

2011 SENATE APPROPRIATIONS

SB 2002

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2002
January 12, 2011
12828

Conference Committee

Committee Clerk Signature 

Explanation or reason for introduction of bill/resolution:

A bill for an Act to provide an appropriation for defraying the expenses of the office of the secretary of state and public printing.

Minutes:

See attached testimony - #1

Chairman Holmberg called the committee hearing to order on SB 2002.
Tad H. Torgerson - OMB and Sheila M. Sandness – Legislative Council.

Al Jaeger, Secretary of State, State of North Dakota
Testimony attached - # 1.

Chairman Holmberg commented that Secretary Jaeger is one of the longest serving secretaries of state to which **Secretary of State Al Jaeger** replied that he's the 2nd longest serving active secretary of state in the nation.

He thanked the committee for their assistance two years ago. Last biennium, he asked for and received one FTE, a high level accountant, and he introduced Renae Blom who is the new FTE.

He covered Public Printing; Agency Overview; Election reform line; Agency major accomplishments; Demand for Services; Agency history of revenue and expenditures; Agency program cost; Agency future critical issues; Agency optional requests. All are covered in his testimony.

Chairman Holmberg said that on election night, everyone could find the information they needed on the SOS website. The Secretary thanked him and said that the website was one of their major accomplishments.

Al Jaeger said that every race that was printed on the ballot would be on the website and reported into the system. Any city elections or school board elections that were on the ballot could be found on the website. He had complaints that some cities were not on the site, but they used paper ballots separate from what was scanned.

As of September 30, the interest earned in the department is over \$1.2 M and is in the general fund.

The demand of the secretary of state's office has greatly increased. Since he took office, the legislatures have approved legislation for LLCs, LLPs, and their workload has greatly increased. He has regular employees who are experienced and needed them to work overtime. There are a number of reasons for overtime, one being mixed boxing styles because the Secretary of State is also the State Athletic Commissioner – or known as the State Boxing Commissioner. He explained their duties and the events average more than one a month.

Senator Grindberg: Is that an archaic law that the secretary of state needs to be involved with?

Al Jaeger said there's a history and it's in his bi-annual report which tells how the secretary of state even ended up with the duty. Should there be a board to do this?

Senator Grindberg: Why do we care? If two people go into the ring and fight, do we have to weigh them?

Al Jaeger: First of all, you passed the laws to authorize the mixed martial arts. The other thing is that it has to be regulated or do away with it because there are health and safety issues. We license and make sure there is a physician there. Even things like making sure hand wraps are done properly. If someone was wrapped and had something in their fist, that's a lot more power. The public is demanding because of the number of events. Whether I like it or not, it falls under me.

Senator Christmann: Do we charge that promoter, fair or casino?

Al Jaeger: Yes there are fees. We collect a percentage of the gate and one bill coming through establishes a minimum of \$500 but usually our return is greater than that. Two staff people can't do it by themselves. There is an appointed commission and need to cover their per diem and travel. Because it's a requirement for me, I've been paying for it out of my budget.

(Continuing on page 3, item #3)

All business in state has to register in his office.

Senator Grindberg questioned the size of the Excel document that are put on internet and **Al Jaeger**, along with the assistance of **Mike Ressler**, ITD explained the searchable document website need.

Al Jaeger continued with the optional requests on page 8.

He concluded his testimony and asked support of his budget and optional requests.

Senator Robinson: (to **Mike Ressler**) With the budget structure and ITD involved, are we going to enter into a new contract. Do we re-negotiate? You mentioned 18-20 months for completion. What is the status right now?

Al Jaeger: The governor said ITD has to be involved. We still have a contract and currently working with our attorney to come up with a method to deal with that contract. It

might be that ITD will contract with the present vendor. The present vendor ran into problems but the product developed so far is fantastic. We just need to get it to completion. It may turn out that ITD would contract with that vendor or they could do part of it internally. We just need to go through the legalities of how we're going to do it.

Senator Robinson: Under the terms of the existing contract, do we have a financial obligation to this company if ITD elects to go with different contractor?

Al Jaeger: As I understand the contract, payment to them is subject to legislative appropriation.

Senator Robinson: Serving on the IT committee, we often hear of all of the project failures. We know it's not an exact science but there are concerns.

Al Jaeger explained the 1st project with NC. Although funds were spent, there were many valuable lessons learned. They changed some internal processes and there is completely different oversight.

Senator Warner: Could you tell me the year this was initially authorized and the total dollar amount that was expended to this point?

Al Jaeger explained the mechanics of the project and the costs and said the NC project was about \$7-800,000.

Senator Fischer commented on the contracts and the vendors are not required to take much risk and wondered if there is a reason the liquidated damages are not put in contracts.

Mike Ressler, Deputy CIO, Information Technology Department

Explained how the contracts have been improved over the last 4-5 years. We have language in the contracts where if there is a breach, we have ability to cancel the project. This is a good example. They've worked with AG office and can take out performance bonds but the vendor just adds it to the cost of the project.

Conversation continued on performance bonds.

Al Jaeger said they ran into a set of circumstances where the vendor had a bad financial situation. He said the process was specific and serious and this type of product is really needed by other secretary of state's offices. This company has even developed software that is being used by the Army in the wars over in the far east.

Al Jaeger concluded his testimony and thanked committee.

Chairman Holmberg closed the hearing on SB 2002.

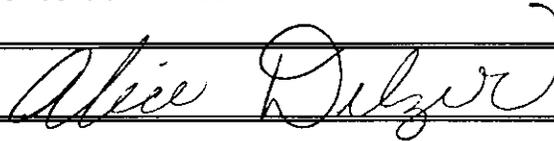
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2002
01-25-11
Job # 13373 (Meter 2.27-6.11)

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A DISCUSSION ON THE SECRETARY OF STATE BUDGET (Several bills were discussed on this Job: 2001, 2002, 2003, 2004, 2005, 2009, 2012, 2013, 2018, 2020)

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg called the committee to order on 1-25-11 at 1:30 pm for general discussion with full committee. Joe Morrissette, OMB and Becky J. Keller, Legislative Council were also present

Chairman Holmberg: We will look at SB 2002, Secretary of State. There are no FTE changes. He didn't ask for anything more that I recall. He gave us the information that he doesn't have anything to do with printing the Century code, that someone else tells him what to do and he does it, and this is what the price is. Is there any issue there that needs looking at or should we just pass it?

Senator Warner: Just in general I have some software questions, some IT issues. One specifically I would like to look at is the business portal that he's been talking about for several bienniums. We've given him authorization should we get the money from franchise fees, from businesses which incorporate, I think that has a \$400,000 fiscal note and it's only bringing in \$40,000 a biennium. It will take forever to generate the money. I think we should look at if the business portal is important, and it probably is, we should finance it in a way that actually is going to happen in any of our lifetimes, or if it's not important then maybe we should drop the issue and divert that money back into the general fund. Is the business portal a good idea or not?

Chairman Holmberg : Senator Wardner, do you want to work on that? Who carried the bill the last time? Ok, Senator Warner and I carried it before.

V. Chair Grindberg: the funding was tied to a change reposition ND a shared governance in publicly traded companies domiciled in the state and compete with Delaware if you will. I don't think that has gained much attraction. I think there has been 1 or 2 or 3, and why I don't know but I know that in the world of ? trading companies I think Delaware has a lock but there was a time when the governance major corporations was being challenged as far as really having the public and investor input. So I don't know if we will ever get to that funding level based on

the last couple of years, but maybe a review for the full committee on what that business engine is suppose to do would be helpful.

Senator Warner: There was a really interesting story on public radio on Delaware's Gemini on this issue. The article was it wasn't that their laws were so different but the court system was so efficient at handling corporate cases. They had specialist courts that did that and they were really good at moving it through in a hurry, that and the proximity to New York, where a lot of these companies are actually based. I would like some discussion on the specific issue of the business portal, if it's something we should be looking at, if it is important we should fund it another way, something that's actually going to work. And if it's not important maybe we should just drop it.

Chairman Holmberg: Let's have Senators Wardner, Grindberg and Warner meet maybe once either gathering some information or meeting with the Secretary of State and then move on.

The discussion was closed on SB 2002.

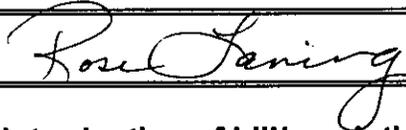
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2002
February 10, 2011
Job #14317

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A committee vote on the Secretary of State budget.

Minutes:

You may make reference to "attached testimony."

Senator Wardner The secretary of state's office has a \$16.1M budget. It's \$2.4M decrease over last biennium and the cuts come in the one-time spending. There is an increase in ongoing spending which goes up about \$426,000. It's an 8% increase for salaries, cost to continue and cost of operations. Everything is pretty necessary

Senator Wardner they do bring in revenue. Approx. \$8M of their general fund appropriation of \$9.3M is covered by fees they generate for the state.

Senator Wardner moved Do Pass on SB 2002.
Senator Fischer seconded.

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0

Senator Wardner will carry the bill.

Date: 2-10-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2002

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Wardner Seconded By Fischer

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE

SB 2002: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO PASS**
(13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2002 was placed on the
Eleventh order on the calendar.

2011 HOUSE APPROPRIATIONS

SB 2002

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

SB 2002
3/10/11
15232

Conference Committee

Committee Clerk Signature

Shirley Branning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the secretary of state and public printing; to provide an exemption; and to amend and reenact section 54-09-05 of the North Dakota Century Code, relating to the salary of the secretary of state.

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: The Committee was brought to order to hear SB 2002, Secretary of State, noting that everyone is present. **Sheila Sandness, Legislative Council Representatives**, provided information from the *Comparison of Proposed State Employee Salary Increases and Related Cost to Continue*.

Sandness: Provided an explanation of Handout # 1 discussion initiated in SB 2021.

Chairman Skarphol: The Secretary of State, Alvin Jaeger was introduced.

Jaeger: He introduced staff present, (none signed the Registration sheet). Prepared testimony provided, see Attachment # 1.

Chairman Skarphol: On that topic, I get the LexisNexis CDs in the mail and I don't use them, I go on line to get the Century Code. Is there any way to remove it from the bidding process?

Jaeger: You would have to ask Legislative Council, I have no say. At the beginning we send a letter to each one of you and ask if you want a hard copy. It is a mandate.

Chairman Skarphol: You have reduced the volume. The printing is not necessary.

Jaeger: You can thank Rep. Carlyle for that because he figured out that I was mandated to give all of you the copies. Many boxes came back unopened so that is how it became a choice.

Moving on with prepared testimony on pp. 6-11.

Rep. Williams: Did you get this designation in option #7 because of your extensive experience in fighting styles in boxing?

Jaeger: It was at one time it was under the Department of Agriculture and Labor and when it was divided it moved to the Secretary of State. We regulate it. Mixed fighting styles draw a large attendance. Continuing with Option 8 on p. 17 and explaining the need for Information Technology (IT). There are many requests for online filings.

Chairman Skarphol: Requesting information from Mike Ressler. We want to know that your comfort level with this project is good. It has been a tough one and the comfort level from you and the vendor.

Mike Ressler, Deputy Director of Operations and CIO of Information Technology Department: We have been heavily involved and where we are right now with the project is that we are working with the Attorney General to come up with an amendment to the existing contract. We want to get that company to agree to the fact that they did not meet the deliverables and that they will turn over the software to the State of North Dakota. Without a signature on an amended contract we are not going to will not be comfortable with that case. John Fox is the attorney at the Attorney General's Office and I think he is days away from finalizing that final piece. At that time both Al, Lisa, and the Governor's office are going to do a quick review and start with the negotiation process with the company called CCIS.

Chairman Skarphol: Days? What does that mean?

Ressler: It depends upon John Fox's schedule but what we have told them is that he needs to find time to look at this very soon because we would like to get those negotiations underway. The negotiations could be as quick as one phone call, get a signature on the contract.

Chairman Skarphol: Mr. Fox needs to know that this budget isn't going anywhere until we have it.

Ressler: We are definitely going to make this a priority.

Chairman Skarphol: Quite frankly, he needs to be told that this is a top priority on his list of things to do.

Rep. Martinson: Are saying that we are going to get all of their product back and then we are going to switch companies?

Ressler: They have written a whole bunch of code already that we say is good code and that we want to use. In the end they could say, State of North Dakota you didn't fulfill your requirements which could then send us of in a direction that none of us want. The amount of money that has been put into the budget could help us start from scratch and finish this project and be done by the end of the biennium. We believe we will be able to sign the contract with them and then ITD will determine what vendors we will select. We will attempt to use some of their staff if they are willing to bring those people to North Dakota. We feel this is about a six person team. We will have two ITD staff that will sit on the team, we will drive the project then look for vendors, contractors. If they have people for the right price to participate that have institutional knowledge and experience in this, they must

come to North Dakota and sit on a team on this project. If they choose not to do that or can't agree on the rates, we will find other vendors.

Rep. Martinson: We have a problem in the legislative branch, too, where we wasted \$3M. Some people on that committee knew that we were wasting the money. We seem to be running it down with a little more time and a little more money because we like these people. We could have cut that project off at at probably \$500,000 or \$1M loss. We ran it it all the way down.

Ressler: This is just one person's opinion. I think in state government we have learned a whole lot over the years because every time we fall into one of these traps we learn a couple more things that we say we will not do again. The project management practice that we have put in place is has put us way ahead of where we were 10 years ago. When projects failed, we knew at the early stages that there were red flags, glitches. The challenge is always, when is the right time to pull the plug versus they have a glitch, an issue, let's work through this. The steering committee is well informed, the decision makers are at the table listening to their explanation and unfortunately we get tricked into believing, you know what, this is just a glitch, we can work through that and we will get there. I wish I could tell you it will never happen again. We don't hear enough about all those projects that do work very well. I feel that frustration. With the Legend Project, we shut that down, Ten years ago projects would never have been shut down because we didn't have the project management in place to do that and reporting to the public was not given. You would not have heard about it.

Chairman Skarphol: If the \$3.5M that is in here is enough to cover the entire project. If you get nothing from the existing vendor, what do you anticipate the cost to be if the agreement is what you want it to be?

Ressler: We believe that our estimate of \$2.4M can take the existing code that CCIS has built and finish the product.

Chairman Skarphol: There could potentially be a \$900,000 left over from what is in the budget. You are optimistic that the agreement is going to get done?

Ressler: I am optimistic, if the contract doesn't get done because they don't sign it, that will be a lawsuit that will take place. We will pursue of this direction, we are going to finish this project.

