

2009 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2135

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2135

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 01/08/09

Recorder Job Number: 6681

Committee Clerk Signature *Katie Auel*

Minutes:

Chairman Dick Dever called the committee to order.

Attendance was taken and all members are present.

Kelly Schmidt: North Dakota State Treasurer (see attached testimony #1)

Senator Nelson: Concerned about audit problems. What does the auditor think about putting off to the next payment that you make to that entity?

Kelly Schmidt: When the bill submitted in 2005 session we should have had it say may. We are trying to bring cost effective measures with the best of our ability.

Senator Nelson: On the other side, is it fair to the consumers to wait for the money?

Kelly Schmidt: These are not consumers rather political subdivisions and to them it makes no difference.

Senator Horne: The correction would be made soon, but not precisely at the time that it is discovered.

Kelly Schmidt: That is correct. Anything under \$50

Senator Horne: What is the break off point?

Kelly Schmidt: It depends on the distribution. For the most part \$50-\$100 being the threshold.

Senator Nelson: Who or what is the Bond Market Foundation?

Kelly Schmidt: Nonprofit 501c3 organization developed after September 11, 2001. Developed in co-op with financial firms to help folks deal with the crisis and have a safe place to learn jargon and details before they go to a broker.

Senator Nelson: Were there other options or BMF the only one and have they been endorsed by any state agency?

Kelly Schmidt: The National Association of State Treasurers Foundation is particular on what we pair with. So we have looked and declined several partnerships through our clearinghouse that doesn't meet our criteria.

Senator Nelson: I noticed that the state seal was on the left hand side of the website, and that implies state approval.

Kelly Schmidt: We sought approval from the Secretary of State. We have a letter stating that we are in compliance with state law.

Senator Horne: Doesn't the state securities office do financial education promotions? Is this in competition with that?

Kelly Schmidt: The security commission gives education to the educators. The information that we provide is for the people of the state. I also work with ND jumpstart collation & we have started a clearinghouse here and if we can bring tools to the state without cost, this website that is on our link, we have spent no dollars, on the development. If we can bring tools to our constituents I feel it is in our best interest.

Senator Dever: The security commissioner education involves personal finance or is that more stock market investments?

Kelly Schmidt: To my knowledge that is correct. And we work in co-op with the ND jumpstart collation which is an organization of non profit, government, non government and educational entities that come together for the betterment of financial literacy statewide.

Senator Dever: Are you prevented from doing this now? Is the purpose of this being here to make a policy statement?

Kelly Schmidt: I am not prevented from doing it because the National Association of State Treasurers on a national level provides this information and works through financial literacy so as a state treasurer and a member of the National Association of State Treasurers I can continue to work with the programs. However I thought it was important to bring transparency and to make sure that we include the information if we are working with it.

Senator Dever: Am I correct that the tax commissioner's office that there is a liability less than \$5 they don't worry about it?

Kelly Schmidt: I don't know

Senator Nelson: We have a contract with vanguard

Kelly Schmidt: The Bank of ND has a contract with vanguard to facilitate our 529 plan.

Senator Cook: Am I to understand the auditor ginged you because you did not correct it with a special check?

Kelly Schmidt: Mr. Chairman I would like my deputy to address that. He worked with the audit and he has worked with some of the issues.

Lawrence Hopkins: for the record I am Lawrence Hopkins, Deputy State Treasurer. What we want is the flexibility and freedom to be cost efficient and effective. The tax department does have a \$5 threshold and this would allow us to do that.

Senator Dever: Other questions.

Senator Horne: This would not require additional staff?

Kelly Schmidt: Yes that is correct; we are requesting no staff and no additional dollars.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2135

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 1/9/08

Recorder Job Number: 6740

Committee Clerk Signature

Kate Owsen

Minutes:

Gordy Smith: Senator Honre stopped by and asked us to take a look at this bill. The only concern we have is on the last page. Using the work "may" typically that means that the agency has a choice or whether they are going to refund these. Most of them have a computer formula the problem is that if the law changes so a distribution changes when they went in and make a computer change there has been mistake there? Some information they get from other department and sometimes there have been mistakes there. I guess in saying "may correct" the concern I have is as lawmakers you deserve the right to have some assurance that in fact it has been distributed in that manner according to that political subdivisions especially some of the smaller school districts and cities. Our concern is that they "may" makes these adjustments if the issue is materiality there certainly is language that can be put in the tax department. If that is a concern it is legitimate. What criteria would they use in deciding correcting one verses the other?

