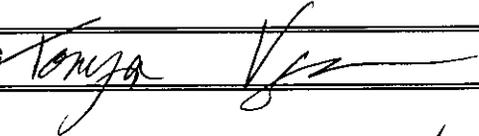
Bill/Resolution No. 1005

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/14/09

Recorder Job Number: 6968

Committee Clerk Signature 

Minutes:

Chairman Delzer opened the hearing on House Bill ¹⁰⁰⁵~~1022~~. Roll call was taken with all members present at a previous hearing.

Kelly Schmidt, State Treasurer, presented her written testimony. See Attachment 1005.1.14.09A.

Vice Chairman Thoreson: What percentage of the new computer program would you say is complete?

Kelly Schmidt, State Treasurer: We are at about 90% complete.

Ms. Schmidt continued her testimony by describing the efficiencies of the Treasurer's Office.

Representative Berg: Are there any large amounts in the Open Check Register?

Kelly Schmidt, State Treasurer: Yes, for example Amazon.com. We had a check for around \$132,000 for them. What we normally do is notify the agency that wrote the check in effort for them to back track. My concern is that there are people out there that know how the system

works in North Dakota. Let's say you repeated a check and you know how the system works and you take that check and you stick it away. You come in a couple of years later and you say you lost the check. You sign an affidavit and a new check is issued to you. You go in and cash that check. Seven years later after we get rid of all of the paper work and everything leading to the old check system, you come walking back to the bank with that original check. You could still cash that check and no one would be the wiser. Now with Positive Pay and with those checks now in electronic format, we can catch those checks

Chairman Delzer: A lot of companies are going to a limit of 90 days. Are there laws that say we can't do that?

Kelly Schmidt, State Treasurer: There are laws that state that we cannot limit a state check. That does not limit us from just putting it on the check so people will think they only have 90 days to cash it but if they came later to cash it we would have to honor the check. A state check is never invalid.

Ms. Schmidt continued with her testimony by explaining the turn back.

Chairman Delzer: What is the deal with the CO2 Pipeline? And how do you trigger the amount of turn back.

Kelly Schmidt, State Treasurer: I am going to turn that over to Lawrence Hopkins.

Lawrence Hopkins: Mr. Chairman to answer your question regarding the CO2 Pipeline. This was a ten year exemption granted on that pipeline. The taxes that would be owed to the counties is what we are turning back because of that exemption, the value that the pipeline depreciates and the amount that is being requested is historically going down. Basically we have to factor in the number of mills because the counties could increase their mills and that

number could actually go up. Historically it has been staying pretty flat and the depreciation on the actual asset has been going down faster than any increase in the mills.

Chairman Delzer: How much time is left?

Lawrence Hopkins: We will be done in the next biennium, unless they would come back and ask for that exemption.

Chairman Delzer: Is that in statute?

Lawrence Hopkins: Yes. It is under 57-06-17.1-2 of the North Dakota Century Code.

Mr. Hopkins continued his testimony and explained the Appropriation Status Report. See Attachment 1005.1.14.09B.

Chairman Delzer: You say you didn't use any of the temporary salaries this biennium, you took it out of your request and yet it was put back in by the Governor. If you didn't use it this time why did they put it back in.

Lawrence Hopkins: He did that by our request. It serves two purposes. If we would need to bring someone in to our office, we have a very small agency with seven people. If someone would have to be on extended leave for medical issues or something we may need to bring in someone so we would want funds to be there. We also use that as somewhat of a reserve. We have several long term employees and if someone were to leave our office and need to be paid out for all of their salary and vacation, we would be able to have those funds available.

Chairman Delzer: Yet if I remember right, Treasurer Schmidt said that you had some roll up from one of the staff members whose spouse works in state government, is that situation still there and is that money available also.

Lawrence Hopkins: That is correct.

Chairman Delzer: What does that amount to in the biennium?

Lawrence Hopkins: About \$8,000. Again we did have that included when we did present our budget we leave that in there. If this particular individual would happen to leave us next month and we would have to hire someone new, the chance we would get someone who has a spouse that works for the state is highly unlikely. So we need those funds available in case that would happen.

Chairman Delzer: Becky, are you aware have we ever polled the agencies to find out how much of that is there state wide?

Becky Keller, Legislative Council: Not that I know of.

Chairman Delzer: Lori, are you aware if that would be information readily available from HR?

Lori Laschkewitsch, OMB: It would be something that we would have to get from each agency.

Chairman Delzer: Yet in every agency we are fully funding the health insurance for everybody whether or not they are using it.

Lori Laschkewitsch, OMB: It depends upon what the agency has included in their budget. Even if it is a long term employee and you can say that I know they are never going to leave so we are not going to need the health insurance for them. If their spouse leaves their jobs and even moves to another state agency, the liability of the payment of the health insurance goes to the employee who has been employed the longest with an agency.

Lawrence Hopkins: I wouldn't say that is a generalization for each agency.

Chairman Delzer: One way to handle that would be to do a pool instead of by agency. Are there any other questions by the committee?

Chairman Delzer explained to the committee how his plan to divide into subcommittees to discuss the details of each budget.

Chairman Delzer closed the hearing.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1005

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: **3 February 2009**

Recorder Job Number: 8429 (21:30)

Committee Clerk Signature

Minutes:

State Treasurer

Representative Meyer: One of the things on the Treasurer--we met with the Auditor's office about the coding on the PeopleSoft. We asked the question if that was lack of people. They said it is just a system where the coding is being put in incorrectly and something we should watch.

Chairman Delzer: You are saying the coding is being put in incorrectly by the Treasurer or the other agencies.

Representative Meyer: By the Treasurer.

Vice Chairman Thoreson: Who said that?

Representative Meyer: It's one of the audit findings and Rep. Dosch and I met with them and it is a concern because of the way they coded. The Treasurer wants monthly payments in the oil and gas producing counties instead of quarterly. Because of the way they coded it appears the counties got more money than they had they had gotten. They said they have had trouble with this.

Chairman Delzer: We had a bill on the floor that dealt with that—the timing.

Representative Meyer: Correct. He said that is an issue with coding, you can't just put it in.

Chairman Delzer: What did the state treasurer have to say?

Representative Meyer: We did not talk to them. We asked the auditor if there was something this Committee should look at and they said they will watch it, we should be watching and we'll continue watching. There is nothing we can do about it currently.

Chairman Delzer: They received a new FTE last time?

Representative Meyer: Yes, that was to take care of the coding issues.

Chairman Delzer: Do they have any temporary salaries?

Representative Kempenich: \$7500.

Chairman Delzer: It seemed to me that when the Treasurer was here she said something about changing the CO2 funding.

Representative Kempenich: Yes, they must be running out of that tax break.

Chairman Delzer: It seemed to me that she said it was going to require GF money to make that payment. I don't remember exactly what the numbers were.

Chairman Delzer: We will hold this one.

Representative Kempenich: I think that the only thing that was an issue with her was the Deputy issue.

Chairman Delzer: We might as well put this out there. The deputy in the Treasurer's office is \$20.0 less than the next closest deputy to an elected official. The equity funding is there for that—part of it is. If there are some major adjustments in the equity we may want to put a little bit of extra money in the salary line to do something with that. I don't know what the majority party's stance is going to be on equity. That is an issue that is kind of out of line.

Representative Kempenich: A person might as well recognize there is an issue and get it over with by putting a dollar amount in the salary line to bring it up.

Chairman Delzer: What about the operating line. How many computers? How much travel?

In a number of these budgets those are a couple of things that stuck out for me.

Representative Kempenich: They have come down from this last.

Chairman Delzer: Is there any computer replacement?

(Unstructured inaudible discussion.)

Representative Kempenich: If you look at the 05-07 budget it is going to be less than that one.

Representative Glassheim: That is all one-time expenses.

Representative Glassheim: Am I looking at this correct. Did they spend out of operating only \$105.0 of \$134.0 budgeted? Is that correct? Are they going to spend it or is that what's left over.

Chairman Delzer: I think that is the expected overage.

Tammy Dolan, OMB: On the appropriations status report, that would just show their current appropriation and what they have spent and the remainder is just whatever is left in that line. That might be spent in the remainder of this biennium.

Chairman Delzer: It says projected expenditures not spent to date.

Tammy Dolan, OMB: I would have to look at that. This is not the PeopleSoft.

Representative Glassheim: According to her testimony she has \$32.0 in turn back. They are expecting to spend \$105.0 this time but then they want \$131.0 next time.

Chairman Delzer: With this one I am not considering the deputy an equity issue. That is something we may want to deal with outside of the equity issue.

Representative Glassheim: I don't know what a deputy should get in an office of seven people.

Chairman Delzer: He is a CPA and for a CPA he is well underpaid.

Representative Kempenich: This would be a deputy. You are not supervising that many but the skills are needed.

Representative Meyer: What is his salary?

Chairman Delzer: I believe it is \$56,000. He is unclassified. All the deputies are unclassified. I've seen the list and it seems to me the next closest one was \$78,000. One was well over \$100,000.

Representative Glassheim:

Chairman Delzer: On the same token if we make some adjustments we should make it revenue neutral if we could do that. If we could move from operating up to salaries.

Representative Meyer: They did do \$15,000 turn back in salary.

Chairman Delzer: I think they need that room in case somebody retires. That's the problem with a small office.

Representative Dosch: That was a concern of hers. You need that little bit of wiggle room in that salary. She said that they are currently losing one of their employees to Higher Ed who was paying phenomenally more.

Chairman Delzer: The \$7500 was an OAR for temporary salaries? For many agencies it was a hold even budget without salary increases or did that include the 3% or the 4% or whatever we did last time.

Tammy Dolan, OMB: It was a hold even request. There was an adjustment made on all budgets for the second year salary increase. It was part of the hold even.

Representative Glassheim: On this status report sheet, am I reading this correct, that they went from 811 to 960 in salaries and wages. That seems significantly more than the 5 and 5.

Chairman Delzer: The \$135.0 on the bill for enhancements would include the benefit package for each employee, it would include the 5 plus 5 and it would include the equity of 22,775.

Representative Kempenich: There is more than that.

Chairman Delzer: It would have covered the second year too.

Representative Kempenich: Their cost to continue is like a \$102.0 or \$103.0.

Representative Meyer: That's an increase on the salary of \$149.0.

Representative Kempenich: That may be that the deputy is in there already. That's a fair sized increase.

Chairman Delzer: What are you looking at?

Representative Kempenich: The comparison details—recommendation comparison.

Representative Meyer: Why is this comparison so different than PeopleSoft report?

Chairman Delzer: This is BARS and PeopleSoft is what they are reporting when they expend the budget. When they build the budget they do it in BARS.

Tammy Dolan, OMB: This includes everything when you look at the total line. The \$134.0 is the total increase including the 5 plus 5, benefits, equity, and the budget adjustment for the deputy.

Chairman Delzer: Do you know what kind of pay raises were given in the Department. Did you ask that question?

Representative Dosch: No I didn't.

Representative Kempenich: I think she used the 4 and 4 across the board.

Chairman Delzer: In the discussion she was very careful about doing anything that would be perceived as upsetting the legislature in the way that was not acceptable.

Representative Meyer: She did indicate that she made adjustments. She didn't use the straight 4 and 4.

Representative Kempenich: She used part of that salary for that new position because it wasn't filled right away.

Representative Meyer: To give more than a 4 and 4.

Chairman Delzer: I think it went for the deputy and that's fine. I guess I would like an amendment to move \$10,000 from operating to salaries.

Representative Kempenich: The salaries line item . . .

Chairman Delzer: That is correct but that is for. . . if we do something globally for equity. If there is nothing done with that then I don't expect her to use that.

Representative Meyer: (inaudible)

Chairman Delzer: It is changing it from the operating line to the salary line.