Chairman Skarphol: If the lawsuit takes place, you are still gonna move forward on your own and

Ressler: By the end of this next upcoming biennium this application will be built.

Rep. Dosch: What percentage is complete at this point?

Ressler: About 40%.

Rep. Dosch: Do you have a performance bond from the software developers?

Ressler: Our experience has been, the performance bond is usually a fee that the vendor will take on so the state of North Dakota ends up paying for that. If there is a failure, in a since we pay it ourselves. With ConnectND we did it and we were told by the Attorney General's office that it is not a good idea on these size projects.

Chairman Skarphol: How did the bonding on ConnectND it was a big issue with Higher Ed. Was there any financial benefit you could come back from the bonding process?

Ressler: It is never one parties fault completely. It gets into all kinds of complications and challenges. Some would argue that the ConnectND Project was more successful than what you all heard in the media.

Chairman Skarphol: Other than this project and the legislative project, since 2005, what significant difficulty have there been with projects?

Ressler: One we are watching closely is Workforce Safety and Insurance (WSI).

Chairman Skarphol: MMIS?

Ressler: That is definitely one that has our concern.

Chairman Skarphol: The success record over the past five to six years is....

Ressler: We have a great success rate. We have tried to publish it to the IT Committee. Larry Robinson uses a lot of that information when he talks to his Democratic caucus. We've got a great track record compared to other state governments.

Chairman Skarphol: It is a frustration and the vendor keeps us on the string.

Ressler: As I look at why we are seeing these problems, there are and one is the multiyear technology projects, are not predictable in terms of changes in technology over time. The changes in a corporate buy outs change that project. We go after these products that are built in one state and shared; the configurable products that we try to build and add complexity, the vendors can't deliver. We have about 120 developers inside ITD, we have delays, but we've not seen the problems that are in some of these large projects. It is because these vendors are trying to build something that will meet the needs of multiple states. The complexity and challenges inhibit delivery.

Chairman Skarphol: It doesn't seem to be that difficult to put in place the capability for any form to be a pdf file so that it could be interactive. It could be applicable to all of state government.

Ressler: That piece all by itself is not complex. The workflow component is complex. Implementing it and inserting it into a workflow process is where the programming comes in.

Chairman Skarphol: It is not difficult to make it into a pdf but to have it at the agency where it is retrievable and usable is the issue.

Ressler: And then use that document when they are doing other business inside their agency or across agencies. That is where all the programming and the logic comes into play. It shouldn't be complex when you are trying to accomplish a specific thing, it is when you create all of these options that is when the programming.....

Chairman Skarphol: Maybe that document needs to go into four or five different divisions within that agency when it comes in. It is that part of the process where the costs are involved in getting these things accomplished.

Jaeger: One of the problems that we have now with the paper forms that come in is that people make mistakes, we spend time following up by calling people to correct mistakes. If it could be done on line, that part would be taken care of. Moving on to p. 18, the time line for 2004. Then we asked for \$500,000 and the Governor recommended \$250,000 and we received \$125,000. We partnered with the North Carolina Secretary of State's office.

Chairman Skarphol: Is there anyone who wants to continue to talk about the computer project? If no one wants to discuss it, we don't have to continue.

Jaeger: We have only received half of what we've ever asked for, we moved ahead on a project, the first one with North Carolina we pulled the plug. They knew this was a project for us and never said that the architecture was faulty. There are comments about the vendor who made a bid based on funding over three biennium. It is a project that has weighed heavily on my mind. We are grateful that the governor has recommended what he has.

Chairman Skarphol: You need to let it lose of the strings yourself, let ITD get it done. Let's go to the budget.

Jaeger: I don't know what else to say. Do you have any questions?

Rep. Monson: Referring to p. 17, Option # 8, \$137,000, the Governor recommended 0, why is that? What do you mean by Election Reform Funding Source Change?

Jaeger: Right now, one of my FTE is fully funded by the Election Reform Fund Federal money. We think the money is going to run out. The need for that position is going to exist whether the money is there or not because this is with our central voter file. The ability to put into that house number, zip code, match it to the polling location. At this point we still have federal money but we have asked that maybe it should be switched to general funding so that we can continue this.

Chairman Skarphol: Addressing Tad Torgerson, OMB Analyst, referring to budget detail. Secretary of State Operations in this biennium was \$9.7M, the agency requested \$5.6M and the Governor gave them \$9.5M. The document doesn't really show that. It shows a 2% increase, is that 2% of the \$9.796M.

Torgerson: That is a 2% decrease from the previous biennium.

Chairman Skarphol: But the requested amount was \$5.6M.

Torgerson: That does not include the optional request that ultimately was funded in the Governor's recommendation.

Chairman Skarphol: The fees and the revenues that you generate, referring to p. 14

Jaeger: It has remained relatively unchanged for the entire time I have been in office.

Chairman Skarphol: The increased funding that you are showing in general fund revenues generated, are a function of increased workload.

Jaeger: We have increased filings and that is the statistical part and that is.....

Chairman Skarphol: On p. 14, expenditures '07-'09 there is about a \$2.3M difference between revenue and expenditures. Is that where you anticipate it to be?

Jaeger: We think our general fund revenue is going to be over \$8M. The expenditures in the onetime money for the tech project, if we take that out our income is going to be a little over \$3M over what we are appropriated.

Chairman Skarphol: A document was submitted and the fees charged because of the need to record one document in several different places were \$50 in each place. It was probably a business that was filing for the first time. What is the fee structure?

Jaeger: Fees have stayed the same. We did have a bill to through this session where a fee was changed in one category. It wasn't consistent with all of our fees and we want our services to be the same. We are not doubling up on anything.

Chairman Skarphol: Do you a fee schedule that you could provide us?

Jaeger: They are in Chapter 54.

Clara Jenkins, Business Systems and Programs Director: The fees are set in law in the business entity chapters. There are different fees if you are an LLC or a partnership. All have their own fees in the chapters in the fee schedule. There are some general fees collected by the Secretary of State. I'm wondering if you are talking about the LLC fees? Filing a report for a business corporation is \$25 and for an LLC it is \$50. When the LLC chapter was adopted, because LLCs are taxed differently, there was a risk of some revenue shortfall statewide because the income filters back to the income of the member and there is no entity tax. They are set higher to offset any revenue loss.

Chairman Skarphol: Have there been losses because of that?

Jenkins: That is a tax revenue amount that we don't know.

Chairman Skarphol: But if there were anticipation of that loss, has anyone followed up to see if there was. Put together a small sheet to say what the amount of the fee is and what the revenue is that is generated?

Rep. Dosch: What about an address change?

Jenkins: If you are a registered agent and you are changing your address, that requires a statement of change form and that is \$10 and is the same for all entities, LLC, partnership. If it is a trade name change of a sole proprietor and changing their address, they can do that for nothing by sending us notice in writing. The filing for a registered agent is \$10.

Rep. Dosch: Two sessions ago we changed the state's registration for businesses to incorporate.

Jaeger: (Recording Failure) The Feds came along and changed that. We are receiving \$80,000 from that one. It isn't costing us anything. We are getting \$80,000 from one company and

Chairman Skarphol: There was some hope that would be productive for you. Why has it not been successful?

Jaeger: The Federal Government did make some law changes. Second, it is thought that Delaware is the place to go. This is more shareholder friendly and the people that control corporations.....The company that we have ended up being the majority share holder.

Chairman Skarphol: Is Delaware more management friendly than we are?

Jaeger: They have tweaked their laws to reflect some of the stuff that we have.

Chairman Skarphol: Is there something we should do to tweak our laws to counteract or..

Jaeger: No. That is how they run their state government. To get expedited service in our office you walk up and we have you sit there and if you have everything in order the fee is the same. One hour of service in Delaware is \$500.

Chairman Skarphol: Anyone else, anyone testifying in opposition? Hearing none the Hearing on SB 2002 is closed.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

SB 2002
3/23/11
15873

Conference Committee

Committee Clerk Signature

Shirley Branning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the secretary of state and public printing; to provide an exemption; and to amend and reenact section 54-09-05 of the North Dakota Century Code, relating to the salary of the secretary of state.

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: The committee is called to order and noting that everyone is present. SB 2002, the Secretary of State, will be discussed. There is no FTE change; there is no need to change anything in this budget. The Senate didn't change anything from the Executive Recommendation.

Rep. Monson: Addressing Brady Larson....(Inaudible)

Brady Larson, Legislative Council Representative: Referring to the Green Sheet, the Executive Budget Highlights. If anything is added in in the first house, they will not show up in those listings. If something is changed or removed or if a specific item is increased, we will put some notes at the bottom of the item in bold stating that that item has changed.

Chairman Skarphol: No changes to this one made by the Senate. Do I have a motion

Rep. Hawken: Move Do Pass

Rep. Monson: Second

Roll Call Vote: 6-0-0, Motion Carried

Carrier: Rep. Hawken

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

SB 2002
4/4/11
16302, 16322

Conference Committee

Committee Clerk Signature

Julia Feigle

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the secretary of state and public printing; to provide an exemption; and to amend and reenact section 54-09-05 of the North Dakota Century Code, relating to the salary of the secretary of state

Minutes:

Job recorder number: **16302**

Chairman Delzer opened hearing on SB 2002 and directed Representative Hawken to go over the bill as she was assigned the carrier to the full appropriations committee from the Environment and Education division.

Representative Hawken: There were no amendments made to this bill. She went over the green sheet (attachment **ONE**), starting with item 1 and going through item 11. On item 4, she indicated that the contract has been signed so "hopefully we can move forward in a positive manner with that." The 3/3 is in there. I move Do Pass on SB 2002.

Representative Skarphol: Second.

Chairman Delzer: The additional money on computer programming, \$3.5M, is supposed to do it all now?

Representative Hawken: That is our understanding. The contract has been signed.

Chairman Delzer: Was the contract signed for the full \$3.5M?

Representative Skarphol: The \$3.5M is a worst case scenario, in the event there was a breakdown in the contract negotiations and nothing were to be provided. With the signing of the contract, it is highly likely that the cost to complete this project by ITD will be half of this amount. It would not be expended if it's not utilized.

Chairman Delzer: Quite often when we say we appropriate something, that automatically becomes the cost, even if there is a contract signed. Perhaps we should hold this until tomorrow and ask them.

Representative Skarphol: It's ITD which is going to build it. They have a policy which would be that they will not utilize any more time or services than they have. They don't have a need to spend more time on this project than they normally would, but it would reflect on the bottom line as the general fund appropriations if we were to remove that money. If the committee desires, we can certainly hold it and get a number to change it.

Representative Kaldor: There is carryover authority for the same purpose - section 3 of the bill?

Chairman Delzer: I think we'll hang onto this while Representatives Skarphol and Hawken check those things out. It's section 3 of the bill: *Any unexpended and unobligated balance remaining in the secretary of state's general services operating fund on June 30, 2011, is not subject to the provisions of section 54-09-08* – that is a different number than what we normally see. Legislative Council, what's 54-09-08 compared to 54-11-something?

Roxanne Woeste, Legislative Council: That is the statute in the provisions for the secretary of state that says he has to turn over the money in that particular fund at the end of the biennium, so it's deposited in the general fund. If we say it's not subject to that, he can keep it in the fund and use it for what is stated there.

Chairman Delzer: This isn't just general turn back; it's puts it into the operating fund and allowing the operating fund to be carried over.

Roxanne Woeste, Legislative Council: Yes. This is allowing him to carry over his operating fund instead of depositing what is required by statute to be deposited in the general fund.

Representative Hawken: They did remove the \$780, however.

Chairman Delzer: The budget did.

Representative Hawken: So I don't know that there is carryover. We'll check that out.

Chairman Delzer: closed hearing to reconvene this afternoon (possibly) to continue discussing SB 2002.

Job recorder number: **16322**

Chairman Delzer: Did we get any answers to our questions from this morning?

Representative Skarphol: The contract that was signed with the vendor for the software project does not delineate any type of cost associated with completion or value of the work that has been done. Therefore, we cannot do anything with regard to reducing the \$3.5M figure, other than require that any unexpended general fund dollars be returned to the general fund. The contract actually was negotiated with the vendor to ensure that the vendor would agree to the fact that they were unable to complete the project and would not

sue the state of ND for breach of contract if we took over the project and completed it. In addition, it was agreed by ITD and the Secretary of State's Office that the vendor would ultimately be given the source code for the completed project and be able to sell the project with a 5% royalty returning to the state of ND for any sales of that project. It's anticipated that potential sales could amount to \$3-4M at a 5% royalty, there would be a little bit of money flowing back to the state. We're not able to reduce the number as far as the \$3.5M, but we could amend it to where it requires that any unutilized general funds be returned to the general fund. With regard to the operating fund: the language in section 3 was in the bill last time. It does typically carry forward. In this case it has about \$160,000 in it that was to be utilized for providing for ITD to begin planning for the mainframe migration and computer project. In other words, to get prepared – once this \$3.5M is done, they are prepared to migrate off the mainframe and accomplish what it is they are hoping to accomplish in the end. **I would move that we add language** to the section of the bill which would require any unutilized portion of the general funds appropriated for the computer project (\$3.5M) be returned to the general fund upon completion of the project.

Chairman Delzer: We have a Do Pass motion on the bill in front of us, so we need a substitute motion to amend the bill.

Representative Skarphol: I will move a substitute motion to amend the bill to include that language.

Representative Hawken: Second

Voice vote carries substitute motion to amend bill

Representative Skarphol: I move a Do Pass as Amended on SB 2002

Representative Hawken: Second

Roll call vote taken on **Do Pass as Amended on SB 2002**, resulting in 20 yes, 0 no, 0 absent, thus **motion carried**. **Representative Hawken** was assigned as carrier of the bill. Hearing closed.