Senator Cook: Has there ever been an error that has not eventually been corrected.

Gordy Smith: To my knowledge no.

Senator Cook: Is there a time frame for how quick it has to be corrected?

Gordy Smith: To my knowledge no. And I think that is a valid concern; right now there is nothing in the quota. I have no problem if they want to wait to the next distribution to make it better than try and generate checks if they found something. I don't think that is a bad idea either.

Senator Cook: I think one of things that they want to accomplish with the word 'May' was to set that minimum threshold like \$5 or something like that. I would think in that position that there is no motive not to correct it if you are going to be a state treasurer to get the money out and do it in the right and efficient manner. Maybe the best thing is for the auditor's office and treasurer to sit down and have a conversation.

Senator Dever: The impression that I got yesterday in the testimony is the treasurer is that their only interest is having the flexibility in dealing with the smaller amounts and they would set the amounts so for us to adjust it would be for us to set the amounts.

Senator Cook: The motive here is if the treasurer did not correct something the agency that got shorted is going to have a lot of people listen to their concern. I would be happy if there was another way accomplish what the intent of bill and find some language that we could look at.

Gordy Smith: We would certainly are very happy to work with them to try and come up with something. The only thing is that a person has to take a look at how would a city find out that there was something that was not distributed correctly. Because presently the way it has been done is that the auditor's office did the audit then we found problems and worked with the treasurer's office to change what is necessary to make sure. There are a lot of these distributions and we don't check everyone every year we try and rotate them.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2135

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 01/15/09

Recorder Job Number: 7048

Committee Clerk Signature

Kate Auer

Minutes:

Senator Dever: SB 2135 involves payments by the treasurer the state auditor came down and had some discussion and they got together and put together and amendment.

Kelly Schmidt: You have before you and amendment to SB 2135 this is a cooperative effort between our office and the state auditor's office so that we can comply and have the flexibility to provide efficiencies in the distributions we do within our office. I would be happy to answer any questions and would appreciate a do pass.

Senator Dever: Has everyone had a chance to look through that?

Kelly Schmidt: Amendment for SB 2135 an effort to distribution within our office we replaced 'May' with 'Shall'. We are in communication with our political subdivisions always and will continue.

Senator Nelson: Does this work both ways?

Kelly Schmidt: Absolutely.

Senator Dever: I would imagine that the paperwork involved with these is as much of a concern to the political subs as it is to the treasurer.

Kelly Schmidt: Absolutely. We have some distributions we only do once a year.

Senator Ohelke: This seems like a common sense approach. You want to do all you can to streamline things and still get the best service to the people.

Senator Horne: With this amendment your department would identify through policy what is considered to be an insignificant amount, let's say it's less than \$5. You would not pay them at all or would you pay them at a more opportune time?

Kelly Schmidt: We would pay them when the timing is better.

Senator Dever: Any other questions?

Senator Cook: I move the amendment

Senator Horne: I second.

Senator Dever: Is there any discussion? If not we will ask the Clerk to call the roll.

Roll was taken, with 5 yea, 0 nay, and 0 absent or not voting.

Senator Cook: I move a do pass as amended on SB2135

Senator Horne: I second

Senator Dever: Is there any discussion? If not we will ask the Clerk to call the roll.

Roll was taken with 5 yea, 0 nay, and 0 absent or not voting.

Senator Dever: Motion is carried.

Senator Cook: I will carry.