Representative Meyer: You are requesting this in addition to what has already been budgeted for in this budget.

Chairman Delzer: It changes it from operating to the salary line. There may be an adjustment to this when it there are some discussions on whatever level we do with equity. I would not support this if everything stays the same on the equity level.

Did you ask what kind of computers were being purchased and at what level?

Representative Dosch: I believe that they were going to hold off because of a new operating system and not purchase anything this biennium.

Chairman Delzer: Do you remember any comments made about the difference in the funding level on the CO2 pipeline in lieu of payment. It seems to me that she said that did not require as much money as was in the budget.

Representative Dosch: I think this week they were in the process of getting the numbers finalized.

Chairman Delzer: There is no money for that in the next biennium.

Representative Dosch: This will be the last biennium.

Chairman Delzer: Can you get those numbers and pass them to Shelia. I would like that in an offered amendment.

Representative Dosch: Yes. She was estimating that of the \$768.0 listed on the green sheet, she was estimating that the actual was going to be about \$515.0. So there would be \$252.0 turn back.

Chairman Delzer: That is the mainframe rewrite. I'm talking about on number 2, the CO2.

Representative Dosch: Right. I'll find that out.

Representative Meyer: She said that it was going to be approximately \$150.0 turn back from the CO2 project.

Chairman Delzer: It seemed to me that she said she actually thought there was less need in the next biennium. I want to make sure if there is less need we don't have it funded.

End of discussion on 1005.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1005

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 2/10/09

Recorder Job Number: 9069

Committee Clerk Signature *Tonya Vaegle*

Minutes:

Chairman Delzer opened discussion of amendments on HB 1005.

Chairman Delzer: The list we have here for proposed amendments is the Carbon Dioxide

Pipeline adjustment that I believe Treasurer Schmidt came with. Then we were talking moving \$10,000 from operating to salaries. Representative Dosch did you have some discussions with the Treasurer on how they came up with that \$60,000 for the CO2 pipe line, in lieu of?

Representative Dosch: The carbon amount that they are anticipating to be the actual amount is at \$154,000 now. I did receive a status report from the Treasurer and that is where she indicated their look at the original 09-11 line item, they were anticipating \$1,211,000. That is in the special line item in lieu of tax payments. They are now anticipating that to be \$1,151,000 so it will be an additional \$60,000 reduction off the 09-11 recommendation.

Representative Kempenich: Do we have one biennium left?

Chairman Delzer: That is done this upcoming biennium. Did you say what she is spending in this biennium?

Representative Dosch: According to her sheet she is anticipating \$1,210,000.

Chairman Delzer: That is in the budget but I am wondering what she is actually going to spend this biennium. She is budgeted \$1.365million I was wondering if she said.

Representative Kempenich: The appropriation was \$1.365 of the Carbon Dioxide. **Chairman Delzer:** There must be something that moves that down. We also have something here to move \$10,000 from operating to salaries. What was your take on that? We could probably move \$10,000 from the CO2 to salaries too if we wanted to.

Representative Dosch: There really was not much in operating expenses to move.

Chairman Delzer: Why don't we reduce the CO2 line by \$60,000 and put ten of that into salaries. That will be an overall reduction of \$50,000.

Representative Dosch: I will move that.

A motion was made by Representative Dosch, seconded by Representative Berg to adopt an reducing the CO2 Pipeline line by \$60,000 and adding \$10,000 to salaries. The amendment was adopted by voice vote.

Representative Kaldor explained his amendment 98006.0101.

Chairman Delzer: Representative Kaldor I can't say whether I have seen that on any other green sheets. Have we had it on any others?

Representative Kaldor: I have not seen it and that is what caught my attention.

Representative Berg: The first week of session we had that thick audit by the Auditor and we went through it. There were errors from Higher Ed to the Ag Commissioner to the Treasurer and I actually asked for an update to that and I think that the Treasurer was one of those that responded very well to the findings of that audit. From my perspective is we do all of them or

none of them. I guess I would probably resist throwing this on the Treasurer but at the same time I think that information is out there and I think we should hold people accountable for that audit information if they appear before us.

Chairman Delzer: I wonder if there is something we could put on the Auditor's bill. But there isn't much because they get everything they want.

Representative Kaldor: The legislative fiscal review committee does hear status reports from all of these agencies and in essence the Treasurer's Office is going to have to report something to the Laphercy committee but it could be done in September of 2010. I guess that I thought it was important based on the report from the Auditor's Office that sooner would be better than later. I don't disagree with Representative Berg. Any agency that has got some accountability measure that they are not standing up to should have to report it and be accountable for it. This one was kind of glaring and the effect that it is having and that these coding errors have had on some of the oil counties, for example, is profound. I thought it would be appropriate in this case.

Representative Dosch: Representative Meyer and I met with the auditor's office in regards to this issue. I felt satisfied that they were moving in the right direction. I believe they said they were scheduled for another audit in 2010 which of course they would report on the progress of all of these items.

Representative Meyer: When we met about that and the reason why it pertains to this office so directly is because of the millions of dollars that get coded in. When they get coded in incorrectly it is very problematic. Like in our oil and gas distributions where when they are coded in, like for example in 2008 when they were coded in where there is 13 months in 2008, the books balance but the problem is with these coding errors that showed that the oil and gas producing counties had received over \$112million and in fact we had not received that. In

visiting with the Auditors and they said they are working on it and in asking them is there language that should be put in there to make them understand you can't just balance on your PeopleSoft where some people are overpaid \$300 and the other person is shorted \$300 will your books balance. And with coding on these and the Auditors pointed that out as they said to us for the past four years they have been pointing out that that coding has to be done correctly. If it isn't, it can be very problematic in that the Treasurer's Office just needs to be reminded that they should be done correctly.

Chairman Delzer: We have an amendment in front of us.

Representative Kaldor: I will move the amendment 0101.

Representative Meyer: I will second.

Chairman Delzer: Discussion? I am real hesitant myself to single out on agency be it the Treasurer or anybody. That is part of the auditing system. I understand what you are saying about the coding but if they are working on it and are redoing another audit in 2010 plus they have to answer to the last one they had before then I don't know that I am going to support the amendment either.

Representative Meyer: I think the reason it was placed on the green sheets is because of the significant and, when we were at the Auditors Representative Dosch and I were given a copy of those findings stated and there again when you have millions of dollars being coded incorrectly it is a difference compared to just audit findings in any other agency. When you are talking about appropriations and I mentioned the oil and gas producing counties because that made a huge difference on what the Governor recommended in his budget. If you just point out that it is legislative intent that the coding is done correctly in PeopleSoft. That is why when I asked the question of why it was on the green sheets that is why. It is different than other

agencies because of the amount of money. If you code it incorrectly in PeopleSoft, it has a potential ripple effect to effect every other agency.

Representative Berg: If you look through the audit that I handed out, University Systems was of by \$45million, \$94million, \$43million, \$6million and \$6million. If we are serious about following up on these audits I think it is bigger than just singling out one agency. I don't support the amendment but I would if we are going to go deeper into all of these.

Representative Glassheim: I certainly have not investigated any of this myself. My understanding is that there was some resistance to making any improvements. And that that is the reason for getting the attention of the office that they really need to do that. If I am wrong on that, that is something else but that was my understanding of what the discussion was.

Representative Dosch: I guess this audit was in 2007.

Representative Meyer: Biennium ending 2007

Representative Dosch: At that time they had just six months prior is when they had added this additional person to their staff to help because they had issues, to help correct them. That position was just getting his feet wet. Now that he is on the ground and working these and improving the situation. That is why they felt they were defiantly progressing in the right direction. With the help of this other FTE they were doing the things necessary to get back on track.

Chairman Delzer: Did either of you ask if they had any reporting requirements to Laphercy between now and the next audit?

Representative Dosch: No.

Representative Meyer: I did not ask that question.

Representative Kaldor: When I talked to Allen Knudson about this he said their next report would be when the next audit is done. So it is my understanding that there won't be a requirement and that is the reason for the amendment.

Chairman Delzer: Has there been any other follow up audit since the one that had these findings?

Representative Kaldor: I would have to ask.

Representative Berg: The way this works is they have an audit, they have this report, they present all of this information to Laphercy, the report that I am printing is the one that was presented to us. At each Laphercy meeting they will follow up on changes from the last report and corrections and move forward. That is the way the system works. Whether or not legislators pick up on the information that was presented and wish to do anything but a number of the agencies have not responded.

A motion was made by Representative Kaldor, seconded by Representative Meyer to adopt 98006.0101 to House Bill 1005. MOTION FAILED.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1005

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 2/13/09

Recorder Job Number: 9435

Committee Clerk Signature

Minutes:

Chairman Delzer opened the discussion of amendments on House Bill 1005.

A motion was made by Representative Glassheim, seconded by Representative Berg to adopt amendment 98006.0102 to House Bill 1005. The amendment was adopted by voice vote.

A motion was made by Representative Dosch, seconded by Representative Glassheim for a DO PASS AS AMENDED recommendation for House Bill 1005 to the House Appropriations Full Committee. The vote was 8 yeas, 0 nays and 0 absent and not voting. The carrier will be Representative Dosch.

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1005

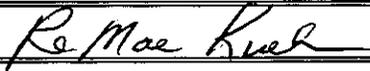
House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 16, 2009

Recorder Job Number: 9586

Committee Clerk Signature



Minutes:

Rep. Dosch distributed Amendment .0102 and described. Page 1, line 12 increases the salary line by \$10,000. This is for the deputy treasurer. It is an unclassified position which is why we elected to increase the wage line by the \$10,000 and those totals just reflect that.

Page 1, line 14 deals with decreasing the funding for payments to counties in lieu of property taxes on the carbon dioxide pipeline. The state granted some property tax reductions to the pipeline authority. The state is responsible for reimbursing the counties. That is what the dollar amount is for. The actual amount is \$1,151,000. So there is a \$214,000 adjustment which is what that line does. It was a 10-year commitment and that will expire after this biennium. Page 1, line 15 is a total adjustment that reflects the total of \$60,000 between \$10,000 wage and the \$60,000 adjustment to the carbon dioxide pipeline line item.

I would move to accept the amendment.

Rep. Thoreson: Seconded.

Rep. Delzer: On the 2nd page under statement of purpose it shows that \$10,000 went in with salary equity. I don't know if that was how it was meant. With the amendment we passed this morning, if we wanted the \$10,000 to stay, that number should be \$23,976 which was the budget for salary equity.

Chm. Svedjan: Becky, will the amendments take care of that?

Becky: We will remove the part that says "provide a total of." Then it won't reflect the \$10,000 as any part of equity.

Rep. Delzer: It would just be an increase to the salary line.

Rep. Kaldor: So the salary line item will show a \$10,000 increase. The amendment that shows the equity adjustments will show a decrease of \$23,976.

Chm. Svedjan: Correct.

Voice vote taken to adopt amendment .0102.

Amendment is adopted.

Rep. Dosch: Section 2 removes one-time funding for the rewrite of the computer system from last biennium. Section 3 is the normal adjustment on the treasurer's salary. There were no increases in FTEs in this department.

Rep. Dosch: Moved Do Pass as amended.

Rep. Klein: Seconded.

A Roll Call vote was taken on Do Pass as amended. Yes: 24, No: 0, Absent: 1,
(Representative Kerzman).

Representative Dosch will carry the bill.