Date: 3/23/11
Roll Call Vote #: 1

**2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2002**

House Appropriations – Education and Environment Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Hawken: Seconded By Rep. Monson:

Representatives	Yes	No	Representatives	Yes	No
Chairman Bob Skarphol	X		Clark Williams	X	
Vice Chair Hawken	X				
Mark Dosch	X				
Rep. Martinson:	X				
David Monson	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Rep. Hawken

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

Date: 4/4
 Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2002

House Appropriations Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Hawken Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Bellew			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

substitute motion

VR
4/5/11

PROPOSED AMENDMENTS TO SENATE BILL NO. 2002

Page 2, after line 27, insert:

"SECTION 3. MAINFRAME MIGRATION COMPUTER PROJECT - FUNDING LIMITATION. One-time funding of \$3,500,000 from the general fund for the mainframe migration computer project included in the operating expenses line item of subdivision 1 of section 1 of this Act may not be used for any other purpose and the appropriation authority must be canceled on June 30, 2013, in accordance with provisions of section 54-44.1-11."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2002 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Secretary of State				
Total all funds	\$15,803,144	\$15,803,144	\$0	\$15,803,144
Less estimated income	6,786,984	6,786,984	0	6,786,984
General fund	\$9,016,160	\$9,016,160	\$0	\$9,016,160
Public Printing				
Total all funds	\$310,000	\$310,000	\$0	\$310,000
Less estimated income	0	0	0	0
General fund	\$310,000	\$310,000	\$0	\$310,000
Bill total				
Total all funds	\$16,113,144	\$16,113,144	\$0	\$16,113,144
Less estimated income	6,786,984	6,786,984	0	6,786,984
General fund	\$9,326,160	\$9,326,160	\$0	\$9,326,160

Senate Bill No. 2002 - Secretary of State - House Action

A section is added to provide that one-time funding for the mainframe migration computer project may not be used for any other purpose and is canceled on June 30, 2013, pursuant to Section 54-44.1-11.

Date: 4/4
Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2002

House Appropriations Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Hawken

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Bellew			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

add language requiring unused funds to be returned to the general fund

voice vote carries

Date: 4/4
Roll Call Vote #: 3

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2002

House Appropriations Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Hawken

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew	X		Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl	X		Representative Metcalf	X	
Representative Dosch	X		Representative Williams	X	
Representative Hawken	X				
Representative Klein					
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 20 No 0

Absent 1

Floor Assignment Rep. Hawken

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

REPORT OF STANDING COMMITTEE

SB 2002: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2002 was placed on the Sixth order on the calendar.

Page 2, after line 27, insert:

"SECTION 3. MAINFRAME MIGRATION COMPUTER PROJECT - FUNDING LIMITATION. One-time funding of \$3,500,000 from the general fund for the mainframe migration computer project included in the operating expenses line item of subdivision 1 of section 1 of this Act may not be used for any other purpose and the appropriation authority must be canceled on June 30, 2013, in accordance with provisions of section 54-44.1-11."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

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Secretary of State				
Total all funds	\$15,803,144	\$15,803,144	\$0	\$15,803,144
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General fund	\$9,016,160	\$9,016,160	\$0	\$9,016,160
Public Printing				
Total all funds	\$310,000	\$310,000	\$0	\$310,000
Less estimated income	0	0	0	0
General fund	\$310,000	\$310,000	\$0	\$310,000
Bill total				
Total all funds	\$16,113,144	\$16,113,144	\$0	\$16,113,144
Less estimated income	6,786,984	6,786,984	0	6,786,984
General fund	\$9,326,160	\$9,326,160	\$0	\$9,326,160

Senate Bill No. 2002 - Secretary of State - House Action

A section is added to provide that one-time funding for the mainframe migration computer project may not be used for any other purpose and is canceled on June 30, 2013, pursuant to Section 54-44.1-11.

2011 TESTIMONY

SB 2002

SB 2002
1-12-11

1

ALVIN A. JAEGER
SECRETARY OF STATE

HOME PAGE www.nd.gov/sos



PHONE (701) 328-2900

FAX (701) 328-2992

E-MAIL sos@nd.gov

SECRETARY OF STATE
STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
BISMARCK ND 58505-0500

January 12, 2011

TO: Senator Holmberg, Chairman, and Members of the Senate Appropriations Committee

FR: Al Jaeger, Secretary of State

RE: SB 2002 – Appropriation for the Secretary of State

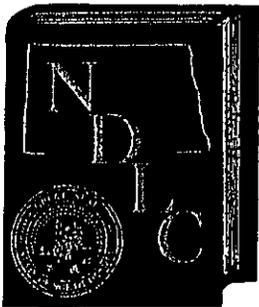
1. Public Printing – Subdivision 2 – Page 2, lines 1 through 6
See letter from the Legislative Council dated August 2, 2010

2007-2009: \$303,500

2009-2011: \$337,000

2011-2013: \$310,000

2. Agency overview – page 1
3. Election reform line – page 2
4. Agency major accomplishments – page 3
5. Demand for services – page 4
6. Agency history of revenue and expenditures – page 5
7. Agency program cost – page 6
8. Agency future critical issues – page 7
9. Agency optional requests – page 8



North Dakota Legislative Council

STATE CAPITOL, 600 EAST BOULEVARD, BISMARCK, ND 58505-0360

RECEIVED

Jim W. Smith
Director

AUG 03 2010

My E. Buringrud
Assistant Director

SEC. OF STATE

Allen H. Knudson
Legislative Budget
Analyst & Auditor

John Walstad
Code Revisor

August 2, 2010

Honorable Alvin A. Jaeger
Secretary of State
State Capitol
Bismarck, ND 58505

Dear Mr. Jaeger:

As you know, the Legislative Council is responsible for preparing the material for and supervising the publication of the North Dakota Century Code, the North Dakota Administrative Code, and the North Dakota Session Laws. The purpose of this letter is to notify you of the estimated costs for the 2011-13 biennium so you can include a sufficient amount in your budget request for these purposes.

During the 2009-11 biennium, cost estimates for the Century Code purchases in your budget were based on the state maintaining 700 sets of the code. As we are not aware of any reason to change the number of sets needed, we are continuing to base our estimates on maintaining 700 code sets for the 2011-13 biennium.

During the 2011-13 biennium, we have tentatively identified Volumes 2A, 2B, 4A, and 3B of the North Dakota Century Code for replacement. We anticipate splitting the contents of Volume 2A and 2B into Volumes 2A, 2B, and 2C, which means each set of the code will require five replacement volumes. These replacement volumes must be published to avoid increased costs for supplements and the eventual need to replace the entire Century Code. Replacement of volumes also makes the Century Code more easily usable for the public. The Court Rules Annotated volume is published in a softbound volume that must be replaced each biennium. Based on cost estimates furnished by LexisNexis, \$147,000 will be needed to purchase 700 sets of replacement Volumes 2A, 2B, 2C, 4A, and 3B and \$45,850 will be needed to purchase 700 sets of the Court Rules Annotated volume and two supplements to that volume.

Based on LexisNexis estimates, \$102,900 will be needed to purchase 700 sets of the 2011 pocket supplements and \$39,200 will be needed to purchase 700 sets of the 2011 general index. We are recommending that the state not purchase 700 sets of the Advance Code Service, which will result in a savings of \$61,600.

The estimated costs for Century Code updates for the 2011-13 biennium total \$334,950. In the letter of estimated costs from Ms. Leslie Ostrander, Associate Director, Government Content Acquisition, LexisNexis (copy enclosed), it is stated that LexisNexis offers state government subscribers a 25 percent discount. Application of this discount will reduce estimated expenditures for 2011-13 Century Code updates to \$251,212.50.

For the 2009-11 biennium, we estimated that your budget would require Administrative Code printing costs of \$41,913.60 and mailing costs of \$3,744. It appears actual costs will be significantly lower. For the 2011-13 biennium, costs will also decrease because the Administrative Code is now being published

in a CD-ROM format. We estimate CD-ROM preparation and mailing costs will total \$7,000 for the 2011-13 biennium.

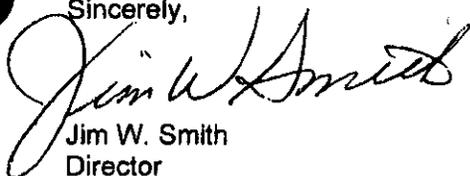
We estimate that \$35,000 will be required to cover printing, binding, and mailing costs for the 2011 North Dakota Session Laws. We believe an error was made in comparison of the bids received for the 2009 Session Laws and avoiding that error will reduce the cost of the 2011 Session Laws. Our 2011-13 estimate also includes a reduction of approximately 100 sets of Session Laws volumes, based on the recommendation of your staff. Our estimate of \$35,000 is based on the 2009 expenditure with a decrease of approximately 30 percent and should include having Session Laws volumes mailed to purchasers by the printer to avoid the burden on your office of doing these mailings.

We respectfully request that you include \$293,212.50 in your budget request for the 2011-13 biennium for publication and printing costs for the North Dakota Century Code, North Dakota Administrative Code, and North Dakota Session Laws and postage and mailing costs for the North Dakota Administrative Code and North Dakota Session Laws. This is a decrease from the comparable amount we recommended for these expenses for the 2009-11 biennium.

We are not in a position to make any suggestions regarding the other costs that must be included in the public printing line item of your budget, including the costs of individual volumes to update old sets of the Century Code, the new sets of the Century Code required for new members of the Legislative Assembly, and postage and mailing costs for the Century Code. Therefore, those costs are not included in our estimates.

Thank you for your attention to these matters. Please contact this office if you have any questions. We are sending a copy of this letter to Ms. Pam Sharp, Director, Office of Management and Budget, for her information.

Sincerely,



Jim W. Smith
Director

JWS/CS

Enc.

cc: Ms. Pam Sharp
Ms. Leslie Ostrander

July 16, 2010

John Walstad
North Dakota Legislative Council
State Capitol, 600 East Boulevard
Bismarck, ND 58505

Dear John:

I am pleased to provide the following estimated prices for the North Dakota Century code 2011-2012 upkeep service. The following prices reflect slight increases from the pricing levels offered for 2009-2010. The cost of production has increased over the past two years and although the Producer Price Index for Book Publishers has risen 11% over the last two years, I have kept the requested increases significantly lower than that amount.

As requested, I have included the base estimates on options for three, four, or five replacement volumes in the two-year period.

Cumulative Supplement The price of the 2011 Supplement will depend on the number of volumes replaced. If five volumes are replaced, the price of the Supplement is \$147.00. If four volumes are replaced, the price of the Supplement is \$161.00. And if only three volumes are replaced, the price of the Supplement is \$173.00.

Index The price of the Index will be \$56.00 with the publication of five Replacement volumes. The price increases to \$57.00 with four Replacement volumes and \$58.00 with three replacement volumes.

Replacement Volumes Our recommendation is for the replacement of five volumes, two in one year and three in the next. After consulting with editorial, our recommendation is to replace Volumes 2A and 2B and resplit them as Volumes 2A, 2B and 2C. The split would work out well to have Title 10 in Volume 2A, Title 11 as 2B and Titles 12 and 12.1 as the new volume 2C. The final two recommendations are to replace 4A (2002 volume with 260 page supplement) and 3B (2003 volume with 190 page supplement). If five volumes are replaced, the price for each copy of each replacement volume will be \$42.00. If four volumes are replaced, the price for each copy of each replacement volume will be \$43.00. And if only three volumes are replaced, the price for each copy of each replacement volume is \$44.00.

Package Prices For comparison purposes, the various options with prices and the total package price of Supplement, Replacement Volumes and Index are as follows:

<u>Option</u>	<u>No. Repl. Vols.</u>	<u>Price of Supp.</u>	<u>Price of Volumes</u>	<u>Price of Index</u>	<u>Total</u>	<u>Increase</u>
1	5	\$147.00	\$42.00	\$56.00	\$413.00	4.9%
2	4	\$161.00	\$43.00	\$57.00	\$390.00	4.9%
3	3	\$173.00	\$44.00	\$58.00	\$363.00	5.3%

Advance Code Service The Advance Code Service will be issued in three (3) pamphlets at even intervals during each year between the publication of the 2011 and 2013 Supplements. The price of the Advance Code Service will increase to \$44.00 per year.

Court Rules Volumes and Supplements The next edition of the Court Rules volume is currently scheduled for publication in early 2012. The price of that edition will be \$44.00, a 5% increase in the price of \$42.00 from the 2010 Edition. The first two supplements to the 2008 Edition will increase by \$.50 each to \$10.00 and \$11.50 respectively.

Government Discount We will continue to offer state government subscribers a 25% discount on its purchases of the North Dakota Century Code for the 2011-2013 biennium.

Please let me know if you have any questions.

Sincerely,

Leslie Ostrander
Associate Director
Government Content Acquisition

?
think she meant 2012

Package Prices For comparison purposes, the various options with prices and the total package price of Supplement, Replacement Volumes and Index are as follows:

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Please let me know if you have any questions.

Sincerely,



Leslie Ostrander
Associate Director
Government Content Acquisition

AGENCY OVERVIEW

AGENCY STATUTORY AUTHORITY

ND Constitution Article V, Section 12; North Dakota Century Code Title 10 and Title 16.1; North Dakota Century Code Chapters 15.02, 35-01, 35-05, 35-17, 35-21, 35-29, 35-30, 35-31, 41-09, 43-07, 44-06, 45-10, 45-10.1, 45-11, 45.22, 45-23, 47.22, 47-25, 50-22, 53-01, 54-05.1, 54-09, 54-16, and 55-01.

AGENCY DESCRIPTION

The agency is the office of record for certain legal documents generated by the executive and legislative branches of state government; the office of record for public records and notices including various business entities; and it performs a wide range of licensing, regulatory, registration, and administrative functions within four operating units. The agency performs these functions in accordance with the requirements of the state's constitution and laws.

AGENCY MISSION STATEMENT

To serve the people of the State of North Dakota and its guests; execute with integrity the duties required by the North Dakota Constitution and the North Dakota Century Code; collect and preserve the records of the State as defined by the law; act as an ambassador for the State of North Dakota, its people, and its way of life. This mission will be dispatched effectively, efficiently, expeditiously, courteously, and with financial responsibility.

AGENCY PERFORMANCE MEASURES

Although it does not have a formal written program, the agency's management team and unit leads have access to various processes for tracking productivity, effectiveness, efficiency, quality of customer service, and compliance with laws. It is anticipated the statistical tracking of information will be improved with the agency's migration to a new database and document processing platform, for which funding was approved in the 2009/2011 biennium and for which continued funding is being requested in the agency's 2011/2013 budget request.

ELECTION REFORM LINE

Since the adoption of the Help America Vote Act of 2002 (HAVA), the state has received the following amounts of funding.

In 2003, it received \$5,000,000, which did not require a state match.

In 2004, it received \$4,150,000, which required a 5% state match. According to the State Plan, 1/2 share of the 5% for the state match was provided by the state and the other half share was provided by each one of the state's 53 counties in proportion to the voting equipment supplied to them. The state's share was appropriated in Section 2 of Senate Bill 2002, as adopted by the 2003 Legislative Assembly and signed by the Governor. Each of the counties receiving voting equipment paid their one-half share as committed allocated in their respective budgets. The state's share of \$105,000 was provided from the projected agency's turn back to the general fund at the end of the 2001/2003 biennium.