JB
1-15-9

PROPOSED AMENDMENTS TO SENATE BILL NO. 2135

Page 3, line 17, replace "May" with "Shall"

Page 3, line 18, after "treasurer" insert "in a timely manner. An adjustment of an insignificant amount need not be made at the discretion of the state treasurer. The state treasurer shall adopt a written policy identifying what is considered insignificant"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2135, as amended, Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (05 YEAS, 00 NAYS, 00 ABSENT AND NOT VOTING). SB 2135, as amended, was placed on the Sixth order on the calendar.

Page 3, line 17, replace "May" with "Shall"

Page 3, line 18, after "treasurer" insert "in a timely manner. An adjustment of an insignificant amount need not be made at the discretion of the state treasurer. The state treasurer shall adopt a written policy identifying what is considered insignificant"

Renumber accordingly

2009 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2135

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. Senate Bill 2135

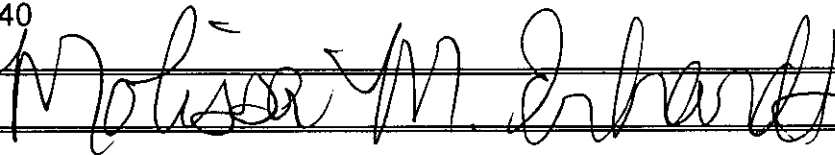
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 2/27/2009

Recorder Job Number: 9840

Committee Clerk Signature



Minutes:

Vice Chairman Randy Boehning: Open the hearing on SB 2135. Clerk read the title.

Kelly Schmidt, North Dakota State Treasurer: Testimony. Attachment # 1.

Vice Chairman Randy Boehning: What is an insignificant amount?

Kelly Schmidt: That is one of those questions that we have been having for some time and I think the Tax Department has a five dollar amount that they have been using as their threshold and I guess it would be relative. I am saying like under \$20, right now we have a \$1.92 sitting in our state tax distributions that we need to rectify, and we only do that distribution once a year and darn it I am not wanting to do an entire distribution for a \$1.92. There may be times when a political subdivision owes the State, I don't see that as critical as when the State owes the political subdivision and maybe we can wait a couple of months to bring in that \$1100 or what have you. But we want to be able to establish a policy that

just helps us do the common sense things and we will establish that policy in cooperation with the Auditor's office.

Vice Chairman Randy Boehning: On a side note, on your website, the Military Service Center, the National Guard, are you aware of the new facility and services. I have not been there but Rep. Karls has and she has said that it is very nice and they have done a great job.

Kelly Schmidt: Very much so and I also serve on the Interservice Family and (can't understand) Committee and I do that as a mom and a parent, but also as a State Treasurer. So we continue to bring more resources and it gives me an opportunity to hear what those folks need and how we can help adjust some of these things.

Vice Chairman Randy Boehning: Any questions for Treasurer Schmidt? Favor? Opposition? Closed the hearing on SB 2135.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. Committee Work One 2135

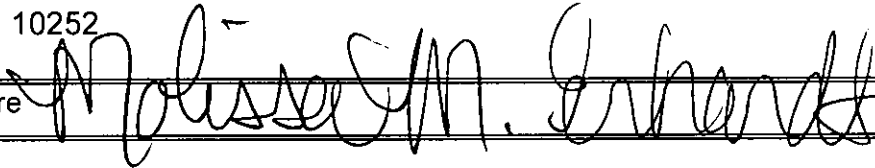
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 3/5/2009

Recorder Job Number: 10252

Committee Clerk Signature



Minutes:

Committee Work One:

Chairman Grande: We will have discussion on SB 2135.

Vice Chairman Randy Boehning: Basically what the bill is doing is streamlining there office a little bit because if they need to make a small adjustment, like a dollar or two, it costs them way more to do it and then the time frames they have to do it in. On Page 3, Line 22-23, they work to promote access to financial education tools. They have a website set up or is going to set one up to promote financial education tools in ND, it is not going to cost anything. Then right above that is to adjust an insignificant amount, so if you have a two dollar mistake in there you don't have to go through a bunch of authority to switch it around she just basically wants to streamline that up and so some rewording changes in the bill too.

Rep. Karls: Move for a Do Pass.

Rep. Wolf: 2nd.

Chairman Grande: We have a Do Pass motion by Rep. Karls, 2nd by Rep. Wolf.