98006.0102
Title.0200
Fiscal No. 1

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations

February 10, 2009

VR
2/16/09
108²

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1005

Page 1, line 12, replace "135,028" with "145,028" and replace "960,483" with "970,483"

Page 1, line 14, replace "(154,000)" with "(214,000)" and replace "1,211,000" with "1,151,000"

Page 1, line 15, replace "(\$22,281)" with "(\$72,281)" and replace "2,302,961" with "2,252,961"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0102 FN 1

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$960,483	\$10,000	\$970,483
Operating expenses	131,478		131,478
In lieu of tax payments	1,211,000	(60,000)	1,151,000
Total all funds	\$2,302,961	(\$50,000)	\$2,252,961
Less estimated income	0	0	0
General fund	\$2,302,961	(\$50,000)	\$2,252,961
FTE	7.00	0.00	7.00

Department No. 120 - State Treasurer - Detail of House Changes

	Adds Funding for Salaries¹	Reduces in Lieu of Tax Payments²	Total House Changes
Salaries and wages	\$10,000		\$10,000
Operating expenses			
In lieu of tax payments		(60,000)	(60,000)
Total all funds	\$10,000	(\$60,000)	(\$50,000)
Less estimated income	0	0	0
General fund	\$10,000	(\$60,000)	(\$50,000)
FTE	0.00	0.00	0.00

¹ The salaries and wages line item is increased by \$10,000 from the general fund to provide a total of \$33,976 for salary equity adjustments.

² This amendment reduces payments for in lieu of tax payments for carbon dioxide pipelines from \$1,211,000 to \$1,151,000.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1005

Page 1, line 2, remove the first "and"

Page 1, line 3, after "treasurer" insert "; and to provide for a report to the legislative audit and fiscal review committee"

Page 2, after line 4, insert:

"SECTION 4. AUDIT FINDINGS - REPORT TO LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE. The state treasurer shall report to the legislative audit and fiscal review committee by December 31, 2009, regarding actions taken to improve internal control procedures of the state treasurer's office, including controls relating to compliance with laws and regulations, and controls relating to the coding and approval of transactions."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides for a report to the Legislative Audit and Fiscal Review Committee regarding actions taken to improve the internal control procedures of the State Treasurer's office.

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1005**

House House Appropriations- Government Operations Committee

Check here for Conference Committee

Legislative Council Amendment Number 98006.0101

Action Taken Adopt Amendment

Voice Vote

Roll Call Vote

Motion Made By Representative Kaldor: Seconded By Representative Meyer:

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Glassheim		
Vice Chairman Thoreson			Representative Meyer		
Representative Kempenich			Representative Kaldor		
Representative Berg					
Representative Dosch					

Total (Yes) "Click here to type Yes Vote" No "Click here to type No Vote"

Absent _____

Floor Assignment "Click here to type Floor Assignment"

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

Amendment FAILED

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1005**

House House Appropriations- Government Operations Committee

Check here for Conference Committee

Legislative Council Amendment Number 98006.0102

Action Taken Do Pass As Amended

Voice Vote

Roll Call Vote

Motion Made By Representative Dosch: Seconded By Representative Glassheim:

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Glassheim	X	
Vice Chairman Thoreson	X		Representative Meyer	X	
Representative Kempenich	X		Representative Kaldor	x	
Representative Berg	X				
Representative Dosch	X				

Total (Yes) 8 No 0

Absent 0

Floor Assignment Representative Dosch:

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

Date: 2/16/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1005

Full House Appropriations Committee

Conference Committee

Legislative Council amendment Number adopt 98006.0102

May 30

Action Taken: Do Pass Do Not Pass As Amended

Motion Made By: Dosch Seconded By: Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total Yes _____ No _____

Absent _____

Floor Assignment: _____

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

Vote - carries

98006.0103
Title.0300
Fiscal No. 2

Prepared by the Legislative Council staff for
House Appropriations
February 16, 2009

VK
2/18/09
1082

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1005

Page 1, line 12, replace "135,028" with "121,052" and replace "960,483" with "946,507"

Page 1, line 14, replace "~~(154,000)~~" with "~~(214,000)~~" and replace "1,211,000" with "1,151,000"

Page 1, line 15, replace "(\$22,281)" with "(\$96,257)" and replace "2,302,961" with "2,228,985"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0103 FN 2

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$960,483	(\$13,976)	\$946,507
Operating expenses	131,478		131,478
In lieu of tax payments	1,211,000	(60,000)	1,151,000
Total all funds	\$2,302,961	(\$73,976)	\$2,228,985
Less estimated income	0	0	0
General fund	\$2,302,961	(\$73,976)	\$2,228,985
FTE	7.00	0.00	7.00

Department No. 120 - State Treasurer - Detail of House Changes

	Adds Funding for Salaries¹	Reduces in Lieu of Tax Payments²	Removes Salary Equity Funding³	Total House Changes
Salaries and wages	\$10,000		(\$23,976)	(\$13,976)
Operating expenses				
In lieu of tax payments		(60,000)		(60,000)
Total all funds	\$10,000	(\$60,000)	(\$23,976)	(\$73,976)
Less estimated income	0	0	0	0
General fund	\$10,000	(\$60,000)	(\$23,976)	(\$73,976)
FTE	0.00	0.00	0.00	0.00

¹ The salaries and wages line item is increased by \$10,000 from the general fund.

² This amendment reduces payments for in lieu of tax payments for carbon dioxide pipelines from \$1,211,000 to \$1,151,000.

³ This amendment removes funding added in the executive budget for state employee salary equity adjustments.

Date: 2/16/09
 Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1005

Full House Appropriations Committee

Conference Committee

Legislative Council amendment Number 0102

Action Taken: Do Pass Do Not Pass As Amended

Motion Made By: Dosch Seconded By: Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber	✓	
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim	✓	
Rep. Thoreson	✓		Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew	✓		Rep. Kerzman	✓	
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland	✓				

Total Yes 24 No 0

Absent 1

Floor Assignment: Dosch

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

REPORT OF STANDING COMMITTEE

HB 1005: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (24 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1005 was placed on the Sixth order on the calendar.

Page 1, line 12, replace "135,028" with "121,052" and replace "960,483" with "946,507"

Page 1, line 14, replace "(154,000)" with "(214,000)" and replace "1,211,000" with "1,151,000"

Page 1, line 15, replace "(\$22,281)" with "(\$96,257)" and replace "2,302,961" with "2,228,985"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0103 FN 2

A copy of the statement of purpose of amendment is on file in the Legislative Council Office.

2009 SENATE APPROPRIATIONS

HB 1005

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1005

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-25-09

Recorder Job Number: 9688

Committee Clerk Signature



Minutes:

V. Chair Bowman called the committee hearing to order at 9:00 am in reference to HB 1005 in regards to State Treasurer appropriations. Roll call was taken All committee members were present except Chairman Holmberg who was excused. He then commented that the committee will be updated on a report from Legislative Council at this time.

Allen Knudson, Analyst Legislative Council explained to the committee the Analysis of Change to the Governor's Budget. (These minutes are labeled Analysis of Change to the Governor's Budget Leg. Council 02-25-09)

Kelly Schmidt, State Treasurer (12.28) testified in favor of HB 1005 and provided written testimony # 1 in support of HB 1005. She stated that ITD has been very cooperative to work with. (16.09) The House amendments have taken all the equity dollars out. I am trying to move my deputy up in salary. (21.32) I would hope you would take a look at that and put that amount back in our equity.

Senator Mathern asked Kelly to please comment on page 2 of the green sheet, significant auditing finding.

Lawrence Hopkins, Deputy State Treasurer stated that it was an issue with coding. The second issue related to adding another employee.

Senator Mathern asked why they are a part of the audit findings.

Kelly Schmidt stated it was because the auditors found it in our report. We had many audit findings. It is their job to help us do our job better.

Senator Krauter asked if they would provide to us the oil and tax and coal tax distribution stating he was concerned that the timing of it wasn't done so it could be reported. (26.33)

Kelly Schmidt stated that the oil and gas did not have any findings except one to Medora. There were no findings on the oil and gas. She stated it will be provided to the committee.

Senator Krauter asked to have that provided to the committee. He was told he will be provided with the information he has requested.

V. Chair Bowman closed the hearing on HB 1005.

Kelly Schmidt provided written testimony #2 relating to the questions regarding our Audit Report. (after the hearing concluded)

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1005

Senate Appropriations Committee

Check here for Conference Committee

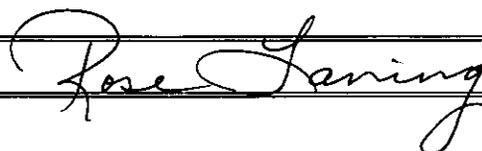
Hearing Date: March 13, 2009

Recorder Job Number: **10892 (starting at 47:00)**

11336 (starting at 12:20) – March 20, 2009

11514 (starting at 31:15) – March 25, 2009

Committee Clerk Signature



Chairman Holmberg opened discussion on HB 1005 which is the state treasurer's budget.

Senator Robinson (passed out amendment .0302). The only adjustment was to put back the equity in salary money as it came with the executive budget recommendation. Those were the only changes. I'm passing out a piece of paper that is titled, "Salary Comparison" (see attached #1) and for the information of the committee, I wanted to share with you that in my work on this bill, we were reminded that back in 2000 the legislature reduced the salary of the secretary of treasurer. It probably wasn't one of our proudest moments as a legislature to do what we did, but it happened. That salary remains the lowest of the capital power elected officials and the problem with the percentage increase is that it's getting broader and broader and broader over the years. I bring that to the attention of the committee. I didn't draft amendments. That wasn't an issue that we discussed during the budget hearing, but I thought that was something that the committee should be aware of. I need to tell you that the treasurer did not make a big issue out of this, but when I became aware of it, I did talk to her about it. That was the history and I recall that time period. It's significant and it's up to the committee if we want to pursue that any further. The amendments deal only with the correction from the House.

Chairman Holmberg: Do you so move the amendments you presented?

Senator Robinson moved Do Pass. On amendment .0302

Senator Wardner seconded.

Voice vote passed.

Chairman Holmberg said she didn't make a big issue out of it. The House didn't consider it.

Senator Robinson: I think she felt kind of on the spot, being self serving. When I visited with her about it, she said that she'll live with it. She doesn't control this.

V. Chair Bowman: There's a \$10,000 raise in there though.

Senator Robinson: But all the others have it too, so she's still going to end up at the lowest point of all the elected officials and the gap will just get bigger because the five and five, if it goes through, is based on larger salaries for everyone else.

Senator Christmann: I don't remember what year it was, but I had a study done to evaluate the various elected officials and make comparisons where possible to other states, whether they be appointed or elected to similar positions. Some of these folks got real big raises and some of them got next to nothing for a year or two in order to get them into competitive areas. Because of the times the treasurer's office was pushed down on that study. It never indicated that it should be a way lower paid position, but I'd be very comfortable bringing her up to the level of the next group; the insurance commissioner and auditor and those folks. I think we're seeing good things out of that office.

Senator Krebsbach: I would agree with Senator Christmann and Senator Robinson. It definitely deserves to be looked at and the time to adjust it is now, we should do so.

Chairman Holmberg: What would be the differential if we were to do that, roughly?

Senator Wardner: \$4,900.

Senator Robinson: \$3600-\$3700, maybe \$4000.

Senator Mathern: When I look at this, am I missing something? Is the work different, dramatically?

Chairman Holmberg: One of the differentials is that the governor has his salary, and the Lt. Governor. The Attorney General has always been a little different because he was required to be a member of the bar, and wasn't, at least for awhile, the Superintendent of Public Instruction different, or has he been always in the pack?

Senator Christmann: DPI was higher because that person had to be a teacher.

Chairman Holmberg: But that ran into some trouble with an attorney general's opinion. But we didn't adjust the Superintendent down. So is everyone else in the same pack? (Looking over all the state officers salaries) Oh, they are all over the map. Isn't this interesting? I don't know there are four different categories, but it would be \$4000-\$5000 year difference.

Senator Krebsbach: If my math is correct, it's \$4,650 for the year of 2009 and \$4883 for the year of 2010 for a total of \$9,533.