For the fiscal year 2004, Congress appropriated an additional \$7,446,803, which required a 5% state match of \$391,937. As part of the match, the federal Election Assistance Commission recognized the agency's investment in its Election Management System, as an in-kind contribution in the amount of \$257,970. The balance for the match was contributed by the Counties in the amount of \$57,867 and the legislature appropriated \$76,100.

In 2008, Congress appropriated an additional amount in the Omnibus Appropriations Act for Fiscal Year 2008, which resulted in North Dakota becoming eligible for an additional \$575,000 for the HAVA election fund. In order to secure it, the state was required to provide a 5% match. This was achieved when the Emergency Commission on March 14, 2008, authorized the amount of \$30,263 from state's contingency fund to be used for this purpose.

In 2009, North Dakota became eligible for an additional \$500,000 for the HAVA election fund. In order to secure it, the state was required to provide a 5% percent match. The match of \$26,316 was appropriated by the Legislative Assembly in the House Bill 1002.

In 2010, Congress appropriated an additional amount in the Omnibus Appropriations Act for Fiscal Year 2010, which resulted in North Dakota becoming eligible for an additional \$350,000 for the HAVA election fund. In order to secure it, the state was required to provide a 5% match. This match was achieved when the Emergency Commission on March 4, 2010, authorized the amount of \$18,421 from the state's contingency fund to be used for this purpose.

Gross federal funds received, as of September 30, 2010 = \$18,021,803

Gross required state match to obtain federal funds = \$685,358

Expenditures as of September 30, 2010 = \$ 12,690,700 (federal \$ 12,514,419 + state \$ 176,281)

Interest earned, as of September 30, 2010 = \$ 1,272,035

United States Department of Health and Human Services Grants

To provide voter information and polling location accessibility to persons with disabilities

Grants received = \$ 800,000

Amount expended = \$ 602,599.38

Balance remaining = \$ 197,400.62

AGENCY MAJOR ACCOMPLISHMENTS

1. Enhanced agency website, which received approximately 327,000 hits on its various pages and sections over a 12 month period ending June 30, 2010.
2. Enhanced 24/7 live business records search on agency website which displays data about business entities filed with the agency.
3. Enhanced website for access to annual reports filed by businesses allowing them to complete reports on-line and then print, sign and mail the reports to the agency.
4. Continued the software development to enable migration of the agency's database from AS/400 platform created in 1988/1992 to a new operating platform. This will allow for on-line filing of many documents and reports which will be very beneficial for the future.
5. Continued the mandated migration of the Central Indexing System (CIS) from the state's mainframe. This will greatly enhance the agency's CIS, which is connected to the state's 53 counties and provides a centralized depository for various lien documents.
6. Continued to enhance the agency's Election Administration System (EAS), along with the Central Voter File, to present information on the Secretary of State's website. For example, it allows voters and counties to track absentee ballots, provide expanded election information about candidates on the ballot, voter polling location finder and ballot preview with using a house number and zip code and assists in the administration of petition review, poll worker tracking, voting statistics reporting, and early and absentee voting.
7. Developed, implemented, and launched ND VOICES, which is an election administration tool allowing a single point of entry for all pertinent election data for election officials across the state and to provide election results to the public through one portal for every contest listed on any ballot in the state.

DEMAND FOR SERVICES

The demand for the agency's services has grown steadily during the period beginning June 30, 1995, and ending June 30, 2010. This is in direct relationship to the net increase in filings and registrations as listed below.

	June 30, 1995	June 30, 2010	Percentage Increase/decrease
Contractors	4,701	8,378	+78%
Charitable Solicitation	559	2,534	+353%
Notary Publics	10,419	12,390	+19%
ND For-profit corporations	10,734	14,198	+32%
ND Cooperatives	434	305	-30%
ND Professional corporation	552	945	+71%
Foreign For-profit corporations	7,307	13,206	+81%
Foreign cooperatives	45	75	+67%
Limited Liability Companies (all)	441	12,524	+2740%
Limited Liability partnerships (all)	13	2,675	+20477%
Limited Partnerships (all)	864	1,576	+82%
Limited Liability Limited Partnerships	0	675	+675%
Partnership Fictitious Names	1,362	1,768	+30%
Trademarks	1,286	1,471	+14%
Trade names	3,565	21,503	+503%
ND non-profit corporations *	0	7,331	+7331%
Foreign non-profit corporations *	0	2,125	+2125%
Total	42,282	103,679	+145%

*Prior to 1997, non-profit corporations were not required to file an annual corporate report. Therefore, the agency is processing an additional 9,456 filings that it did not process twelve years ago.

PROGRAM STATISTICAL DATA

History of Revenue and Expenditures for the past nine budget cycles

Revenue

1993/1995 – \$ 4,007,416 increased 11.6% over previous biennium
1995/1997 – \$ 4,342,289 increased 8.4% over previous biennium
1997/1999 – \$ 4,912,970 increased 13.1% over previous biennium
1999/2001 – \$ 5,953,504 (general \$5,555,610; * special \$333,036) increased 21.2% over previous biennium
2001/2003 – \$ 6,277,698 (general \$5,869,160; * special \$371,868) increased 5.5% over previous biennium
2003/2005 – \$ 6,716,245 (general \$6,289,108, * special \$401,305) increased 7.0% over previous biennium
2005/2007 – \$ 7,289,015 (general \$6,815,185, * special \$454,445) increased 8.5% over previous biennium.
2007/2009 – \$ 7,949,077 (general \$7,432,582, * special \$516,495) increased 9.1% over previous biennium.
2009/2011 - \$8,370,871 (general \$7,800,000 *special \$570,871) estimated increase of 5.3% over previous biennium

* The 1999 Legislative Assembly authorized a General Services Operating Fund for the agency's "retail" trade.

Expenditures

1993/1995 – \$ 2,781,394 decreased 23.2% from previous biennium
1995/1997 – \$ 2,721,385 decreased 2.2% from previous biennium
1997/1999 – \$ 2,839,345 increased 4.3% over previous biennium
1999/2001 – \$ 3,545,065 increased 24.8% over previous biennium (see note # 1)
2001/2003 – \$ 3,961,253 increased 11.7% over previous biennium (see note # 2)
2003/2005 – \$ 4,146,332 increased 4.7% over previous biennium
2005/2007 – \$ 4,536,178 increased 9.4% over previous biennium (see note # 3)
2007/2009 – \$ 5,666,247 increased 24.9% over previous biennium (see note #4)

Note # 1 – Because of a system wide reallocation by ITD of the costs related to the statewide area network connecting the agency and the state's fifty-three counties for the operation of the central indexing system, the budget was increased by \$300,000 from \$75,000 to \$375,000, accounting for 39% of the increase. Another \$197,000, or 26% of the increase, was for salaries as approved by the legislature, emergency commission, and the budget section. Most of the remaining \$264,000, or 35% of the increase was for increased expenses related to services provided by ITD and other technology related expense as approved by the legislature, emergency commission, and the budget section. Almost half of that amount was directly related to the cost of providing the increased demand for agency information as authorized through the agency's general services operating fund, with those expenses being covered by the revenue generated to that account.

Note # 2 – ITD again reallocated costs related to the statewide area network resulting in another \$175,000 increase added to the agency's budget.

Note # 3 – The expenditures included a one-time amount of \$125,000 for migration of database

Note # 4 – The expenditures included a one-time amount of \$825,000 for migration of database

EXPLANATION OF PROGRAM COSTS

For the 2009-2011 biennium, the appropriated salary line represented approximately 53% of the agency's total general fund spending authority. The agency has 27 FTE including Secretary of State plus 1 FTE federally funded from Election Reform line. Currently it has one vacancy.

The appropriated operating line for 2009-2011 represented approximately 46% of the agency's total general fund spending authority. Of that amount, approximately 79% of the operating line was budgeted for payments to the state's Information Technology Division (ITD). The remaining 21% is spread among other object code categories and supports the general operations of the agency. Those budget object codes include telecommunications, travel, mailing services, professional development, fees and services, repairs and maintenance of equipment, insurance, office supplies, printing, professional supplies and materials, and miscellaneous expenses.

The agency also has a general service fund, which is the retail account for information sold by the agency. Approximately 70% of that budget is to cover expenses related to the technology for providing the requested information.

Extensive technology is used by the agency to increase productivity, provide better and faster services for the public, and to maintain many thousands of records associated with approximately 100 diverse and varied categories that relate to the duties of the agency. For example:

1. The agency's budget supports the statewide Central Indexing System (CIS) area network connecting the agency and the state's fifty-three county Recorder offices. The budget supports the maintenance of the database housed on the state's mainframe computer, which database is currently being migrated to a new database. The CIS contains approximately 371,886 active files related to various personal property liens throughout the state.
2. The agency's budget supports a database of approximately 265,000 names for approximately 100 diverse and varied categories related to the duties of the agency and for associated expenses such as programming, which is only available from a private vendor. For 2011-2013, the agency is submitting an optional request to allow the continued migration of the agency's databases to a new operating platform.
3. The agency's budget supports an Internet web site and covers associated expenses.

AGENCY FUTURE CRITICAL ISSUES

1. In the statistical data section of the program narrative, the data reveals that since 1995/1997 and through the 2007/2009 biennium, the agency's revenue has steadily increased. The increased revenue is directly related to the increase in the number of registrations, filings, and increased demand for the services provided by the agency. In order to respond to this increased demand, the agency is substantially dependent on the use of information technology (e.g. software, hardware, Internet, etc.), which it uses to provide the timely, accurate, and efficient services expected by the public, businesses, and customers of the agency.
2. As is also documented in the statistical data section, the agency is processing 61,397 more documents per year than it did in 1995. Therefore, to provide services in a cost effective and efficient manner for the public, it is vitally important that the agency receive support for technology initiatives.
3. The agency is the first place stop and prime filer of a variety of business related information. In other words, business in North Dakota begins with the Secretary of State's office. Therefore, the agency has a key role in the state's e-government initiatives making it imperative the agency has adequate funding and support in order to implement the appropriate technology to meet these goals and provide services the public is requesting. It is critical to continue the migration of the two databases from their current environment to the new platform contracted for in August 2008. The increase in services and productivity will be significant. The funding required for continuing the migration is included as an Optional Request in this budget.
4. It is also has been a long standing goal to have state agencies collaborating on a common portal for customers to enter. The Secretary of State's office has been the agency identified as the one to manage the development of the Business Development Engine, which was ranked as the # 6 project, by the State Information Technology Advisory Committee (SITAC). While funding was not included in the Governor's budget recommendation, the agency believes that the importance of this project is still identified, as it was in the last session in Section 3 (below) of HB 1002.

"SECTION 3. LOAN AUTHORIZATION - CONTINGENT APPROPRIATION – BUDGET SECTION APPROVAL. Subject to budget section approval, the secretary of state may borrow up to \$3,400,698 from the Bank of North Dakota, which is appropriated to the secretary of state for the purpose of implementing the North Dakota business development engine computer project, during the biennium beginning July 1, 2009, and ending June 30, 2011. The secretary of state may request budget section approval only if the revenues projected by the secretary of state and the office of management and budget to be generated as a result of provisions of chapter 102 of the 2007 Session Laws over the term of the proposed loan based on the trend of actual corporate charters granted are anticipated to be sufficient to repay the proposed loan, including interest over the term of the loan."

5. Having the ability to offer competitive salaries is a huge challenge. For example, to hire the last two persons for entry level positions (grade 5), we had to offer salaries that were within a few hundred dollars of the salaries currently being received by agency staff members (also grade 5) that have been employed for several years. The agency needs to have competitive grades in its employment structure to be competitive and to pay salaries appropriate for new duties that will result with the new platform and opportunities for cross-training.

Optional Requests

Option # 1

cGov360 – Database and Processing Platform Migration	3,500,000
Governor Recommended	3,500,000

Option # 2

Desktop Support from ITD	54,000
Governor Recommended	54,000

Option # 3

Operation Inflation and Operational Changes	195,000
Governor Recommended	195,000

Option # 4

Public Meetings System	52,459
Governor Recommended	43,039

Option # 5

Blue Book Web Educational Tool	50,000
Governor Recommended	0

Option # 6

North Dakota Business Development Engine	3,400,698
Governor Recommended	0

Option # 7

Mixed Fighting Styles/Boxing	60,000
Governor Recommended	0

Option # 8

Election Reform Funding Source Change	131,185
Governor Recommended	0

Option # 9

Health Care Directive Register – page 257 Governor's Budget	100,000
Removed because the responsibilities for the Health Care Directive Register will be moved to the Information Technology Department (ITD)	

**Time Line for Technology Project - Secretary of State
September 10, 2010**

2004

1. Secretary of State (SOS) begins exploring replacement for AS/400 and Mainframe
2. Summer 2004 – Phase 1 of Secretary of State Knowledge Base (SOSKB) project presented to SITAC
3. Fall 2004 – SOS Budget request included \$500,000 for Central Indexing System (CIS) portion of SOSKB
4. Fall 2004 – Governor's Budget recommendation included \$250,000

2005

5. Spring 2005 – Legislative Assembly approved \$125,000 for Phase 1
6. Spring 2005 – ITD continues working with SOS and contracts with CC Intelligent Solutions (CCIS) to provide technical assistance
7. December 2005 – Al Jaeger, Mike Ressler, Tracy Korsmo, and Jim travel to North Carolina (NC) for meeting with North Carolina SOS

2006

8. April 2006 – Signed Memorandum of Understanding with NC SOS on SOSKB development to .net – ITD, NC SOS, and CCIS will develop .net effort
9. Summer 2006 – Phase II of SOSKB project presented to SITAC
10. Fall 2006 – SOS Budget request included \$1,716,413 for Phase II (from the Phase II Charter)
11. Fall 2006 – Governor's Budget recommendation included \$824,153

2007

12. Spring 2007 – Legislative Assembly approved \$824,153 for Phase II
13. ITD, NC SOS, and CCIS continue working on Phase I with little success, but not much information is forthcoming to upper management at ITD and SOS about code challenges
14. November 2007 – FileONE reviews SOSKB code that has been developed and as a result of that review, indicate that the code has no value for them and continue to develop their own solution

2008

15. January 2008 – ITD Developers approach Executive Steering Committee and reveal that Phase I can be completed with more funds, but even at that SOSKB will not be a lasting and viable solution.
16. February 2008 – Secretary Jaeger stops SOSKB project
17. Spring 2008 – SOS determines it has approximately \$600,000 remaining in budget for solution, if available
18. Spring 2008 – ITD estimates they would need approximately \$2.4 million to build the desired system from the beginning
19. Spring 2008 – FileONE offers a solution to SOS
20. Spring 2008 – SOS issues a notice of intent to award sole source to FileONE
21. Spring 2008 – SOS receives four challenges to this notice
22. May 2008 – SOS releases RFP for new system to four challengers and FileONE
23. June 2008 – After extensive evaluation, CCIS is selected as vendor for new system
24. July 2008 – FileONE protests the notice of intent to award – protest denied by State Procurement Office
25. August 2008 – Contract is executed between CCIS and SOS for a product identified as cGov360
26. October 2008 – CCIS team is in ND gathering requirements
27. November 2008 – CCIS begins development

2009

28. January 2009 – CCIS team is in ND gathering more requirements
29. Spring 2009 – 2009 Legislative Assembly approves \$780,000 for continuation of cGov360 project
30. June 2009 – cGov360 Contract date for completion of project
31. June 2009 – CCIS team is in ND gathering requirements
32. Summer 2009 – New project schedule approved
33. October 2009 – CCIS team in ND gathering requirements

2010

34. February 2010 – CCIS begins to discuss “churn” as the reason for the project delay
35. April 2010 – CCIS management is in ND to meet with Executive Steering Committee
36. April 2010 – Launch date for Central Indexing module is set for August 16, 2010
37. May 2010 – CCIS furlongs most of its staff due to financial hard times
38. June 2010 – cGov360 project was to be completed according to the revised schedule adopted in summer of 2009
39. Present – cGov360 project is not complete and CCIS projects completion of Central Indexing module by September 2011 and Business Services modules by June 2015

Since 2004, the Secretary of State has requested in its budget requests a total of \$2,996,413. It has received appropriations of \$1,729,153, which is \$1,267,260 less than what knowledgeable sources indicated it would cost to build a system.