Discussion? Clerk will call the roll on a Do Pass.

Clerk Erhardt: Roll Call: Yes: 12. No: 0. Absent: 1. Carrier: Rep. Karls.

Date: 3/5/19
 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2135

House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Karls Seconded By Wolf

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande	✓		Rep. Amerman	✓	
Vice Chairman Boehning	✓		Rep. Conklin	✓	
Rep. Dahl	✓		Rep. Schneider	✓	
Rep. Froseth	✓		Rep. Winrich	✓	
Rep. Karls	✓		Rep. Wolf	✓	
Rep. Kasper	✓				
Rep. Meier	✓				
Rep. Nathe	✓				

Total (Yes) 12 No 0

Absent 1

Floor Assignment Rep. Karls

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

REPORT OF STANDING COMMITTEE

SB 2135, as engrossed: Government and Veterans Affairs Committee (Rep. Grande, Chairman) recommends **DO PASS** (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2135 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2135

Testimony in Support of

Senate Bill 2135

Kelly Schmidt
North Dakota State Treasurer

Government and Veterans
Affairs

January 8, 2009

SB 2135 amends section 54-11-01 of the ND Century Code relating to the duties of the Office of State Treasurer.

The majority of the changes relating to this bill are a direct result of the changes we have experienced in technology and also the implementation of our central accounting system...namely PeopleSoft.

There have been some additions added which bring this section into the uniform wording of Century Code.

The exception of this would be Page 3, Line 17. In order to provide cost efficiency to the correction process, we have included "may". We have found there are many times when a correction must be made which costs the state more in processing than the cost of the refund. We would like to have the flexibility to implement a policy relating to the threshold of repayment based on the each tax distribution we process.

The remaining change is the inclusion which would allow the Office of State Treasurer to promote and access tools relating to financial literacy.

The National Association of State Treasurers has been in the leadership role of financial literacy for years. This is an effort to enable state treasurers in their positions as public servants to provide opportunities to educate citizens on the value and management of savings, as well as other personal financial management needs, from birth to retirement. The Foundation maintains a clearing house of information and develops opportunities for treasurers interested in implementing financial literacy programs.

I am very proud to serve as chair of the NAST Foundation which promotes financial literacy on a national level. The NAST Foundation has established a partnership with The Bond Market Foundation (BMF) provides "**The Gateway Initiative**" that is a Web-based program (Tomorrow's Money) that brings an enormous amount of financial material to the consumer in the form of a Web site that state treasurers may design and link to their Web page. The NAST Foundation has worked hard to develop this unique program and many treasurers utilize this state specific link to provide their citizens access to information that will help them find the resources they need to make sound financial decisions. This is provided free of charge by the BMF. Nothing is bought or sold on the site. In addition the BMF provides continual updates to the material as well as new and unique information that match local events, such as base closings, natural disasters etc.

North Dakota has played a unique role in the military component of this site. Based on our military involvement in the Global War on Terror and my role as a parent of a deployed son, we were able to implement financial tools for deployment. This component is used on site across the nation and is included in the financial readiness package at the Minot and Grand Forks Airbases.

North Dakota along with 32 other states participate in the Gateway Initiative.

My chairman this ends my testimony...I am free to answer any questions.

Attachment
#1

Testimony in Support of

Senate Bill 2135

Kelly Schmidt
North Dakota State Treasurer

Government and Veterans
Affairs

February 27, 2009

SB 2135 amends section 54-11-01 of the ND Century Code relating to the duties of the Office of State Treasurer.

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There have been some additions added which bring this section into the uniform wording of Century Code.

The exception of this would be Page 3, Line 17. We have found there are many times when a correction must be made which costs the state more in processing than the cost of the refund. We would like to have the flexibility to implement a policy relating to the threshold of repayment based on the each tax distribution we process. The original bill included "may"; however, the Senate amendments found in the engrossed bill gave us the discretion to address insignificant amounts and the opportunity to address the issue with an agency policy.

The remaining change is the inclusion which would allow the Office of State Treasurer to promote and access tools relating to financial literacy.

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