Senator Christmann: I don't have a strong feeling one way or the other if we are going to because the budget is this far down the road, perhaps the adjustment should come in January of 2011 just to get the governor on the track so the next budget gets done at a similar level to Secretary of State and those folks and then it wouldn't cost us in this biennium.

Senator Krebsbach moved that the treasurer's office be brought to level of the Insurance, Secretary of State and Auditor's salary effective January 1 of 2011.

Roxanne Woeste, Legislative Council: You'd still need money in this budget.

Tammy Dolan, Fiscal Analyst, OMB: You'd still need money in this budget for that dollar amount plus when you add to their salary, there is an increase in the cost of the benefit, their

retirement and all those other things. We could run the calculations for that number, but it's not going to be just the difference between the two salaries.

Senator Krebsbach: My motion was "to bring it to the level of" so that would include the increase and the analyst would have to figure the exact amount.

Chairman Holmberg: Let's get the numbers and then we'll come back to this.

Senator Krebsbach: I will withdraw my motion.

Discussion on March 20, 2009 – committee work

Job # 11336 (starting at 12:20)

Senator Robinson: We could go with the Treasurer's office. The only issue there was the salary inequity. In the process of our reviewing that budget, the salary of the treasurer came up. If you recall in 2000, we reduced the salary and she is the lowest paid agency head in capital tower. The issue was, do we move on or do we correct or change the decision we made in 2000? The question was what would the additional costs be if we made those changes? If we go this July 2010 and bring her up, there are three or four at the lower end of the scale. Obviously the AG is high and tax is next to the AG, but some of the other ones are down in that lower tier. If we do it this July, it would cost us \$11,137 for the full biennium. We discussed it and had rough figures here, but we said it's roughly \$5000 and it's a little over \$11,137. We approved the concept of adding the salary inequity money back in. This is the only issue that was up in the air.

Chairman Holmberg: Why don't we wait until Monday? It will only take a couple minutes.

Discussion on March 25, 2009 – VOTE

Job # 11514 (starting at 31:15)

Chairman Holmberg opened discussion on HB 1005 and handed out the amendments.

There are two changes that are in the amendments. One of them restores the salary equity funding of \$13,976. There are three tiers in state employee salaries and then you have the treasurer who is sitting down below the other three tiers. This amendment would put the treasurer on the same pay scale as the other third tier. I don't mean that negatively, but there are three tiers. And that's what these amendments do.

Senator Krebsbach moved Do Pass on Amendment .0303.

Senator Warner seconded.

Senator Mathern: In terms of the salary deal, that's the only one I have a question on. Isn't there some rationale to this based upon the number of staff supervised. Isn't that an indication of why this is in place? To me, generally, pay is based on the number of people supervised in the private sector. I'm wondering if people working on this are looking at it from the perspective of how do we make this all the same in terms of the people they supervise.

Chairman Holmberg: Prior to 2001, the treasurer's office had been on par with the other lower level or third tier. What does the labor commissioner make? They have a pretty small staff. Or the Securities – I don't know what they make.

Senator Mathern: To me it would seem like there would be a policy that we just pay them all the same. We wouldn't have tiers. All we would do is base it on how many staff they supervise.

Chairman Holmberg: The tiers are Insurance, Secretary of State, and Auditor are in the one tier. The treasurer is \$4,000 below that. The Agriculture and Public Service Commission are the same. Tax is a little more. The Attorney General and the Superintendent of Public Instruction have always been a little higher because you have to have a teaching certificate to be the superintendent and you had to have a law degree to be the attorney general. At some point in our history, they used that rationale for that.

Senator Robinson: Where is the Labor Commissioner?

Roxanne Woeste, Legislative Council: Labor is \$70,800.

Senator Warner: I think I recollect that there is some change of duties from the time that the treasurer's salary was reduced. I'm not using that to justify but alcohol taxes were removed from that office – the administration of alcohol. I think that's the rationale behind it.

Roxanne Woeste: The Securities commissioner's current salary is \$ 76,368.

Chairman Holmberg: All in favor of the amendment say "Aye".

Amendment .0303 Voice vote passes.

Senator Warner moved Do Pass as Amended on HB 1005..

Senator Christmann seconded.

A Roll Call vote was taken. Yea: 12 Nay: 0 Absent: 2

Senator Robinson will carry the bill.

Chairman Holmberg closed the discussion on HB 1005.

98006.0302
Title.
Fiscal No. 2

Prepared by the Legislative Council staff for
Senator Robinson
March 11, 2009

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1005

Page 1, line 12, replace "121,052" with "135,028" and replace "946,507" with "960,483"

Page 1, line 15, replace "(\$96,257)" with "(\$82,281)" and replace "2,228,985" with "2,242,961"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0302 FN 2

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$960,483	\$946,507	\$13,976	\$960,483
Operating expenses	131,478	131,478		131,478
In lieu of tax payments	1,211,000	1,151,000		1,151,000
Total all funds	\$2,302,961	\$2,228,985	\$13,976	\$2,242,961
Less estimated income	0	0	0	0
General fund	\$2,302,961	\$2,228,985	\$13,976	\$2,242,961
FTE	7.00	7.00	0.00	7.00

Department No. 120 - State Treasurer - Detail of Senate Changes

	Restores Salary Equity Funding¹	Total Senate Changes
Salaries and wages	\$13,976	\$13,976
Operating expenses		
In lieu of tax payments		
Total all funds	\$13,976	\$13,976
Less estimated income	0	0
General fund	\$13,976	\$13,976
FTE	0.00	0.00

¹ This amendment restores salary equity funding of \$13,976 removed by the House.

Date: 3-13-09

Roll Call Vote # 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1005

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number .0302 amendment

Action Taken Do Pass Do Not Pass Amended

Motion Made By Robinson Seconded By Wardner *Wardner voice vote passed*

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Chairman			Sen. Aaron Krauter		
Sen. Bill Bowman, VCh			Sen. Elroy N. Lindaas		
Sen. Tony S. Grindberg, VCh			Sen. Tim Mathern		
Sen. Randel Christmann			Sen. Larry J. Robinson		
Sen. Tom Fischer			Sen. Tom Seymour		
Sen. Ralph Kilzer			Sen. John Warner		
Sen. Karen K. Krebsbach					
Sen. Rich Wardner					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1005

Page 1, line 12, replace "121,052" with "146,165" and replace "946,507" with "971,620"

Page 1, line 15, replace "(\$96,257)" with "(\$71,144)" and replace "2,228,985" with "2,254,098"

Page 2, line 2, replace "~~seventy-eight~~" with "eighty-three", replace "nine" with "five", and after "~~fifty-three~~" insert "fifty"

Page 2, line 3, replace "eighty-two" with "eighty-seven", replace "eight" with "seven", and replace "forty-five" with "twenty-eight"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0303 FN 3

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$960,483	\$946,507	\$25,113	\$971,620
Operating expenses	131,478	131,478		131,478
In lieu of tax payments	1,211,000	1,151,000		1,151,000
Total all funds	\$2,302,961	\$2,228,985	\$25,113	\$2,254,098
Less estimated income	0	0	0	0
General fund	\$2,302,961	\$2,228,985	\$25,113	\$2,254,098
FTE	7.00	7.00	0.00	7.00

Department No. 120 - State Treasurer - Detail of Senate Changes

	Restores Salary Equity Funding¹	Increases Salary for State Treasurer²	Total Senate Changes
Salaries and wages	\$13,976	\$11,137	\$25,113
Operating expenses			
In lieu of tax payments			
Total all funds	\$13,976	\$11,137	\$25,113
Less estimated income	0	0	0
General fund	\$13,976	\$11,137	\$25,113
FTE	0.00	0.00	0.00

¹ This amendment restores salary equity funding of \$13,976 removed by the House.

² This amendment adds funding to increase the State Treasurer's salary to \$83,550 on July 1, 2009, and \$87,728 on July 1, 2010, the same salary as the State Auditor, Secretary of State, and Insurance Commissioner.

Date: 3-25-09

Roll Call Vote # 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1005

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number .0303 amendment

Action Taken Do Pass Do Not Pass Amended

Motion Made By Krebsbach Seconded By Warner

*voice
vote
passed.*

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Ch			Sen. Tim Mathern		
Sen. Tony S. Grindberg, VCh			Sen. Aaron Krauter		
Sen. Bill Bowman, VCh			Sen. Larry J. Robinson		
Sen. Randel Christmann			Sen. John Warner		
Sen. Rich Wardner			Sen. Elroy N. Lindaas		
Sen. Ralph L. Kilzer			Sen. Tom Seymour		
Sen. Tom Fischer					
Sen. Karen K. Krebsbach					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Date: 3-25-09
Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1005

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Warner Seconded By Christmann

Representatives	Yes	No	Representatives	Yes	No
Senator Fischer	✓		Senator Warner	✓	
Senator Christmann	✓		Senator Robinson	✓	
Senator Krebsbach	✓		Senator Krauter	A	
Senator Bowman	✓		Senator Lindaas	✓	
Senator Kilzer	✓		Senator Mathern	✓	
Senator Grindberg	A		Senator Seymour	✓	
Senator Wardner	✓				
Chairman Holmberg	✓				

Total Yes 12 No 0

Absent 2

Floor Assignment Robinson

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

REPORT OF STANDING COMMITTEE

HB 1005, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). Engrossed HB 1005 was placed on the Sixth order on the calendar.

Page 1, line 12, replace "121,052" with "146,165" and replace "946,507" with "971,620"

Page 1, line 15, replace "(\$96,257)" with "(\$71,144)" and replace "2,228,985" with "2,254,098"

Page 2, line 2, replace "seventy-eight" with "eighty-three", replace "nine" with "five", and after "fifty three" insert "fifty"

Page 2, line 3, replace "eighty-two" with "eighty-seven", replace "eight" with "seven", and replace "forty-five" with "twenty-eight"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0303 FN 3

A copy of the statement of purpose of amendment is on file in the Legislative Council Office.

2009 HOUSE APPROPRIATIONS

CONFERENCE COMMITTEE

HB 1005

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1005

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 4/17/09

Recorder Job Number: 11929

Committee Clerk Signature

Tonya Voayls

Minutes:

Representative Dosch opened the discussion on House Bill 1005. All conferees except Senator Grindberg and Representative Kempenich were present.

Senator Robinson: The statement of purpose of the amendment the Senate changes are relatively few. We obviously addressed the issue of salary and equity as we did in all of our bills on this budget. There was a discussion on our side and there was an adjustment made to the salary of the State Treasurer to bring that salary up to the bottom tier of the elected officials in the Capitol Tower. Those amounts are all identified there on page one of the statement of purpose of the amendment. That's the extent of the changes to the budget. I understand that the House is in support of the 5 & 5 issue but the equity issue is still there. That is kind of holding up a number of bills until that issue is addressed by the two bodies. Senator Grindberg wanted me to let you know that he could not be here this first time and he is looking forward to our next meeting.

Representative Dosch: Just to address the equity funding, you are right. I think we are not prepared yet to resolve that issue at this time. I think the higher to be's are trying to work out a solution on that and so that will be probably addressed at our next meeting. I guess we could

take up the salary issue of the State Treasurer. I will take any other comments people might have on that.

Senator Robinson: We did not have a large subcommittee but I guess three or four of us talked about it and in the end the amendment was requested by the chair of the committee and I was the carrier of the bill to the floor. That is where that issue came from. There were discussions regarding the level and the relationship to the other elected officials and that was pretty much the substance of the discussions on the Senate side. Again that was the only issue we really discussed here. The rest of the budget we reviewed and we were in sync with what happened with the House proposals in this particular bill as it come over after cross over.

Representative Dosch: Was there any discussion or comments regarding why the State Treasurer's salary was lower than the rest of the elected officials?