SECRETARY OF STATE
STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
BISMARCK ND 58505-0500

January 12, 2011

Summary of Features for new Secretary of State Operating Platform

- Replaces and then consolidates all of the software used for the operations of the Secretary of State's office (except for elections). Currently, the Secretary of State's operations are housed on an AS/400 and the state's mainframe. The result will create added efficiency to the agency's processes, increase productivity by permitting staff to be cross-trained to perform a wider range of office duties, and reduce the cost of hosting and maintaining the software.
- The software removes the Secretary of State's operations housed on the AS/400, which was written in RPG program language prior to 1992 and for which very few developers now exist with the necessary programming skills related to this particular language. Therefore, the current software is at high risk for failure and is fast approaching obsolescence.
- The software will contain all of the security standards and recommendations of the technological audit conducted by the State Auditor's office and its contracted security advisor.
- The software will allow a customer (filer) online access to complete and submit documents, along with payment, directly from a computer. Currently, this agency has a limited number of filings that can be completed and paid for online. It is anticipated a majority of customers will ultimately choose to file online, along with the payment, compared to submitting documents in a paper format, along with either a check or credit card authorization, through the mail or other delivery service.
- For many agency applications, the software will "check" the document being submitted online and compare it for accuracy with the Secretary of State's record and if correct, allow it to be submitted without agency intervention. This service will be available to the customer 24/7 and provide the customer with instant response and guidance to complete the document correctly. The result will reduce (not eliminate) the agency's current workload in processing paper documents, minimize the customer error factors in their preparation and submission of documents, allow more time for agency staff to assist customers with specific questions and concerns, and reduce overtime for those peak periods related to filing deadlines.
- The software will collect the filing fees for the online applications and automatically "feed" them through the system directly to the Bank of North Dakota. This will eliminate the processing of tens of thousands of checks/credit card transactions between the Secretary of State and Treasurer's Office.
- The software will enable acceptance of Automatic Clearing House (ACH) payments from customers. It is anticipated this feature will decrease the cost of credit card transaction fees paid by the agency because ACH payments do not have transaction fees.
- The software will allow for the electronic transmission of documents between the Secretary of State's office and customers in a secured utility protecting confidential information. This will allow the agency to provide customers with a faster service related to document filing and significantly reduce mailing costs.
- The software will enable customers to go online to obtain public reports (by paying the applicable fee, as is currently set in law) in multiple formats to import into their respective systems. The reporting device will contain a GIS component to allow the display of data on a map, e.g., the location of any business registered with or licensed by the Secretary of State.

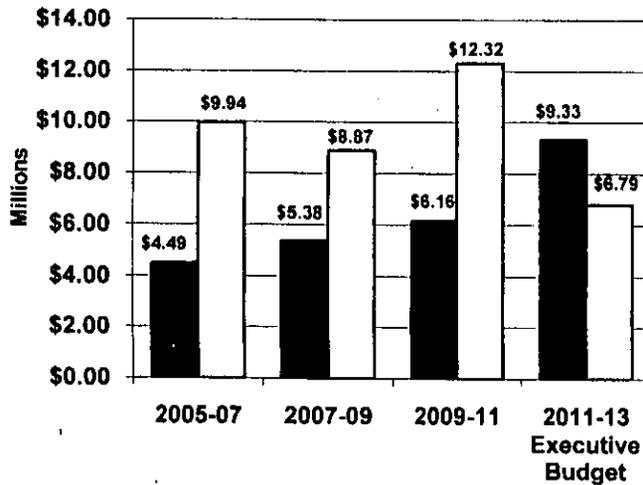
Department 108 - Secretary of State
Senate Bill No. 2002

- Attachment ONE
 - April 4, 2011

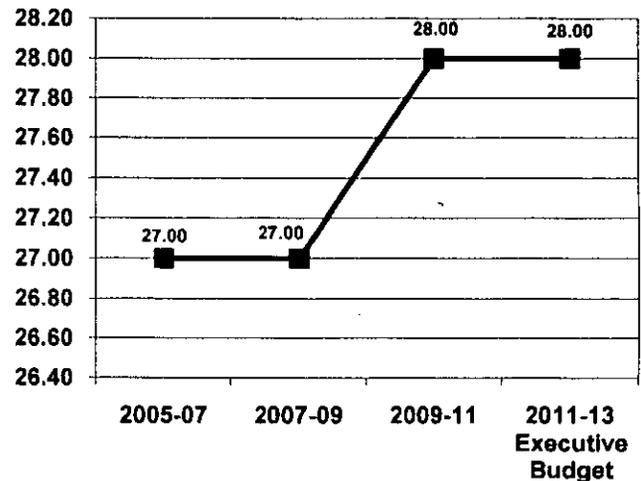
	FTE Positions	General Fund	Other Funds	Total
2011-13 Executive Budget	28.00	\$9,326,160	\$6,786,984	\$16,113,144
2009-11 Legislative Appropriations	28.00	6,161,588	12,315,676	18,477,264 ¹
Increase (Decrease)	0.00	\$3,164,572	(\$5,528,692)	(\$2,364,120)

¹The 2009-11 appropriation amounts include \$50,000 from the general fund for the agency's share of the \$16 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for executive branch employees. The 2009-11 appropriation amounts do not include \$18,421 of state contingencies funding and \$350,000 of additional special funds authority resulting from Emergency Commission action during the 2009-11 biennium.

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
2011-13 Executive Budget	\$5,783,121	\$3,543,039	\$9,326,160
2009-11 Legislative Appropriations	5,356,588	805,000	6,161,588
Increase (Decrease)	\$426,533	\$2,738,039	\$3,164,572

First House Action

Attached is a summary of the first house changes.

Executive Budget Highlights
(With First House Changes in Bold)

	General Fund	Other Funds	Total
1. Removes one-time funding provided for continuation of the agency's mainframe migration project in the 2009-11 biennium	(\$780,000)		(\$780,000)
2. Removes one-time funding provided for a transfer from the general fund to the election fund for the imputed interest earnings allocable to the amount of nonfederal funds contained in the fund	(\$25,000)		(\$25,000)
3. Removes funding provided for the state's 5 percent match for federal funds to be deposited in the election reform fund	(\$30,000)		(\$30,000)
4. Adds one-time funding to complete the agency's database and processing platform migration project (The Legislative Assembly provided \$600,000 from the general fund for the 2007-09 biennium and \$780,000 from the general fund for the 2009-11 biennium for the database and processing platform migration project.)	\$3,500,000		\$3,500,000

5. Adds one-time funding to develop an online public meeting notification system	\$43,039	\$43,039
6. Provides funding for desktop computer support from the Information Technology Department	\$54,000	\$54,000
7. Increases funding for operating expenses to provide for inflationary increases	\$195,000	\$195,000
8. Removes special funds (Bank of North Dakota loan proceeds) provided for a business development engine information technology project in the 2009-11 biennium that was not initiated	(\$3,400,698)	(\$3,400,698)
9. Decreases federal election, reform operations to reflect remaining federal funding	(\$5,523,420)	(\$5,523,420)
10. Increases federal funds for purchasing an enhancement for the electronic pollbooks in counties (The state will purchase the equipment for counties using federal Help America Vote Act funds available in the state's election fund. Counties will repay the state's election fund within five years.)	\$3,000,000	\$3,000,000
11. Decreases funding for public printing	(\$27,000)	(\$27,000)

Other Sections in Bill

General services operating fund - Section 3 provides that any unobligated balance remaining in the Secretary of State's general services operating fund on June 30, 2011, is not subject to the provisions of North Dakota Century Code Section 54-09-08, and any unexpended funds are available and may be expended by the Secretary of State during the 2011-13 biennium for the database and processing platform migration project.

Secretary of State's salary - Section 4 provides the statutory changes increasing the Secretary of State's salary. The Secretary of State's annual salary is increased from the current level of \$87,728 to \$90,360, effective July 1, 2011, and to \$93,071, effective July 1, 2012, to reflect the 3 percent and 3 percent recommended salary increase.

Continuing Appropriations

Athletic commission fund - Section 53-01-09 - Appropriates any funding received by the Secretary of State for license fees for all boxers, kickboxers, mixed style fighters, promoters, managers, judges, timekeepers, cornerpersons, knockdown counters, matchmakers, and referees or other participants and fees based on the percentage of gross revenues from any boxing, kickboxing, mixed fighting style competition, or sparring exhibition held in this state to pay for the expenses of members of the Athletic Advisory Board or the Mixed Fighting Style Advisory Board.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1292 relates to polling places.

House Bill No. 1314 relates to a civil penalty for persons lobbying without registration with the Secretary of State.

Senate Bill No. 2120 relates to the adoption of the Uniform Military and Overseas Voters Act, absentee voting, and absent voter ballots.

Senate Bill No. 2286 relates to name changes from the state athletic commissioner to the state combative sports commissioner and from the Athletic Advisory Board to the Combative Sports Commission.

ATTACH:1

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2002 - Funding Summary

	Executive Budget	Senate Changes	Senate Version
Secretary of State			
Salaries and wages	\$3,423,343		\$3,423,343
Operating expenses	6,164,989		6,164,989
Petition review	8,000		8,000
Election reform	<u>6,206,812</u>		<u>6,206,812</u>
Total all funds	\$15,803,144	\$0	\$15,803,144
Less estimated income	<u>6,786,984</u>	<u>0</u>	<u>6,786,984</u>
General fund	\$9,016,160	\$0	\$9,016,160
FTE	28.00	0.00	28.00
Public Printing			
Operating expenses	<u>\$310,000</u>		<u>\$310,000</u>
Total all funds	\$310,000	\$0	\$310,000
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$310,000	\$0	\$310,000
FTE	0.00	0.00	0.00
Bill Total			
Total all funds	\$16,113,144	\$0	\$16,113,144
Less estimated income	<u>6,786,984</u>	<u>0</u>	<u>6,786,984</u>
General fund	\$9,326,160	\$0	\$9,326,160
FTE	28.00	0.00	28.00

Senate Bill No. 2002 - Secretary of State - Senate Action

The Senate did not change the executive recommendation for the Secretary of State.

Senate Bill No. 2002 - Public Printing - Senate Action

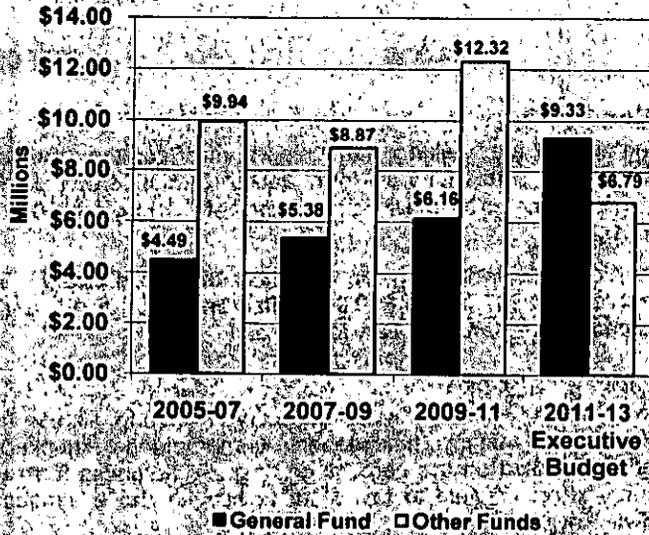
The Senate did not change the executive recommendation for public printing.

**Department 108 - Secretary of State
 Senate Bill No. 2002**

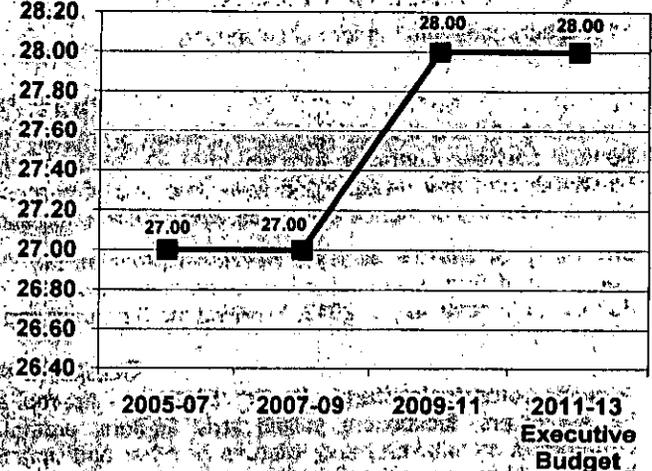
	FTE Positions	General Fund	Other Funds	Total
2011-13 Executive Budget	28.00	\$9,326,160	\$6,786,984	\$16,113,144
2009-11 Legislative Appropriations	28.00	6,161,588	12,315,676	18,477,264 ¹
Increase (Decrease)	0.00	\$3,164,572	(\$5,528,692)	(\$2,364,120)

¹The 2009-11 appropriation amounts include \$50,000 from the general fund for the agency's share of the \$16 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for executive branch employees. The 2009-11 appropriation amounts do not include \$18,421 of state contingencies funding and \$350,000 of additional special funds authority resulting from Emergency Commission action during the 2009-11 biennium.

Agency Funding



FTE Positions



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2. Removes one-time funding provided for a transfer from the general fund to the election fund for the imputed interest earnings allocable to the amount of nonfederal funds contained in the fund	(\$25,000)		(\$25,000)
3. Removes funding provided for the state's 5 percent match for federal funds to be deposited in the election reform fund	(\$30,000)		(\$30,000)
4. Adds one-time funding to complete the agency's database and processing platform migration project (The Legislative Assembly provided \$600,000 from the general fund for the 2007-09 biennium and \$780,000 from the general fund for the 2009-11 biennium for the database and processing platform migration project.)	\$3,500,000		\$3,500,000

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9. Decreases federal election reform operations to reflect remaining federal funding	(\$5,523,420)	(\$5,523,420)
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Election reform	<u>6,206,812</u>		<u>6,206,812</u>
Total all funds	\$15,803,144	\$0	\$15,803,144
Less estimated income	<u>6,786,984</u>	<u>0</u>	<u>6,786,984</u>
General fund	\$9,016,160	\$0	\$9,016,160
FTE	28.00	0.00	28.00
Public Printing			
Operating expenses	<u>\$310,000</u>		<u>\$310,000</u>
Total all funds	\$310,000	\$0	\$310,000
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$310,000	\$0	\$310,000
FTE	0.00	0.00	0.00
Bill Total			
Total all funds	\$16,113,144	\$0	\$16,113,144
Less estimated income	<u>6,786,984</u>	<u>0</u>	<u>6,786,984</u>
General fund	\$9,326,160	\$0	\$9,326,160
FTE	28.00	0.00	28.00

Senate Bill No. 2002 - Secretary of State - Senate Action

The Senate did not change the executive recommendation for the Secretary of State.

Senate Bill No. 2002 - Public Printing - Senate Action

The Senate did not change the executive recommendation for public printing.

ALVIN A. JAEGER
SECRETARY OF STATE
HOME PAGE www.nd.gov/sos



SECRETARY OF STATE
STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
BISMARCK ND 58505-0500

March 10, 2011

SB 2002
Secretary of State
3/10/11
PHONE (701) 328-2900
FAX (701) 328-2992
attachment # 1
E-MAIL sos@nd.gov

TO: Rep. Skarphol, Chairman, and Members of the Education and Environment Division of the House Appropriations Committee

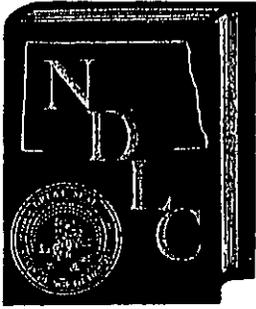
FR: Al Jaeger, Secretary of State

RE: SB 2002 – Appropriation for the Secretary of State

1. Public Printing – Subdivision 2 – Page 2, lines 1 through 6
See letter from the Legislative Council dated August 2, 2010 – Pages 1 through 5

2007-2009: \$303,500
2009-2011: \$337,000
2011-2013: \$310,000

2. Agency overview – page 6
3. Election reform line – page 7
4. Agency major accomplishments – page 8
5. Demand for services – page 9 through 13
6. Agency history of revenue and expenditures – page 14
7. Agency program cost – page 15
8. Agency future critical issues – page 16
9. Agency optional requests – page 17
10. Time Line History for Technology Project – pages 18 and 19
11. Summary of Features for new Operating Platform – page 20



North Dakota Legislative Council

STATE CAPITOL, 600 EAST BOULEVARD, BISMARCK, ND 58505-0360

RECEIVED

Jim W. Smith
Director

AUG 03 2010

My E. Buringrud
Assistant Director

SEC. OF STATE

Allen H. Knudson
Legislative Budget
Analyst & Auditor

John Walstad
Code Revisor

August 2, 2010

Honorable Alvin A. Jaeger
Secretary of State
State Capitol
Bismarck, ND 58505

Dear Mr. Jaeger:

As you know, the Legislative Council is responsible for preparing the material for and supervising the publication of the North Dakota Century Code, the North Dakota Administrative Code, and the North Dakota Session Laws. The purpose of this letter is to notify you of the estimated costs for the 2011-13 biennium so you can include a sufficient amount in your budget request for these purposes.

During the 2009-11 biennium, cost estimates for the Century Code purchases in your budget were based on the state maintaining 700 sets of the code. As we are not aware of any reason to change the number of sets needed, we are continuing to base our estimates on maintaining 700 code sets for the 2011-13 biennium.

During the 2011-13 biennium, we have tentatively identified Volumes 2A, 2B, 4A, and 3B of the North Dakota Century Code for replacement. We anticipate splitting the contents of Volume 2A and 2B into Volumes 2A, 2B, and 2C, which means each set of the code will require five replacement volumes. These replacement volumes must be published to avoid increased costs for supplements and the eventual need to replace the entire Century Code. Replacement of volumes also makes the Century Code more easily usable for the public. The Court Rules Annotated volume is published in a softbound volume that must be replaced each biennium. Based on cost estimates furnished by LexisNexis, \$147,000 will be needed to purchase 700 sets of replacement Volumes 2A, 2B, 2C, 4A, and 3B and \$45,850 will be needed to purchase 700 sets of the Court Rules Annotated volume and two supplements to that volume.

Based on LexisNexis estimates, \$102,900 will be needed to purchase 700 sets of the 2011 pocket supplements and \$39,200 will be needed to purchase 700 sets of the 2011 general index. We are recommending that the state not purchase 700 sets of the Advance Code Service, which will result in a savings of \$61,600.

The estimated costs for Century Code updates for the 2011-13 biennium total \$334,950. In the letter of estimated costs from Ms. Leslie Ostrander, Associate Director, Government Content Acquisition, LexisNexis (copy enclosed), it is stated that LexisNexis offers state government subscribers a 25 percent discount. Application of this discount will reduce estimated expenditures for 2011-13 Century Code updates to \$251,212.50.

For the 2009-11 biennium, we estimated that your budget would require Administrative Code printing costs of \$41,913.60 and mailing costs of \$3,744. It appears actual costs will be significantly lower. For the 2011-13 biennium, costs will also decrease because the Administrative Code is now being published

in a CD-ROM format. We estimate CD-ROM preparation and mailing costs will total \$7,000 for the 2011-13 biennium.

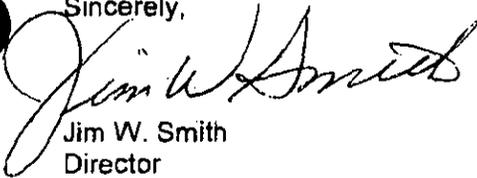
We estimate that \$35,000 will be required to cover printing, binding, and mailing costs for the 2011 North Dakota Session Laws. We believe an error was made in comparison of the bids received for the 2009 Session Laws and avoiding that error will reduce the cost of the 2011 Session Laws. Our 2011-13 estimate also includes a reduction of approximately 100 sets of Session Laws volumes, based on the recommendation of your staff. Our estimate of \$35,000 is based on the 2009 expenditure with a decrease of approximately 30 percent and should include having Session Laws volumes mailed to purchasers by the printer to avoid the burden on your office of doing these mailings.

We respectfully request that you include \$293,212.50 in your budget request for the 2011-13 biennium for publication and printing costs for the North Dakota Century Code, North Dakota Administrative Code, and North Dakota Session Laws and postage and mailing costs for the North Dakota Administrative Code and North Dakota Session Laws. This is a decrease from the comparable amount we recommended for these expenses for the 2009-11 biennium.

We are not in a position to make any suggestions regarding the other costs that must be included in the public printing line item of your budget, including the costs of individual volumes to update old sets of the Century Code, the new sets of the Century Code required for new members of the Legislative Assembly, and postage and mailing costs for the Century Code. Therefore, those costs are not included in our estimates.

Thank you for your attention to these matters. Please contact this office if you have any questions. We are sending a copy of this letter to Ms. Pam Sharp, Director, Office of Management and Budget, for her information.

Sincerely,



Jim W. Smith
Director

JWS/CS

Enc.

cc: Ms. Pam Sharp
Ms. Leslie Ostrander

#2

July 16, 2010

John Walstad
North Dakota Legislative Council
State Capitol, 600 East Boulevard
Bismarck, ND 58505

Dear John:

I am pleased to provide the following estimated prices for the North Dakota Century code 2011-2012 upkeep service. The following prices reflect slight increases from the pricing levels offered for 2009-2010. The cost of production has increased over the past two years and although the Producer Price Index for Book Publishers has risen 11% over the last two years, I have kept the requested increases significantly lower than that amount.

As requested, I have included the base estimates on options for three, four, or five replacement volumes in the two-year period.

Cumulative Supplement The price of the 2011 Supplement will depend on the number of volumes replaced. If five volumes are replaced, the price of the Supplement is \$147.00. If four volumes are replaced, the price of the Supplement is \$161.00. And if only three volumes are replaced, the price of the Supplement is \$173.00.

Index The price of the Index will be \$56.00 with the publication of five Replacement volumes. The price increases to \$57.00 with four Replacement volumes and \$58.00 with three replacement volumes.

Replacement Volumes Our recommendation is for the replacement of five volumes, two in one year and three in the next. After consulting with editorial, our recommendation is to replace Volumes 2A and 2B and resplit them as Volumes 2A, 2B and 2C. The split would work out well to have Title 10 in Volume 2A, Title 11 as 2B and Titles 12 and 12.1 as the new volume 2C. The final two recommendations are to replace 4A (2002 volume with 260 page supplement) and 3B (2003 volume with 190 page supplement). If five volumes are replaced, the price for each copy of each replacement volume will be \$42.00. If four volumes are replaced, the price for each copy of each replacement volume will be \$43.00. And if only three volumes are replaced, the price for each copy of each replacement volume is \$44.00.

#3

Package Prices For comparison purposes, the various options with prices and the total package price of Supplement, Replacement Volumes and Index are as follows:

<u>Option</u>	<u>No. Repl. Vols.</u>	<u>Price of Supp.</u>	<u>Price of Volumes</u>	<u>Price of Index</u>	<u>Total</u>	<u>Increase</u>
1	5	\$147.00	\$42.00	\$56.00	\$413.00	4.9%
2	4	\$161.00	\$43.00	\$57.00	\$390.00	4.9%
3	3	\$173.00	\$44.00	\$58.00	\$363.00	5.3%

Advance Code Service The Advance Code Service will be issued in three (3) pamphlets at even intervals during each year between the publication of the 2011 and 2013 Supplements. The price of the Advance Code Service will increase to \$44.00 per year.

Court Rules Volumes and Supplements The next edition of the Court Rules volume is currently scheduled for publication in early 2012. The price of that edition will be \$44.00, a 5% increase in the price of \$42.00 from the 2010 Edition. The first two supplements to the (2008) Edition will increase by \$.50 each to \$10.00 and \$11.50 respectively.

Government Discount We will continue to offer state government subscribers a 25% discount on its purchases of the North Dakota Century Code for the 2011-2013 biennium.

Please let me know if you have any questions.

Sincerely,



Leslie Ostrander
Associate Director
Government Content Acquisition

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meant
2012

#4

Package Prices For comparison purposes, the various options with prices and the total package price of Supplement, Replacement Volumes and Index are as follows:

<u>Option</u>	<u>No. Repl. Vols.</u>	<u>Price of Supp.</u>	<u>Price of Volumes</u>	<u>Price of Index</u>	<u>Total</u>	<u>Increase</u>
1	5	\$147.00	\$42.00	\$56.00	\$413.00	4.9%
2	4	\$161.00	\$43.00	\$57.00	\$390.00	4.9%
3	3	\$173.00	\$44.00	\$58.00	\$363.00	5.3%

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Government Discount We will continue to offer state government subscribers a 25% discount on its purchases of the North Dakota Century Code for the 2011-2013 biennium.

Please let me know if you have any questions.

Sincerely,



Leslie Ostrander
Associate Director
Government Content Acquisition

#5

AGENCY OVERVIEW

AGENCY STATUTORY AUTHORITY

ND Constitution Article V, Section 12; North Dakota Century Code Title 10 and Title 16.1; North Dakota Century Code Chapters 15.02, 35-01, 35-05, 35-17, 35-21, 35-29, 35-30, 35-31, 41-09, 43-07, 44-06, 45-10, 45-10.1, 45-11, 45.22, 45-23, 47-22, 47-25, 50-22, 53-01, 54-05.1, 54-09, 54-16, and 55-01.

AGENCY DESCRIPTION

The agency is the office of record for certain legal documents generated by the executive and legislative branches of state government; the office of record for public records and notices including various business entities; and it performs a wide range of licensing, regulatory, registration, and administrative functions within four operating units. The agency performs these functions in accordance with the requirements of the state's constitution and laws.

AGENCY MISSION STATEMENT

To serve the people of the State of North Dakota and its guests; execute with integrity the duties required by the North Dakota Constitution and the North Dakota Century Code; collect and preserve the records of the State as defined by the law; act as an ambassador for the State of North Dakota, its people, and its way of life. This mission will be dispatched effectively, efficiently, expeditiously, courteously, and with financial responsibility.

AGENCY PERFORMANCE MEASURES

Although it does not have a formal written program, the agency's management team and unit leads have access to various processes for tracking productivity, effectiveness, efficiency, quality of customer service, and compliance with laws. It is anticipated the statistical tracking of information will be improved with the agency's migration to a new database and document processing platform, for which funding was approved in the 2009/2011 biennium and for which continued funding is being requested in the agency's 2011/2013 budget request.

#16

ELECTION REFORM LINE

Since the adoption of the Help America Vote Act of 2002 (HAVA), the state has received the following amounts of funding.

In 2003, it received \$5,000,000, which did not require a state match.

In 2004, it received \$4,150,000, which required a 5% state match. According to the State Plan, 1/2 share of the 5% for the state match was provided by the state and the other half share was provided by each one of the state's 53 counties in proportion to the voting equipment supplied to them. The state's share was appropriated in Section 2 of Senate Bill 2002, as adopted by the 2003 Legislative Assembly and signed by the Governor. Each of the counties receiving voting equipment paid their one/half share as committed allocated in their respective budgets. The state's share of \$105,000 was provided from the projected agency's turn back to the general fund at the end of the 2001/2003 biennium.