Senator Robinson: I have spoken to a number of folks on this issue and I think others have as well. There are those that have said that this adjustment in the Treasurer's salary was made back in 2000. At the time there were some changes in responsibilities but that was pretty much the extent of it. We thought the differential was significant and one of the members of the committee had offered a counter proposal that would have delayed part of the implementation. Before we brought the bill to the full committee there was a directive from the chair of the Appropriations committee to draft the amendments and it was at that time that we had the amendments before us for this particular amount and that is kind of the discussion that took place on the Senate side.

Representative Kempenich arrived at the discussion.

Representative Meyer: I had Legislative Council pull up the history of how this has transpired in the past and how we address agency head salaries. My biggest concern and this is absolutely just with the procedure I am uncomfortable with a procedure in doing this. We give one elected state official a 11.2% increase in one year, to me that is problematic simply because what prevents if we start putting in a precedent like this where we are going to do this, I see in two years someone coming in and saying in conference committee in the last hours where they say, my agency does this, this and this and has this many more FTEs. You gave an 11.2% increase to an agency head two years ago and that is my concern about the procedural part of this being done this way. With that being said to me this is problematic I just don't know.

Representative Dosch: Is there any other discussion?

Senator Robinson: I don't argue that. I share some of the concerns with Representative Meyer. There were also discussions on our side about procedure and the precedent that was established in 2000. Some thought it was not probably one of our proudest moments as a legislature when we reduced the salary without a process. It was just arbitrarily reduced. There are those issues. We have had a couple situations where we have strayed from our central personnel policies and identified select agencies I get concerned about that this session. The argument was well it is hard to fill people; they have vacancies they can't fill. We can say that across state government. There are several agencies. The fragmented approach can be problematic.

Representative Dosch: Are there any other comments.

Senator Fischer: I guess what we are doing is that we have a problem with the equity among the elected officials and that is the way we addressed it. How do you go about repairing that if you don't address it one way or the other? That was kind of where I look at is with the

Treasurer's counter parts being paid at a higher rate and have the same type of duties that the Treasurer does. That was kind of where I came from is that we are just equalizing the tier of elected officials.

Representative Dosch: I guess I was surprised that the State Treasurer who is an elected official makes a lower salary than an appointed official such as the Securities Commissioner. I guess the question too begs also that I see there are some difference between the Ag Commissioner or the PSC versus the Tax Commissioner or the Attorney General. Was there any discussion as far as the discrepancies between those and I am not sure if you have a salary sheet breakdown but for example the Tax Commissioner makes \$90,678 versus the \$83,500 for the Auditor. I guess was there any other discussion there?

Senator Robinson: There was very little discussion regarding the other salaries. Some defense of a couple of them regarding when it comes to the number of FTEs and that type of thing. There was discussion in the area of the Attorney General and his or her compensation, whoever is in that position is actually less than the Assistant Attorney General and maybe the equity in that situation. There was brief discussion about the need to attract quality people to these positions and we are not suggesting that we don't have them now, but the issue is across the board with state employees with how we relate with other states and that type of thing. Did we go in great depth or spend a great deal of time discussing this? We did not. As we do with most of our bills we have a hearing, then afterwards assign a number of committee members to do follow up research and review and then the bill is brought back to the committee. Unlike the House, as you know, our Senate Appropriations committee hears every bill. So we are pushed for time. I would argue and defend that I think overall we do a decent job with the work we do. It is a different environment but you folks are able to divide up and maybe have a bit more focus than we have because of the time. We get stretched.

Representative Dosch: I understand that. Are there any other comments at this time? Since we will have to meet again to resolve the equity issue on this and if there are no other comments I think what we will do is call it a day on this one and reschedule after we have the equity situation worked out and then we will hopefully be able to get this salary issue resolved at that time.

Representative Dosch closed the discussion for the day on House Bill 1005.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1005

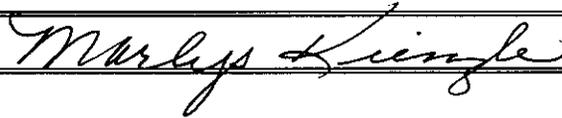
House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 4/25/09

Recorder Job Number: #12262

Committee Clerk Signature



Minutes:

Representative Dosch: called the conference committee on House Bill 1005 to order which is the budget of the State Treasure. All conferees were present.

Representative Dosch: We are going to discuss the salary equity which we have come to some kind of agreement. The second issue is the Statement of Purpose which deals with the salary of the State Treasure.

Senator Grindberg: I don't want to make light of the discussion point here but obviously there are issues with other bills. We in the Senate side did not know why the State Treasure was behind the other elected officials as the Auditor, Insurance and Secretary of State. Reviewing the sheet here the purposed salaries for the other elected officials was 83,550 for the next biennium and the Treasure is 78,900. The Senate felt that if it is an elected position it should be treated equally.

Representative Meyer: I guess I was the one that brought it forward and it was not about the money but the procedure that we are dealing with in the future. I had visited with Legislative Council and they drafted a memorandum this has not been done previously. What happened at 2001/2003 equity adjustments, they went out and did a survey of surrounded states and the salaries were adjusted at that time. I am just afraid in doing this we are going to create a

situation instead of how we are doing this every elected official coming in that we will have elected officials or employees coming in asking for increase of an amount because we think so instead of how when this was adjusted instead of the amount that was set up by the survey. My concern is if we start this precedence in an agency budget that elected official can ask to receive x amount of dollars because they work hard or whatever.

Senator Grindberg: I can certainly appreciate that. Just to be clear, the Treasurer did not ask for this. This discussion came up at the Senate Appropriations committee and not at her request.

Representative Meyer: That is my point. Those salaries are in statute and it makes it different than the other line items on our budgets. This is something that we will have to deal with every session if we do this.

Representative Kempenich: I am a little uncomfortable with taken this to the full amount that is listed here. How about 3,000 at first year and that would take it up to 80,400 and the second year would be 84,345. That is added to the top of the 5x5. Or we could take it up to the second year implementation for fiscal year 10 which would take it up to 85,845. It would be a slower increase. Is there any interest in that? Plus a study could be done.

Representative Dosch: One of my issues is the elected official is making less than the Securities Commissioner which is an appointed position. The numbers that you are coming up with is the purpose to get it in with what the Securities Commission is making or what?

Representative Kempenich: I was looking more at the second year where you are running roughly at \$2,000 and this way it would not put the budget out of whack and put it up to the level of the Insurance Commissioner. If we go this direction I would like a study of the State Elected official's salaries too. You look at some of the other states you have to remember the size of our state and keep all of that in perspective.

Senator Grindberg: How long would it take you to compile the salaries of the region or the comparative states?

Brady Larson, Legislative Council: I do believe that HRMF does have that information. So it might be compiled already.

Senator Grindberg: Rep Meyer's information is valid. If we have the information that warrants that if we can stay consistent is in my mind the route I would like for us to go versus a nickel and diming maybe a 1000 or 2000. So if we could get the information that is needed to decide and have another meeting and get it done.

Representative Meyer: Just to weigh in on the point a little bit here. When we compare elected officials to appointed officials to me it comparing apples to oranges. There are many appointed officials that will be making more than an elected official. It is problematic to me when these salaries are set in statue and when they ran for these positions they knew what these positions paid. It is my understanding that this didn't come up at the request of the Treasurer. The Senate would agree that this be implemented at a delayed date of July 2011. I do think that would remove the issue off the table. And perhaps at that time a study could be done for this.

Senator Grindberg: I wouldn't agree with that. If we have a legitimate reason on a study to market an adjustment, and it falls within the other 4 I feel this is another nickel and dime issue.

Representative Kempenich: Maybe that is what we should do is to put a study together and that would mean that you would take off the 11 thousand?

Senator Grindberg: I never suggested that.

Representative Meyer: That is what was done in 01 and 03. That is the procedure that we go through. To me when we set this precedent, I don't know how we are going to deal with this in the future when you have someone come in from the office of an elected official and says he

should be paid more due to his total work load. I see that happening from the list that we work off of as to who gets paid what.

Representative Dosch: Was there any discussion at the time, pertaining to other inequities between the other elected officials as well? Was it asked as to why it was suggested the State Treasure and not equalizing the rest as well?

Senator Robinson: I can only recall very little a command or two before. We had the Treasurer's office budget before us and because that particular office was at that level salary wise that she is at that time.

Senator Grindberg: I think it is clear that we will need another meeting. I would like to see a memo from Rep Meyer and if Brady would give us the other information needed we should meet then.

Representative Dosch: We will close right now and meet again Monday.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1005

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 4/27/09

Recorder Job Number: #12282

Committee Clerk Signature

Markus King

Minutes:

Representative Dosch called the conference committee House Bill 1005 to order. All conferees were present.

Representative Dosch: I believe the only issue remaining is an amendment that the Senate put on to increase the salary of the State Treasurer. Last time we met, Representative Kempenich, had brought forth a in between pay raise and was not looked on with favor from the Senate. I just have to share with the committee, this weekend I attended a meeting with the local business owners. I was a little bit reprimanded in what we were doing with the pay increase for the State Employees. The highest pay increase they said that was being given outside of the state employees was 3% increase. Where do you come off on giving 5/5 and 100% health insurance? The state of North Dakota specifically your IT Department up there is paid to the amount that we are struggling trying to be half way comparable to what the State IT gets paid. They were extremely upset with what we are doing up here. US Bank is telling their hourly people that they are going to work four days instead of five. People are angry with what we have done. I think that if we need to think of realigning. I guess I didn't realize initially that a study was done in 01 and 03. I was done not that long ago. I would be open to a study so we

could look at the equity between elected officials. That is fine but after this weekend that is about all I could support.

Senator Grindberg: I would be willing to have more discussion on Representative Meyer's comments. If there is a raise it would be done after the next election. I would be willing to take a look at it even as a study.

Representative Meyer: Again I want to emphasize the process is what my concern is. As an equity adjustment for all elected officials. I would like a study so it could be can be more uniform.

Senator Fischer: I too had a constituent who spoke to me and we maybe should be looking at all the raises across the board. This gentleman is an upper level management position and he is taken a – and a 0. He is paid a salary plus profit sharing. He is not getting a raise and he is not getting a raise. There also will be no raise in the second year. This is in the private sector. I would be in favor if the legislature were to look at the entire salary package including benefits for everyone.

Senator Robinson: I just have to comment on the reference to this week-end conversation. We have years that the State Employees have not had pay increases. That is one of the reasons we are in the situation we are in now and that is why the Governor and the OMB have put together a purposal. I happen to know in ITD we have had people leaving us going down town and opening an office in the private sector coming back as a consultant. I know that in corrections, parole and probation we have 100% turn over. I work for a state institution people at the lower end without exception have 2 jobs. These people qualify for food stamps and fuel assistance. I don't think we should be too proud about that. I do think we need to be careful.

You can go down to the coffee shop and hear that they do not like this raise and yet go down

the street and visit with others and you will find support for our State work force. I would suggest we get back to the focus of this particular conference committee which is 1005.

Representative Dosch: I would be open to any other amendments or motions at this time.

Chairman Delzer: I am sitting in for Representative Kempenich today. It is my understanding that the issue is a pay raise for the Treasure. My personal take on it is that it should wait with the issues that were talked about today. I do sit on the Attorney General's where there are the same issues there and probably put a study on that or the study should probably go on one that deals with the pay raise issue. As far as OMB and the Governor having built a very valid position on pay raise, they very well may have when they put the budget together. The economy is considerably different from now and when the budget was build. I think even the people that Representative Dosch talked to the other day would have felt a little different 5/6 months ago. That is what we are dealing with now. To move this one forward I would guess that you would take the pay raise out and move forward.

Senator Grindberg: If we made a motion suggested by Representative Delzer, and add study would Council have language that would consistent with the Attorney General's office.

Becky Keller, Legislative Council: We can develop the language to include whoever you want in the study.

Representative Delzer: I have no problem which you put the study on. If you are this close you should have Legislative Council draft the amendment.