For the fiscal year 2004, Congress appropriated an additional \$7,446,803, which required a 5% state match of \$391,937. As part of the match, the federal Election Assistance Commission recognized the agency's investment in its Election Management System, as an in-kind contribution in the amount of \$257,970. The balance for the match was contributed by the Counties in the amount of \$57,867 and the legislature appropriated \$76,100.

In 2008, Congress appropriated an additional amount in the Omnibus Appropriations Act for Fiscal Year 2008, which resulted in North Dakota becoming eligible for an additional \$575,000 for the HAVA election fund. In order to secure it, the state was required to provide a 5% match. This was achieved when the Emergency Commission on March 14, 2008, authorized the amount of \$30,263 from state's contingency fund to be used for this purpose.

In 2009, North Dakota became eligible for an additional \$500,000 for the HAVA election fund. In order to secure it, the state was required to provide a 5% percent match. The match of \$26,316 was appropriated by the Legislative Assembly in the House Bill 1002.

In 2010, Congress appropriated an additional amount in the Omnibus Appropriations Act for Fiscal Year 2010, which resulted in North Dakota becoming eligible for an additional \$350,000 for the HAVA election fund. In order to secure it, the state was required to provide a 5% match. This match was achieved when the Emergency Commission on March 4, 2010, authorized the amount of \$18,421 from the state's contingency fund to be used for this purpose.

Gross federal funds received, as of January 31, 2011 = \$18,021,803

Gross required state match to obtain federal funds = \$685,358

Expenditures as of January 31, 2011 = \$ 13,260,980 (federal \$ 13,074,705 + state \$ 186,275)

Interest earned on federal funds, as of January 31, 2011 = \$ 1,288,700

United States Department of Health and Human Services Grants

To provide voter information and polling location accessibility to persons with disabilities

Grants received = \$ 800,000

Amount expended = \$ 602,599.38

Balance remaining = \$ 197,400.62

#7

AGENCY MAJOR ACCOMPLISHMENTS

1. Enhanced agency website, which received approximately 327,000 hits on its various pages and sections over a 12 month period ending June 30, 2010.
2. Enhanced 24/7 live business records search on agency website which displays data about business entities filed with the agency.
3. Enhanced website for access to annual reports filed by businesses allowing them to complete reports on-line and then print, sign and mail the reports to the agency.
4. Continued the software development to enable migration of the agency's database from AS/400 platform created in 1988/1992 to a new operating platform. This will allow for on-line filing of many documents and reports which will be very beneficial for the future.
5. Continued the mandated migration of the Central Indexing System (CIS) from the state's mainframe. This will greatly enhance the agency's CIS, which is connected to the state's 53 counties and provides a centralized depository for various lien documents.
6. Continued to enhance the agency's Election Administration System (EAS), along with the Central Voter File, to present information on the Secretary of State's website. For example, it allows voters and counties to track absentee ballots, provide expanded election information about candidates on the ballot, voter polling location finder and ballot preview with using a house number and zip code and assists in the administration of petition review, poll worker tracking, voting statistics reporting, and early and absentee voting.
7. Developed, implemented, and launched ND VOICES, which is an election administration tool allowing a single point of entry for all pertinent election data for election officials across the state and to provide election results to the public through one portal for every contest listed on any ballot in the state.

#8

DEMAND FOR SERVICES

The demand for the agency's services has grown steadily during the period beginning June 30, 1995, and ending June 30, 2010. This is in direct relationship to the net increase in filings and registrations as listed below.

	June 30, 1995	June 30, 2010	Percentage Increase/decrease
Contractors	4,701	8,378	+78%
Charitable Solicitation	559	2,534	+353%
Notary Publics	10,419	12,390	+19%
ND For-profit corporations	10,734	14,198	+32%
ND Cooperatives	434	305	-30%
ND Professional corporation	552	945	+71%
Foreign For-profit corporations	7,307	13,206	+81%
Foreign cooperatives	45	75	+67%
Limited Liability Companies (all)	441	12,524	+2740%
Limited Liability partnerships (all)	13	2,675	+20477%
Limited Partnerships (all)	864	1,576	+82%
Limited Liability Limited Partnerships	0	675	+675%
Partnership Fictitious Names	1,362	1,768	+30%
Trademarks	1,286	1,471	+14%
Trade names	3,565	21,503	+503%
ND non-profit corporations *	0	7,331	+7331%
Foreign non-profit corporations *	0	2,125	+2125%
Total	42,282	103,679	+145%

*Prior to 1997, non-profit corporations were not required to file an annual corporate report. Therefore, the agency is processing an additional 9,456 filings that it did not process twelve years ago.

#9

NORTH DAKOTA NEW BUSINESS REGISTRATIONS BY COUNTY
 July 1, 2009 thru December 31, 2009

	Business Corporations	Farm Corporations	Professional Corporations	Limited Liability Companies	Farm Limited Liability Companies	Professional Limited Liability Companies	Cooperative Associations	Limited Partnerships - Domestic	Limited Liability Partnerships - Domestic	Limited Liability Limited Partnerships - Domestic	Trade Names	Partnership Facilities Names	COUNTY TOTALS
1=Adams				1							1	2	4
2=Barnes	5	1		14					3	2	16	3	44
3=Becken				3	1						6		10
4=Billings				2					1		4		7
5=Bottineau	4			7	1						17	1	30
6=Bowman	2										7	1	10
7=Burke					2						3		5
8=Burdick	58		4	99		3		1	18	1	158	19	361
9=Cass	85		6	238	1	2			44	13	258	17	649
10=Cavalier	1			1					1		4		7
11=Dickey	1	1		1							7	2	12
12=Divide	2			4	1						7	1	15
13=Dunn	4			8	1						3		16
14=Eddy				2							2		4
15=Emmons				2							9		11
16=Foster											6		6
17=Golden Valley				2	1				1		3		7
18=Grand Forks	18		1	69	1	1		3	7		70	5	175
19=Grant	1			1							6		8
20=Griggs				2					1		3		6
21=Hettinger	1			1							8		10
22=Kidder				2							6		8
23=Lamoure				4							3		7
24=Logan				3							6		9
25=McHenry	1			2					1		10		14
26=McIntosh	2			6						1	5	1	15
27=McKenzie	4			8		1			1		7	1	22
28=McLean	2			4	1						17	2	26
29=Mercer	1			3					1		9	1	15
30=Morton	8			35					6		57	6	112
31=Mountrail	5	1		9	2				4	4	11		36
32=Nelson	1			2							5		8
33=Oliver	1										4		5
34=Pembina	2			5							12	1	20
35=Pierce				3					2		5		10
36=Ramsey	4			9					1		16		30
37=Ransom	3			8							11	1	23
38=Renville	3			2							2		7
39=Richland	7			12				3	2		20	2	46
40=Rolette				2	1						5		8
41=Sargent	2			1							3	1	7
42=Sheridan				3							5		8
43=Stoux									1		1	1	3
44=Slope													0
45=Stark	9		1	43					1		47	5	106
46=Steele				2					1				3
47=Stutsman	5		1	22							15	3	46
48=Towner				3							3		6
49=Traill	2		1	4				4			7		18
50=Walsh				12	1				5		6		24
51=Ward	25		3	55	1			1	21	3	78	6	193
52=Wells				1	1				1		1	1	5
53=Williams	18			26				1	3	3	44		95
Out-of-State	1			13	1			3	8	1	279	21	327
All-State Total	288	3	17	761	17	7	0	16	125	28	1,298	99	2,659

January 1, 2010 thru June 30, 2010

#10

	Business Corporations	Farm Corporations	Professional Corporations	Limited Liability Companies	Farm Limited Liability Companies	Professional Limited Liability Companies	Cooperative Associations	Limited Partnerships - Domestic	Limited Liability Partnerships-Domestic	Limited Liability Limited Partnerships - Domestic	Trade Names	Partnership Fictitious Names	COUNTY TOTALS
1=Adams				2					1		5		8
2=Barnes	6			8	1				2	1	25	3	46
3=Benson				5							4		9
4=Billings											1		1
5=Bottineau	3			13					2	2	9	1	30
6=Bowman	4			2					1		13		20
7=Burke	1			2					1		4	2	10
8=Burleigh	64		6	196	3	2			21	2	236	15	545
9=Cass	80	2	6	263		4		4	20	7	290	25	701
10=Cavalier	5			1					2		4	2	14
11=Dickey	1			4	1	1					5	1	13
12=Divide	2			3					1		1		7
13=Dunn				14					1		13		28
14=Eddy											5		5
15=Emmons	1			3							7		11
16=Foster	3			2					2		1	2	10
17=Golden Valley				2							4		6
18=Grand Forks	20		1	57	2			12	15	2	85	4	198
19=Grant				2							3		5
20=Griggs				6							10	2	18
21=Hettinger	1			2							4	1	8
22=Kidder				3					1		7		11
23=Lamoure	1	1		5							6	1	14
24=Logan				1							5	3	9
25=Mchenry	1			4	1			1		1	12	1	21
26=McIntosh				2	1						1	3	9
27=Mckenzie	12			14					1		12		39
28=McLean	4			9	4				2	2	15	3	39
29=Mercer	1			4	1				1		12		19
30=Morton	12	1	1	28			1		7		65	7	122
31=Mountrail	7			17				1	2	2	13	6	48
32=Nelson				4							5	2	11
33=Oliver				2							1		3
34=Pembina	5		1	10				2		9	12	2	41
35=Pierce				2							4		6
36=Ramsey	2			5					1		12	3	23
37=Ransom	3	1	1	3							7	1	16
38=Renville	2			4					2		4	1	13
39=Richland	7		1	16				4	1	1	19	4	53
40=Rolette				6				1			9	1	17
41=Sargent	4	1		2				1			6	1	15
42=Sheridan	1			1					1		1		4
43=Sioux	1			2							5	1	9
44=Slope													0
45=Stark	13		1	60					6	1	54	7	142
46=Steele				1					1		1	1	4
47=Stutsman	12	3	1	16	1		1		1		32	4	71
48=Towner					1				1		5	1	8
49=Traill	2			13				9			10	2	36
50=Walsh	4			8	2			2	5	1	9	3	34
51=Ward	37	1	1	75	5			1	15	9	102	6	252
52=Wells	1			2			1				10	1	15
53=Williams	35	1	1	29	2				3		66		137
Out-of-State	1			11	1			2	11	3	351	16	396
All-State Total	359	11	21	946	26	7	3	40	131	44	1,604	138	3,330

#11

July 1, 2010 thru December 31, 2010

	Business Corporations	Farm Corporations	Professional Corporations	Limited Liability Companies	Farm Limited Liability Companies	Professional Limited Liability Companies	Cooperative Associations	Limited Partnerships - Domestic	Limited Liability Partnerships-Domestic	Limited Liability Limited Partnerships - Domestic	Trade Names	Partnership Elections	COUNTY TOTALS
1=Adams				6							6	1	13
2=Barnes	6		1	8					1		18	2	36
3=Beneton	1			4							4		8
4=Billings				4					1		1	1	7
5=Brittnewau	2			9					3	6	11		31
6=Bowman	1			7							7	1	16
7=Burke	1			5					3	1	4		14
8=Burleigh	67		6	211		5			21	6	237	21	574
9=Cass	103		9	351	2	6			28	9	409	48	956
10=Cavaller				3							6		9
11=Dickey	4			6	1						16	2	29
12=Dividr	1			9	1				2		5		18
13=Dunn	1			13					1		11		26
14=Lddy				4							6		10
15=Emmons	2			2							4		8
16=Foster	1		1	5					5		8	1	21
17=Golden Valley				4						1	3		8
18=Grand Forks	25	1	2	70		3		7	7	2	100	4	221
19=Grant											3		3
20=Griggs	2			1					1		9	1	14
21=Hettinger		1		4							6	2	13
22=Kidder	1			2								1	4
23=Lamour	2			4						1	8		15
24=Logan				1							5		6
25=Mchenry				9	1				1		11		22
26=McIntosh											4		4
27=McKenzie	5			16					5	4	16	1	47
28=McLean	1			10	4				1	2	20	1	39
29=Merced	4			2	1						5	1	13
30=Morton	16	1	4	37		1			9		65	4	137
31=Mountrail	5			11	1				2	7	19	1	46
32=Nelson	1			2	1				1		6	2	13
33=Oliver				3					1		4		8
34=Pembina	3			7				3	1	3	5	1	23
35=Pierce	1			3							12	1	17
36=Ramsey	4			11		2			6	1	20		44
37=Ransom	2			8					1		11	1	23
38=Renville	2			1					1		2	1	6
39=Richland	5	1		18				1	2	1	21	5	54
40=Rolette											8	1	9
41=Sargent		1		2	1						5		9
42=Sheridan	1			1							1		3
43=Sioux				6							4		10
44=Slope				1							1	1	3
45=Stark	6	2	1	83		1			8	6	75	4	186
46=Steele	2			2						1	1	2	8
47=Stutsman	5		1	11		1					35	3	56
48=Towner	1			3					1		4	1	10
49=Traill	2	2		5					4	1	17	1	33
50=Walsh	7		2	2				1	4		11	2	29
51=Ward	39	2	2	109	3	1			25	5	146	15	347
52=Wells	1			3		1			2		6	2	15
53=Williams	48		3	62	1				8	3	72	2	199
Out-of-State	4	1		11				1	10	8	428	28	491
All-State Total	385	12	32	1,171	17	21	0	17	163	68	1,917	166	3,964

# of New Registrations	
Jul 1, 2009 - Dec 31, 2009	2,659
Jan 1, 2010 - Jun 30, 2010	3,330
Jul 1, 2010 - Dec 31, 2010	3,964
Grand Total:	9,953



#12

NEW FOREIGN REGISTRATIONS	Foreign Business Corporations	Foreign Professional Corporations	Foreign Limited Liability Companies	Foreign Professional Limited Liability Companies	Foreign Cooperative Associations	Foreign Limited Partnerships	Foreign Limited Liability Partnerships	Foreign Limited Liability Limited Partnerships	FOREIGN TOTALS
Jul 1, 2009 - Dec 31, 2009	780	7	361	1	2	10	9	2	1,172
Jan 1, 2010 - Jun 30, 2010	916	7	525	2	1	30	2	2	1,485
Jul 1, 2010 - Dec 31, 2010	938	21	576	4	1	29	8	2	1,579

of New Registrations Including Foreign

Jul 1, 2009 - Dec 31, 2009	3,831
Jan 1, 2010 - Jun 30, 2010	4,815
Jul 1, 2010 - Dec 31, 2010	5,543
Grand Total:	14,189