Becky Keller, Legislative Council: I would just need the parameters of the study.

Representative Delzer: The first parameters I would say is that you back and look at what the parameters were in 2001. And take into consideration at what the other states have done this year with their budgeting challenges they have had this year. Than please e-mail everyone on the committee and before next session see if there are any words you want changed.

Representative Dosch: It should include all elected officials.

Representative Delzer: I understand this would be for elected officials only for this particular study.

Representative Meyer: Elected officials are different that state employees. And this study should be just for elected officials.

Representative Delzer: I would imagine guess that the language you would want is statutorily SEP elected officials.

Representative Dosch: Any other comments.

Senator Grindberg: Then we will have an amendment prepared by Becky and meet one more time?

Representative Dosch: That my understanding. He adjourned the meeting.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1005

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 4/28/09

Recorder Job Number: 12332

Committee Clerk Signature *Tonya Vogel*

Minutes:

Representative Dosch called the conference committee for House Bill 1005 to order. All members were present except Senator Grindberg.

Representative Dosch: I believe everyone received a copy of the proposed amendments. Are there any questions in regards to the amendments that we need to talk about? If not I would entertain a motion.

Representative Kempenich: I think the Senate has to make the motion. I would recede for them but I don't think they would like that.

Senator Fischer: Is the motion that we would recede from our amendments and further amend?

Representative Dosch: Yes.

Senator Fischer: I so move.

Representative Kempenich: Second.

Representative Dosch: It has been moved and seconded. Is there any other discussion? If not we will go ahead and have the clerk call the roll.

Representative Kempenich: What is the amendment number?

Representative Dosch: It is amendment 98006.0304 on House Bill 1005. Basically what we are doing it is my understanding is with the Senate receding it leaves the bill as it passed out of the House however the further amendment is to add the legislative study on the salaries of the elected officials.

Senator Robinson: I wonder if the procedure would be our understanding as a committee we vote on this then before you sign off, make contact with Senator Grindberg. I think it is important because there are only six of us here that are all on board. I know he is on a tight conference committee schedule but he might appreciate just being contacted at least. I can't speak for him, none of us can but I don't for see that there will be a problem.

Representative Dosch: We are certain that he received a copy of the amendments?

Becky Keller, Legislative Council: Yes.

Representative Dosch: OK. Thank you.

Senator Grindberg arrived at the discussion.

Representative Dosch: Senator Grindberg we have amendments before us. They have been moved and seconded and so we are just about ready to take a vote. If there is no other discussion I will go ahead and have the clerk call the roll.

A motion was made by Senator Fischer, seconded by Representative Kempenich for the SENATE TO RECEDE FROM THE SENATE AMENDMENTS AND AMENDS. The vote was 6-0-0.

Representative Dosch adjourned the conference committee.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1005

That the Senate recede from its amendments as printed on page 1115 of the House Journal and page 954 of the Senate Journal and that Engrossed House Bill No. 1005 be amended as follows:

Page 1, line 3, after "treasurer" insert "; and to provide for a legislative council study"

Page 2, after line 4, insert:

"SECTION 4. LEGISLATIVE COUNCIL STUDY - ELECTED OFFICIALS' SALARIES. During the 2009-10 interim, the legislative council shall consider studying the salaries of state elected officials. The study must include a comparison of salaries, the number of full-time equivalent and temporary employees supervised by the elected official, and the complexity of each elected official's responsibilities. The study must also include a comparison to similar positions in other states. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-second legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0304 FN 1

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$960,483	\$946,507		\$946,507	\$971,620	(\$25,113)
Operating expenses	131,478	131,478		131,478	131,478	
In lieu of tax payments	1,211,000	1,151,000		1,151,000	1,151,000	
Total all funds	\$2,302,961	\$2,228,985	\$0	\$2,228,985	\$2,254,098	(\$25,113)
Less estimated income	0	0	0	0	0	0
General fund	\$2,302,961	\$2,228,985	\$0	\$2,228,985	\$2,254,098	(\$25,113)
FTE	7.00	7.00	0.00	7.00	7.00	0.00

Department No. 120 - State Treasurer - Detail of Conference Committee Changes

This amendment adds a section for a study of elected officials' salaries. Funding added by the Senate to provide an additional salary increase for the State Treasurer and to restore equity funding removed by the House is not included in the Conference Committee amendment.

VR
4/28/c
1/2

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1005

That the Senate recede from its amendments as printed on page 1115 of the House Journal and page 954 of the Senate Journal and that Engrossed House Bill No. 1005 be amended as follows:

Page 1, line 2, remove the first "and"

Page 1, line 3, after "treasurer" insert "; and to provide for a legislative council study"

Page 2, after line 4, insert:

"SECTION 4. LEGISLATIVE COUNCIL STUDY - ELECTED OFFICIALS' SALARIES. During the 2009-10 interim, the legislative council shall consider studying the salaries of state elected officials. The study must include a comparison of salaries, the number of full-time equivalent and temporary employees supervised by the elected official, and the complexity of each elected official's responsibilities. The study must also include a comparison to similar positions in other states. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-second legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0305 FN 1

A copy of the statement of purpose of amendment is attached.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$960,483	\$946,507		\$946,507	\$971,620	(\$25,113)
Operating expenses	131,478	131,478		131,478	131,478	
In lieu of tax payments	1,211,000	1,151,000		1,151,000	1,151,000	
Total all funds	\$2,302,961	\$2,228,985	\$0	\$2,228,985	\$2,254,098	(\$25,113)
Less estimated income	0	0	0	0	0	0
General fund	\$2,302,961	\$2,228,985	\$0	\$2,228,985	\$2,254,098	(\$25,113)
FTE	7.00	7.00	0.00	7.00	7.00	0.00

Department No. 120 - State Treasurer - Detail of Conference Committee Changes

	Test	Total Conference Committee Changes
Salaries and wages		
Operating expenses		
In lieu of tax payments		
Total all funds	\$0	\$0
Less estimated income	0	0
General fund	\$0	\$0
FTE	0.00	0.00

This amendment adds a section for a study of elected officials' salaries. Funding added by the Senate to provide an additional salary increase for the State Treasurer and to restore equity funding removed by the House is not included in the Conference Committee amendment.

All Present ~~REG~~

~~Grindberg~~

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number 1005 (, as (re)engrossed):

Date: 4/28/09

Your Conference Committee Gov Ops

For the Senate:

For the House:

	YES / NO			YES / NO	
Fischer	X		Dosch	X	
Grindberg	X		Kemperich	X	
Robinson	X		Meyer	X	

recommends that the SENATE/HOUSE (ACCEDE to) (RECEDE from)

the Senate/House amendments on (SJ/HJ) page(s) _____ - _____

_____, and place _____ on the Seventh order.

X, adopt (further) amendments as follows, and place 0304 on the Seventh order:

_____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____

CARRIER: _____

LC NO. _____	of amendment _____
LC NO. _____	of engrossment _____
Emergency clause added or deleted _____	
Statement of purpose of amendment _____	

MOTION MADE BY: Fischer

SECONDED BY: Kemperich

VOTE COUNT 6 YES 0 NO 0 ABSENT

REPORT OF CONFERENCE COMMITTEE

HB 1005, as engrossed: Your conference committee (Sens. Fischer, Grindberg, Robinson and Reps. Dosch, Kempenich, S. Meyer) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1115, adopt amendments as follows, and place HB 1005 on the Seventh order:

That the Senate recede from its amendments as printed on page 1115 of the House Journal and page 954 of the Senate Journal and that Engrossed House Bill No. 1005 be amended as follows:

Page 1, line 2, remove the first "and"

Page 1, line 3, after "treasurer" insert "; and to provide for a legislative council study"

Page 2, after line 4, insert:

"SECTION 4. LEGISLATIVE COUNCIL STUDY - ELECTED OFFICIALS' SALARIES. During the 2009-10 interim, the legislative council shall consider studying the salaries of state elected officials. The study must include a comparison of salaries, the number of full-time equivalent and temporary employees supervised by the elected official, and the complexity of each elected official's responsibilities. The study must also include a comparison to similar positions in other states. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-second legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT - LC 98006.0305 FN 1

A copy of the statement of purpose of amendment is on file in the Legislative Council Office.

Engrossed HB 1005 was placed on the Seventh order of business on the calendar.

2009 TESTIMONY

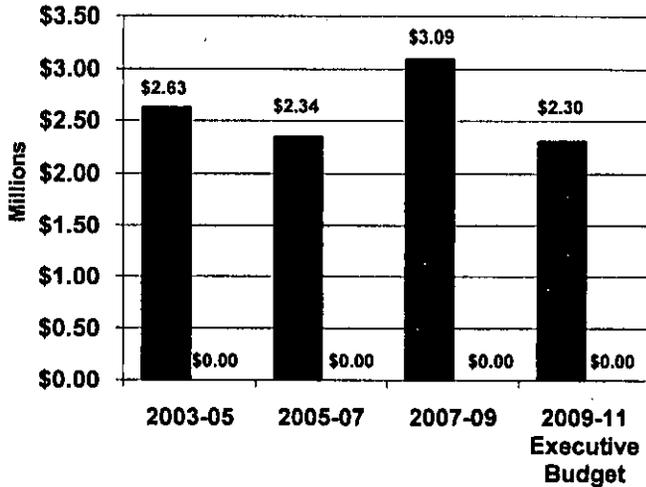
HB 1005

**Department 120 - State Treasurer
 House Bill No. 1005**

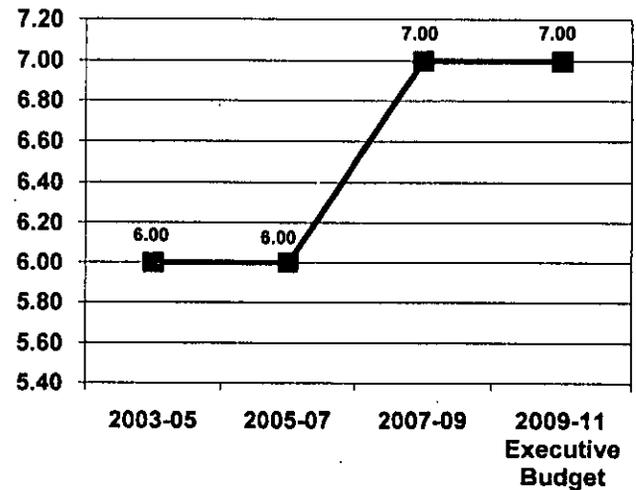
	FTE Positions	General Fund	Other Funds	Total
2009-11 Executive Budget	7.00	\$2,302,961	\$0	\$2,302,961
2007-09 Legislative Appropriations	7.00	3,094,086	0	3,094,086 ¹
Increase (Decrease)	0.00	(\$791,125)	\$0	(\$791,125)

¹The 2007-09 appropriation amounts include \$616 from the general fund for the agency's share of the \$10 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Agency Funding



FTE Positions



■ General Fund □ Other Funds

Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2009-11 Executive Budget	\$2,302,961	\$0	\$2,302,961
2007-09 Legislative Appropriations	2,325,858	768,228	3,094,086
Increase (Decrease)	(\$22,897)	(\$768,228)	(\$791,125)

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding to address salary equity issues (\$22,776) and related second-year salary increases (\$1,200)	\$23,976		\$23,976
2. Decreases funding for payments to counties in lieu of property taxes on carbon dioxide pipeline property from \$1,365,000 to \$1,211,000	(\$154,000)		(\$154,000)
3. Removes one-time funding provided for the 2007-09 biennium relating to a mainframe rewrite	(\$768,228)		(\$768,228)
4. Provides funding for temporary salaries	\$7,500		\$7,500

Other Sections in Bill

Section 2 provides for the statutory changes necessary to increase the State Treasurer's salary as follows:

Annual salary authorized by the 2007 Legislative Assembly:

July 1, 2007	\$72,253
July 1, 2008	\$75,143

Proposed annual salary recommended in the 2009-11 executive budget:

July 1, 2009	\$78,900
July 1, 2010	\$82,845

The executive budget recommendation provided funding for elected officials' salary increases equal to 5 percent of salaries effective July 1, 2009, and 5 percent effective July 1, 2010.

Continuing Appropriations

No continuing appropriations for this agency.

Major Related Legislation

Senate Bill No. 2091 - This bill provides that the Attorney General, rather than the State Treasurer, deposit gaming and excise taxes, monetary fines, and interest and penalties collected in the general fund.

Senate Bill No. 2145 - This bill removes the responsibility of the State Treasurer to register state bonds.

Significant Audit Findings

The operational audit of the State Treasurer conducted by the State Auditor's office during the 2007-08 interim included the following significant audit findings:

- Controls surrounding the coding of PeopleSoft transactions and approval of these transactions are inadequate; and
- The control environment at the State Treasurer's office has many deficiencies, which are primarily related to financial controls and controls surrounding compliance with laws and regulations.

House Bill 1005

Testimony

Kelly Schmidt
State Treasurer

House Appropriates/Government Operations
January 14, 2009

Mission and Purpose

The primary mission of the State Treasurer's Office is to fulfill our constitutional and statutory responsibilities in order to assure sound financial oversight and absolute safety of all public funds collected, managed and disbursed. We support this mission through our efforts in four functional areas:

1. Accounting and Receipting
2. Securities and Investments
3. Cash Management
4. Tax Collections and Distribution

The State Treasurer's Office has 7 FTE's...I have included an organizational chart for your reference.

Accounting and Receipting

The State Treasurer's Office is responsible for depositing and issuing receipts for income and expenditures for all state agencies.

This division also reconciles the State's accounts and is responsible for the proper management of accounting, human service and payroll checks to state agencies under the central accounting system.

Securities and Investments

The Treasurer serves as the custodian for all state funds and is the fiduciary of many. Our office provides ongoing investment management services for state agencies as well as many trust funds throughout state government. These funds include, but are not limited to:

- The General Fund
- Abandoned Mine Reclamation Fund
- Oil Tax Resource Fund
- Veteran's Post War Trust Fund
- Credit Sales Contract Indemnity Fund

We also provide investment management for over 10 agriculture commodity groups across the state of North Dakota. The majority of these investments are made through our **BidND** program.

To date, BidND has \$11.6 million invested in financial institutions across the state. By investing North Dakota dollars in North Dakota, BidND has strengthened local communities and enhanced opportunities for growth. I believe we are asking others to invest in North Dakota; it's time we invest in ourselves.

BidND works through a bid process administered through the State Treasurer's Office. We send out email bids...the highest rate receives the invested funds, the majority invested in 12 month CD's. Last week we received bids ranging from 1.03% - 3.40%

Cash Management

Cash management for the state of North Dakota involves the systematic gathering of information about the state's collections, disbursements, balances and the use of that information to manage effectively the funds available to the state. The forecasting and cash management expertise offered by the State Treasurer's Office is necessary to ensure the availability of sufficient funds to cover state obligations while optimizing investment earnings.

We have hit milestones this biennium in light of the \$1.3 billion in the state treasury. For the first time ever, a 365 day investment was made to the general fund. Interest income to the general fund ending November 2008 was \$30.8 million; \$6.5 million over the legislative forecast.

Tax Distributions

The State Treasurer is responsible for collection of various revenues from political subdivisions, including but not limited to the indigent defense administrative fund, the domestic violence prevention fund and district court fees.

Revenue distributions assigned to the State Treasurer's Office for distribution to local political subdivisions include:

Airline	Flood Control	Senior Mill Levy
City Cigarette	Forest Service	State Aid
City Motor Vehicle Rental	Highway	Taylor Grazing
City Occupancy	Homestead	Telecommunication Carriers
City Restaurant/Lodging	CO2 Pipeline	Township Road
City Sales	Medical Center Levy	Transmission Line
Coal Conversion	Mineral Royalty	Tribal Cigarette
Coal Severance	New Jobs Program	Tribal Highway
Estate Tax	Oil and Gas Production	
Financial Institutions	Oil Extraction	

ACCOMPLISHMENTS

Mainframe Tax Distribution Rewrite:

Last session we received \$768, 228 to Re-write our tax distribution system. This system contains 6 separate programs used to distribute millions of dollars to over 500 political subdivisions across the state.

The system we are replacing was written in the 1970's and was considered a high risk IT system critical to the State Treasurer's Office.

The new system will allow us to maintain and update system tables, which were once done by ITD. Additional functionality was added allowing us to make corrections rather than require re-input of an entire days work just to change one number.

- Oil and Gas was the first program to be updated. We began the parallel run with the old system in July. The January distribution will be our maiden voyage with the new system.
- Phase two, which includes the remaining distributions as well as the open check register, is currently in the testing phase. We look forward to a May completion date.

This project will come in **on time and under budget**.

ITD: Our agency was appropriated \$768, 228 in our current budget for the re-write of our tax distribution system. The project is now coming to the stage of completion and I am pleased to report we anticipate a final cost of \$515, 560. This will be a turn back of \$252, 668.

ITD was able to use employees rather than contractors as originally anticipated, thus saving costs. Our phase 2 development was not as complicated as was previously estimated thus, additional savings.

We anticipate a completion date sometime in May.

Efficiencies and Technology

- PeopleSoft, Access and Excel continue to change the way we do business in the Treasurer's Office bringing efficiency and accuracy to the process.

The process of managing Certificates of Deposit is just one area we have focused on. We have seen a significant increase due to the BidND program as well and the increase in deposits. In 2005 we managed the investment and management of 104 CD's for a total of \$326 million. Currently, our office has on the books 291 CD's totaling \$1.4 billion.

- We continue to promote the use of our website both internally and externally. This has helped to reduce costs in paper and postage, as well as, time and talent.

PLANS FOR THE 2009-11 BIENNIUM

Website Expansion

Continue to expand information on our website relating to account balances, income, spending and transfers.

Implement Positive Pay

Positive Pay is a service whereby we share out check register of all written checks and Automatic withdrawals with the Bank of North Dakota. The bank therefore will only pay checks listed in that register.

The State of North Dakota experienced several fraud attempts in the past biennium. These included an internet scam, mortgage scam and a lottery scam with total check and wire exposure of nearly \$500,000. Due to the excellent efforts of our staff, the State of North Dakota experienced no loss. Positive Pay will dramatically reduce our loss exposure to any fraud attempts.

Game and Fish Refunds

We continue to encourage Game and Fish to change the process in which they refund their licensing fees. Fees which are processed through a credit card should be refunded through the same channel. This would eliminate the processing in excess of 17,000 refund checks. This change in process would bring efficiencies to other state agencies including: Central Duplicating, Office of Management and Budget, Unclaimed Property Division of the Land Department, State Treasurer's Office and the Bank of ND.

Open Check Register

We will begin actively working our open check register in an effort to reduce our outstanding checks and reduce our transfer to Unclaimed Property.

As always, we will continue to work with other state agencies in an effort to identify processes which will bring efficiencies and cost savings throughout state government.

Conclusion:

Mr. Chairman, members of the committee....My staff and I are extremely proud of the accomplishments of our office and look to the opportunities ahead. We are also very proud to report an anticipated turn back of \$453,000.

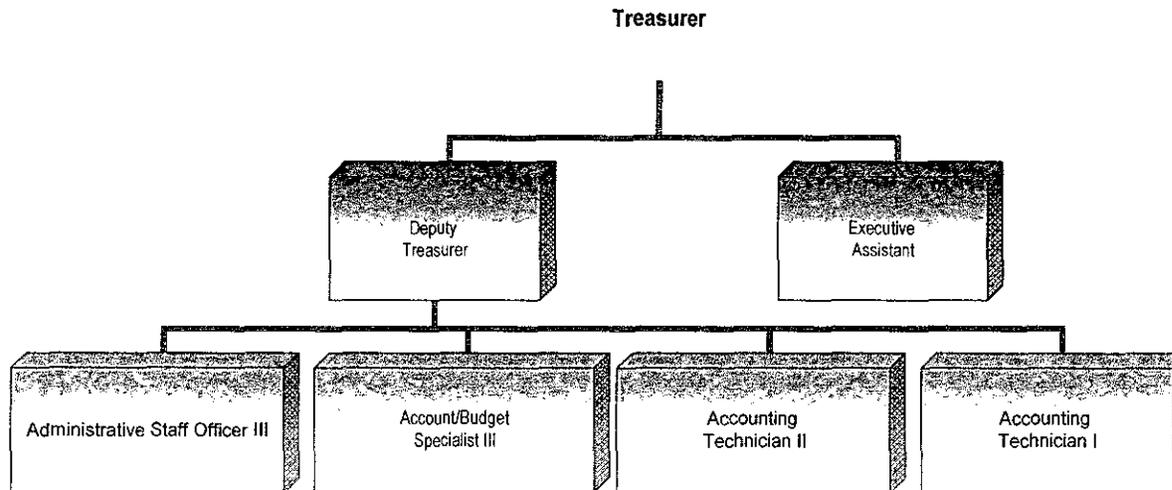
Anticipated general fund turn back

Salary	\$ 15,000
Operating	\$ 32,000
Tax Rewrite	\$ 252,000
CO2 Pipeline	\$ 154,000

TOTAL \$ 453,000

I would be happy to answer any questions before turning things over to my Deputy Lawrence Hopkins for a review of our financials.

State Treasurer's Organizational Chart



House Bill 1005
Testimony

Kelly Schmidt
State Treasurer

Senate Appropriations
February 25, 2009

Mission and Purpose

The primary mission of the State Treasurer's Office is to fulfill our constitutional and statutory responsibilities in order to assure sound financial oversight and absolute safety of all public funds collected, managed and disbursed. We support this mission through our efforts in four functional areas:

1. Accounting and Receipting
2. Securities and Investments
3. Cash Management
4. Tax Collections and Distribution

The State Treasurer's Office has 7 FTE's...I have included an organizational chart for your reference.

Accounting and Receipting

The State Treasurer's Office is responsible for depositing and issuing receipts for income and expenditures for all state agencies.

This division also reconciles the State's accounts and is responsible for the proper management of accounting, human service and payroll checks to state agencies under the central accounting system.

Securities and Investments

The Treasurer serves as the custodian for all state funds and is the fiduciary of many. Our office provides ongoing investment management services for state agencies as well as many trust funds throughout state government. These funds include, but are not limited to:

- The General Fund
- Abandoned Mine Reclamation Fund
- Oil Tax Resource Fund
- Veteran's Post War Trust Fund
- Credit Sales Contract Indemnity Fund

We also provide investment management for over 10 agriculture commodity groups across the state of North Dakota. The majority of these investments are made through our **BidND** program.

To date, BidND has \$11.6 million invested in financial institutions across the state. By investing North Dakota dollars in North Dakota, BidND has strengthened local communities and enhanced opportunities for growth. I believe we are asking others to invest in North Dakota; it's time we invest in ourselves.

BidND works through a bid process administered through the State Treasurer's Office. We send out email bids...the highest rate receives the invested funds, the majority invested in 12 month CD's. Last week we received bids ranging from 1.30% - 3.20%

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As always, we will continue to work with other state agencies in an effort to identify processes which will bring efficiencies and cost savings throughout state government.

Anticipated general fund turn back

Mr. Chairman, members of the committee....My staff and I are extremely proud of the accomplishments of our office and look to the opportunities ahead. We are also very proud to report an anticipated turn back of \$513,000.

Salary \$ 15,000**

**Remaining appropriation in salaries is due to \$7,500 in unused temporary salaries and \$7,176 of fringe benefits from health insurance premiums not required to be paid due to both spouses working for the state. This has recently changed.

Operating	\$ 32,000
Tax Rewrite	\$ 252,000
CO2 Pipeline	\$ 214,000

TOTAL GENERAL FUND TURNBACK

\$ 513,000

HOUSE AMENDMENTS:

Equity: The house pulled \$13,976 from our salary equity, leaving us with \$10,000. We had already moved \$3,309 from our operating line to our salary line to accommodate our needs.

We have 3 employees we continue to work to get to midpoint. **Our agency received \$600.00 from the equity pool for the current biennium.**

I am also asking for \$5,500 annually to help increase the wages of my deputy. Currently this position earns \$15,000 less than any other deputy in state government.

CO2 Pipeline: When the CO2 Pipeline payment was made in February, it was determined an additional \$60,000 in general fund dollars would be returned bring this number from \$1,211,000 to \$1,151,000.

Mr. Chairman this ends my testimony. I would be happy to answer any questions.



STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT 120, BISMARCK, NORTH DAKOTA 58505-0600
701-328-2643 FAX 701-328-3002
<http://www.treasurer.nd.gov>

Kelly L. Schmidt
State Treasurer

February 25, 2009

Senator Krauter
Senate Appropriations
Harvest Room

In response to your questions relating to our Audit Report for the biennium ended June 30, 2007.

- There were no significant changes in account policies, no management conflicts of interest were noted, no contingent liabilities were identified, nor significant unusual transactions.
(Pg. 3 Audit Report)
- No significant audit adjustments were necessary
(Pg. 3 Audit Report)
- Total fiscal impact for the entire audit was under \$30,000.

PEOPLESOFT CODING (see attached finding)

- Money's were deposited in the correct fund, there was no fiscal impact.
- This error was detected by our office prior to the audit process. The State Treasurer's Office has implemented additional procedures to address the issue.

COAL SEVERANCE (see attached finding)

- This distribution affected seven school districts and two counties. Payment error's ranged from \$2,159 to \$2,758. This error was detected by our office prior to the audit process and corrections were made with the March 2007 distribution.

OIL AND GAS (see attached finding)

- This error totaled \$27,708 due the state from the City of Medora.
- Our priorities were placed on the corrections owed the political subdivisions rather than those owing the state. This correction was completed in March 2008.
- Due to 2007 legislative changes this will no longer be a factor in the oil and gas distribution.

If you have additional questions, please feel free to contact my office.

Sincerely,

Kelly L. Schmidt
State Treasurer



CODING AND APPROVAL CONTROLS WEAKNESS

Finding 07-1

Controls surrounding the coding of PeopleSoft transactions and approval of those transactions are inadequate. The State Treasurer's Office is responsible for transferring millions of dollars between funds using account codes developed by the Office of Management and Budget (OMB) which allow for the proper accounting and reporting of these transfers. Although monies were transferred to the correct funds, our audit identified a significant number of transfers for which incorrect transfer codes were used and were not detected by management during the approval process.

Using incorrect transfer codes had the following effects:

- Reports generated from PeopleSoft to determine where funds were transferred to/from do not accurately reflect the transfers for oil and gas tax distributions as well as coal tax distributions;
- Additional analysis and adjustments of the PeopleSoft data related to the transfers incorrectly coded by the Office of State Treasurer must be performed by OMB to ensure compliance with Generally Accepted Accounting Principles during preparation of the state's Comprehensive Annual Financial Report;
- There is an increased risk of material misstatements going undetected by the Office of State Treasurer as the approval function is not operating effectively.

OMB developed account codes in PeopleSoft and through training has instructed agencies to use the proper account codes when recording transactions into PeopleSoft. In addition, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework defines many different types of control activities including checks for accuracy and authorization of transactions. This framework dictates that control activities such as approval must be performed thoughtfully, conscientiously, and consistently to be effective.

Audit Recommendation
and Agency Response

Recommendation:

We recommend the Office of State Treasurer:

- Ensure all transactions recorded on PeopleSoft are coded properly; and
- Develop an approval process that will ensure transactions recorded on PeopleSoft are proper.

Office of State Treasurer Response:

We agree that incorrect transfer codes were used. Our office has implemented additional procedures to track transfer codes as part of the fund balance reconciliation and we will take more care in properly coding and reviewing transfers to ensure coding issues are minimized in the future.

Finding 07-4

COAL SEVERANCE TAX DISTRIBUTION

The monthly distribution of coal severance taxes made in November 2006 was incorrect.

The Office of State Treasurer did not properly distribute amounts between coal producing and non-coal producing counties when any portion of the latter county lies within 15 miles of the tippie (the initial place where the coal is unloaded after being severed from the mine). NDCC section 57-62-02 limits payments to those non-coal producing counties by stating that revenue derived from the production exceeding 3.4 million tons in a calendar year is to be allocated entirely to the coal producing county. The distribution completed in November 2006 was made to a non-coal producing county even though the production limitation had been met.

As a result of the error noted, incorrect amounts were distributed to seven school districts and two counties. The school districts received incorrect amounts, ranging from an underpayment of \$2,758 to an overpayment of \$2,788. Morton County received more than it should have and Oliver County received less than it should have by approximately \$2,159.

The Office of State Treasurer corrected the distribution error in the March 2007 distribution.

Audit Recommendation
and Agency Response

Recommendation:

We recommend the Office of State Treasurer monitor the production and apply the proper production limitation for counties and schools subject to tippie when calculating the coal severance tax distributions in accordance with NDCC section 57-62-02.

Office of State Treasurer Response:

We agree that the cap was exceeded. We will no longer rely on the Tax Department to notify us when the cap is met. We will now take the individual monthly amounts certified to us by the Tax Department and total them ourselves to ensure the cap is not exceeded in the future.

OIL AND GAS TAX DISTRIBUTION

The monthly distribution of oil and gas production taxes made in November 2006 was incorrect.

The Office of State Treasurer did not calculate the per capita limitation on an annual basis. Subsection 3 of section 57-51-15 of the North Dakota Century Code (NDCC) limits the amount of oil and gas production tax distributed to cities to \$500 per capita. However, in determining the population for any city in which total employment increases by more than 200% seasonally due to tourism, a special calculation is necessary. The only city in North Dakota affected by this special calculation is Medora. The calculation of the population starts with the last official federal decennial census and adds numbers based on seasonal employees and visitors. The last time the Office of State Treasurer updated the population number used in determining the per capita limitation was 1998. The number should be calculated annually based on the employment and visitor information for the prior year.

During the current audit we tested fiscal year 2007. Fiscal years 2005 and 2006 were tested during the previous audit. The Office of State Treasurer did not correct the overpayments made to Medora noted in the previous audit and during the current audit an additional overpayment was noted. The total combined overpayment to Medora (underpayment to Billings County) for fiscal years 2005, 2006, and 2007 was \$27,708.

Audit Recommendation
and Agency Response

Recommendation:

We recommend that the Office of State Treasurer:

- 1) Compute Medora's population on an annual basis for purposes of determining the per capita limitation; and
- 2) Work with Billings County and the city of Medora to correct the overpayments made to Medora for fiscal years 2005, 2006, and 2007.

Office of State Treasurer Response:

We agree that the cap was exceeded. We will ensure audit findings are addressed and corrections made in a timely manner. Corrections for the errors were completed in March 2008. The 2007 legislature removed the \$500 per resident cap from all cities, thus the calculation to increase Medora's population is no longer necessary.

12000 - Treasurer's Office

Appropriation Status Report

Oper. Unit: 120 - Treasurer's Office

	2005-07 Biennium Expenditures	2007-09 Appropriation	2007-09 Projected Expenditures	Remaining Appropriation	2009-11 Recommendation
Expenditures by Line Item					
12010 Salaries and Wages	631,218.00	826,071.00	811,395.00	14,676.00 *	960,483.00
12030 Base Operating Expenses	142,894.00	134,787.00	105,000.00	29,787.00	131,478.00
One Time Expenses		768,228.00	515,560.00	252,668.00	0.00
12070 In Lieu of Tax Payments	1,443,329.00	1,365,000.00	1,210,652.00	154,348.00	1,211,000.00
Total Expenditures	2,217,441.00	3,094,086.00	2,642,607.00	451,479.00	2,302,961.00
Expenditures by Funding Source					
General Fund	2,217,441.00	3,094,086.00	2,642,607.00	451,479.00	2,302,961.00
Federal Funds	0.00	0.00	0.00	0.00	0.00
Special Funds	0.00	0.00	0.00	0.00	0.00
Total Expenditures by Source	2,217,441.00	3,094,086.00	2,642,607.00	451,479.00	2,302,961.00

	2005-07 Biennium Expenditures	2007-09 Appropriation	2009-11 Appropriation	\$ Change	% Change
Expenditures Excluding One Time Expenditures					
12010 Salaries and Wages	631,218.00	826,071.00	960,483.00	134,412.00	16.3%
12030 Base Operating Expenses	142,894.00	134,787.00	131,478.00	(3,309.00)	-2.5%
12070 In Lieu of Tax Payments	1,443,329.00	1,365,000.00	1,211,000.00	(154,000.00)	-11.3%
Total Expenditures	2,217,441.00	2,325,858.00	2,302,961.00	(22,897.00)	-1.0%

* Remaining appropriation in salaries is due to \$7,500 in unused temporary salaries and \$7,176 of fringe benefits from Health Insurance premiums not required to be paid due to both spouses working for the state.



HISTORY OF ELECTED OFFICIALS' SALARY INCREASES

This memorandum provides information on salary increases for elected officials. The table below presents information on salary increases and other salary adjustments for elected officials, excluding the judicial branch, which were authorized by the Legislative Assembly for the 1997-99 through 2007-09 bienniums and the executive recommendation with proposed legislative adjustments for the 2009-11 biennium:

Biennium	Salary Increases	Other Salary Adjustments
1997-99	3 percent for each year of the biennium	Equity adjustments were provided for all elected officials, except the Governor, based on a survey of similar positions in neighboring states.
1999-2001	3 percent for each year of the biennium	
2001-03	3 percent effective July 1, 2001 2 percent effective July 1, 2002	Equity adjustments were provided for all elected officials, except the Governor and State Treasurer, based on a survey of similar positions in neighboring states.
2003-05	1 percent effective January 1, 2004 2 percent effective January 1, 2005	
2005-07	4 percent effective July 1, 2005 ¹ 4 percent effective July 1, 2006	
2007-09	4 percent effective July 1, 2007 ¹ 4 percent effective July 1, 2008	Provisions of 2009 House Bill No. 1003 increase the salary of the Attorney General on July 1, 2011, to be the same as a North Dakota Supreme Court justice. In lieu of the 5 percent annual salary increases for other elected officials, provisions included in 2009 House Bill No. 1005 increase the salary of the State Treasurer by 11.2 percent on July 1, 2009, and 5 percent on July 1, 2010, to reflect the same salary as the State Auditor, Secretary of State, and Insurance Commissioner.
2009-11	5 percent effective July 1, 2009 5 percent effective July 1, 2010	

¹The Governor and Lieutenant Governor received a 2 percent salary increase for fiscal years 2005 and 2007.

Salary Comparison

	FY 08	FY 09	FY10	Difference
Attorney General	87,351	91,719	96,304	(13,459)
Tax	86,360	90,678	95,212	(12,367)
PSC	81,743	85,830	90,122	(7,277)
Agriculture	81,743	85,830	90,122	(7,277)
Auditor	79,751	83,550	87,728	(4,883)
SOS	79,751	83,550	87,728	(4,883)
Insurance	79,751	83,550	87,728	(4,883)
Treasurer	75,143	78,900	82,845	

Labor - 70,800
 sec. 26,368

Alcohol Tax
 2000

A. Reduced salary