Domestic	Business Corporations	Farm Corporations	Professional Corporations	Limited Liability Companies	Farm Limited Liability Companies	Professional Limited Liability Companies	Cooperative Associations	Limited Partnerships - Domestic/Foreign	Limited Liability Partnerships - Domestic/Foreign	Limited Liability Limited Partnerships - Domestic/Foreign	Trade Names	Partnership Fictitious Names
Total active June 30, 2009	13,283	712	945	6,818	131	98	318	1,580	2,648	672	20,797	1,774
Total active June 30, 2010	13,253	739	945	7,851	165	107	305	1,576	2,675	675	21,503	1,768
Total active December 31, 2010	12,887	751	941	8,999	751	129	304	1,532	4,943	725	22,206	1,774

Foreign	Foreign Business Corporations	Foreign Professional Corporations	Foreign Limited Liability Companies	Foreign Professional Limited Liability Companies	Foreign Cooperative Associations	Domestic/Foreign Limited Partnerships	Domestic/Foreign Limited Liability Partnerships	Domestic/Foreign Limited Liability Limited Partnerships
Total Active June 30, 2009	11,815	124	3917	20	75	1580	2648	672
Total Active June 30, 2010	13,206	128	4401	23	75	1576	2675	675
Total Active December 31, 2010	13,913	148	4909	32	75	1532	4943	725

Domestic and Foreign Totals	Corporations - Domestic & Foreign	Limited Liability Companies - Domestic & Foreign	Cooperative Associations - Domestic & Foreign	Limited Partnerships - Domestic/Foreign	Limited Liability Partnerships - Domestic/Foreign	Limited Liability Limited Partnerships - Domestic/Foreign	Trade Names	Partnership Fictitious Names	Domestic & Foreign Grand Total
Total active June 30, 2009	26,879	10,984	393	1,580	2,648	672	20,797	1,774	65,727
Total active June 30, 2010	28,271	12,547	380	1,576	2,675	675	21,503	1,768	69,395
Total active December 31, 2010	28,640	14,820	379	1,532	4,943	725	22,206	1,774	75,019

#13

PROGRAM STATISTICAL DATA

History of Revenue and Expenditures for the past nine budget cycles

Revenue

1993/1995 - \$ 4,007,416 increased 11.6% over previous biennium
1995/1997 - \$ 4,342,289 increased 8.4% over previous biennium
1997/1999 - \$ 4,912,970 increased 13.1% over previous biennium
1999/2001 - \$ 5,953,504 (general \$5,555,610; * special \$333,036) increased 21.2% over previous biennium
2001/2003 - \$ 6,277,698 (general \$5,869,160; * special \$371,868) increased 5.5% over previous biennium
2003/2005 - \$6,716,245 (general \$6,289,108, * special \$401,305) increased 7.0% over previous biennium
2005/2007 - \$7,289,015 (general \$6,815,185, * special \$454,445) increased 8.5% over previous biennium.
2007/2009 - \$7,949,077 (general \$7,432,582, * special \$516,495) increased 9.1% over previous biennium.
2009/2011 - \$8,370,871 (general \$7,800,000 *special \$570,871) estimated increase of 5.3% over previous biennium

* The 1999 Legislative Assembly authorized a General Services Operating Fund for the agency's "retail" trade.

Expenditures

1993/1995 - \$ 2,781,394 decreased 23.2% from previous biennium
1995/1997 - \$ 2,721,385 decreased 2.2% from previous biennium
1997/1999 - \$ 2,839,345 increased 4.3% over previous biennium
1999/2001 - \$ 3,545,065 increased 24.8% over previous biennium (see note # 1)
2001/2003 - \$ 3,961,253 increased 11.7% over previous biennium (see note # 2)
2003/2005 - \$ 4,146,332 increased 4.7% over previous biennium
2005/2007 - \$ 4,536,178 increased 9.4% over previous biennium (see note # 3)
2007/2009 - \$ 5,666,247 increased 24.9% over previous biennium (see note #4)

Note # 1 - Because of a system wide reallocation by ITD of the costs related to the statewide area network connecting the agency and the state's fifty-three counties for the operation of the central indexing system, the budget was increased by \$300,000 from \$75,000 to \$375,000, accounting for 39% of the increase. Another \$197,000, or 26% of the increase, was for salaries as approved by the legislature, emergency commission, and the budget section. Most of the remaining \$264,000, or 35% of the increase was for increased expenses related to services provided by ITD and other technology related expense as approved by the legislature, emergency commission, and the budget section. Almost half of that amount was directly related to the cost of providing the increased demand for agency information as authorized through the agency's general services operating fund, with those expenses being covered by the revenue generated to that account.

Note # 2 - ITD again reallocated costs related to the statewide area network resulting in another \$175,000 increase added to the agency's budget.

Note # 3 - The expenditures included a one-time amount of \$125,000 for migration of database

Note # 4 - The expenditures included a one-time amount of \$825,000 for migration of database

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EXPLANATION OF PROGRAM COSTS

For the 2009-2011 biennium, the appropriated salary line represented approximately 53% of the agency's total general fund spending authority. The agency has 27 FTE including Secretary of State plus 1 FTE federally funded from Election Reform line. Currently it has one vacancy.

The appropriated operating line for 2009-2011 represented approximately 46% of the agency's total general fund spending authority. Of that amount, approximately 79% of the operating line was budgeted for payments to the state's Information Technology Division (ITD). The remaining 21% is spread among other object code categories and supports the general operations of the agency. Those budget object codes include telecommunications, travel, mailing services, professional development, fees and services, repairs and maintenance of equipment, insurance, office supplies, printing, professional supplies and materials, and miscellaneous expenses.

The agency also has a general service fund, which is the retail account for information sold by the agency. Approximately 70% of that budget is to cover expenses related to the technology for providing the requested information.

Extensive technology is used by the agency to increase productivity, provide better and faster services for the public, and to maintain many thousands of records associated with approximately 100 diverse and varied categories that relate to the duties of the agency. For example:

1. The agency's budget supports the statewide Central Indexing System (CIS) area network connecting the agency and the state's fifty-three county Recorder offices. The budget supports the maintenance of the database housed on the state's mainframe computer, which database is currently being migrated to a new database. The CIS contains approximately 371,886 active files related to various personal property liens throughout the state.
2. The agency's budget supports a database of approximately 265,000 names for approximately 100 diverse and varied categories related to the duties of the agency and for associated expenses such as programming, which is only available from a private vendor. For 2011-2013, the agency is submitting an optional request to allow the continued migration of the agency's databases to a new operating platform.
3. The agency's budget supports an Internet web site and covers associated expenses.

#15

AGENCY FUTURE CRITICAL ISSUES

1. In the statistical data section of the program narrative, the data reveals that since 1995/1997 and through the 2007/2009 biennium, the agency's revenue has steadily increased. The increased revenue is directly related to the increase in the number of registrations, filings, and increased demand for the services provided by the agency. In order to respond to this increased demand, the agency is substantially dependent on the use of information technology (e.g. software, hardware, Internet, etc.), which it uses to provide the timely, accurate, and efficient services expected by the public, businesses, and customers of the agency.
2. As is also documented in the statistical data section, the agency is processing 61,397 more documents per year than it did in 1995. Therefore, to provide services in a cost effective and efficient manner for the public, it is vitally important that the agency receive support for technology initiatives.
3. The agency is the first place stop and prime filer of a variety of business related information. In other words, business in North Dakota begins with the Secretary of State's office. Therefore, the agency has a key role in the state's e-government initiatives making it imperative the agency has adequate funding and support in order to implement the appropriate technology to meet these goals and provide services the public is requesting. It is critical to continue the migration of the two databases from their current environment to the new platform contracted for in August 2008. The increase in services and productivity will be significant. The funding required for continuing the migration is included as an Optional Request in this budget.
4. It is also has been a long standing goal to have state agencies collaborating on a common portal for customers to enter. The Secretary of State's office has been the agency identified as the one to manage the development of the Business Development Engine, which was ranked as the # 6 project, by the State Information Technology Advisory Committee (SITAC). While funding was not included in the Governor's budget recommendation, the agency believes that the importance of this project is still identified, as it was in the last session in Section 3 (below) of HB 1002.

"SECTION 3. LOAN AUTHORIZATION - CONTINGENT APPROPRIATION - BUDGET SECTION APPROVAL. Subject to budget section approval, the secretary of state may borrow up to \$3,400,698 from the Bank of North Dakota, which is appropriated to the secretary of state for the purpose of implementing the North Dakota business development engine computer project, during the biennium beginning July 1, 2009, and ending June 30, 2011. The secretary of state may request budget section approval only if the revenues projected by the secretary of state and the office of management and budget to be generated as a result of provisions of chapter 102 of the 2007 Session Laws over the term of the proposed loan based on the trend of actual corporate charters granted are anticipated to be sufficient to repay the proposed loan, including interest over the term of the loan."

5. Having the ability to offer competitive salaries is a huge challenge. For example, to hire the last two persons for entry level positions (grade 5), we had to offer salaries that were within a few hundred dollars of the salaries currently being received by agency staff members (also grade 5) that have been employed for several years. The agency needs to have competitive grades in its employment structure to be competitive and to pay salaries appropriate for new duties that will result with the new platform and opportunities for cross-training.

#16

Optional Requests

Option # 1

cGov360 – Database and Processing Platform Migration	3,500,000
Governor Recommended	3,500,000

Option # 2

Desktop Support from ITD	54,000
Governor Recommended	54,000

Option # 3

Operation Inflation and Operational Changes	195,000
Governor Recommended	195,000

Option # 4

Public Meetings System	52,459
Governor Recommended	43,039

Option # 5

Blue Book Web Educational Tool	50,000
Governor Recommended	0

Option # 6

North Dakota Business Development Engine	3,400,698
Governor Recommended	0

Option # 7

Mixed Fighting Styles/Boxing	60,000
Governor Recommended	0

Option # 8

Election Reform Funding Source Change	131,185
Governor Recommended	0

Option # 9

Health Care Directive Register – page 257 Governor's Budget	100,000
Removed because the responsibilities for the Health Care Directive Register will be transferred to the Information Technology Department (ITD) SB 2037, Section 1.	

#17

**Time Line for Technology Project - Secretary of State
September 10, 2010**

2004

1. Secretary of State (SOS) begins exploring replacement for AS/400 and Mainframe
2. Summer 2004 – Phase 1 of Secretary of State Knowledge Base (SOSKB) project presented to SITAC
3. Fall 2004 – SOS Budget request included \$500,000 for Central Indexing System (CIS) portion of SOSKB
4. Fall 2004 – Governor's Budget recommendation included \$250,000

2005

5. Spring 2005 – Legislative Assembly approved \$125,000 for Phase 1
6. Spring 2005 – ITD continues working with SOS and contracts with CC Intelligent Solutions (CCIS) to provide technical assistance
7. December 2005 – Al Jaeger, Mike Ressler, Tracy Korsmo, and Jim travel to North Carolina (NC) for meeting with North Carolina SOS

2006

8. April 2006 – Signed Memorandum of Understanding with NC SOS on SOSKB development to .net – ITD, NC SOS, and CCIS will develop .net effort
9. Summer 2006 – Phase II of SOSKB project presented to SITAC
10. Fall 2006 – SOS Budget request included \$1,716,413 for Phase II (from the Phase II Charter)
11. Fall 2006 – Governor's Budget recommendation included \$824,153

2007

12. Spring 2007 – Legislative Assembly approved \$824,153 for Phase II
13. ITD, NC SOS, and CCIS continue working on Phase I with little success, but not much information is forthcoming to upper management at ITD and SOS about code challenges
14. November 2007 – FileONE reviews SOSKB code that has been developed and as a result of that review, indicate that the code has no value for them and continue to develop their own solution

2008

15. January 2008 – ITD Developers approach Executive Steering Committee and reveal that Phase I can be completed with more funds, but even at that SOSKB will not be a lasting and viable solution.
16. February 2008 – Secretary Jaeger stops SOSKB project
17. Spring 2008 – SOS determines it has approximately \$600,000 remaining in budget for solution, if available
18. Spring 2008 – ITD estimates they would need approximately \$2.4 million to build the desired system from the beginning
19. Spring 2008 – FileONE offers a solution to SOS
20. Spring 2008 – SOS issues a notice of intent to award sole source to FileONE
21. Spring 2008 – SOS receives four challenges to this notice
22. May 2008 – SOS releases RFP for new system to four challengers and FileONE
23. June 2008 – After extensive evaluation, CCIS is selected as vendor for new system
24. July 2008 – FileONE protests the notice of intent to award – protest denied by State Procurement Office
25. August 2008 – Contract is executed between CCIS and SOS for a product identified as cGov360
26. October 2008 – CCIS team is in ND gathering requirements
27. November 2008 – CCIS begins development

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2009

28. January 2009 – CCIS team is in ND gathering more requirements
29. Spring 2009 – 2009 Legislative Assembly approves \$780,000 for continuation of cGov360 project
30. June 2009 – cGov360 Contract date for completion of project
31. June 2009 – CCIS team is in ND gathering requirements
32. Summer 2009 – New project schedule approved
33. October 2009 – CCIS team in ND gathering requirements

2010

34. February 2010 – CCIS begins to discuss "churn" as the reason for the project delay
35. April 2010 – CCIS management is in ND to meet with Executive Steering Committee
36. April 2010 – Launch date for Central Indexing module is set for August 16, 2010
37. May 2010 – CCIS furlongs most of its staff due to financial hard times
38. June 2010 – cGov360 project was to be completed according to the revised schedule adopted in summer of 2009
39. Present – cGov360 project is not complete and CCIS projects completion of Central Indexing module by September 2011 and Business Services modules by June 2015

Since 2004, the Secretary of State has requested in its budget requests a total of \$2,996,413. It has received appropriations of \$1,729,153, which is \$1,267,260 less than what knowledgeable sources indicated it would cost to build a system.



SECRETARY OF STATE
STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
BISMARCK ND 58505-0500

January 12, 2011

Summary of Features for new Secretary of State Operating Platform

- Replaces and then consolidates all of the software used for the operations of the Secretary of State's office (except for elections). Currently, the Secretary of State's operations are housed on an AS/400 and the state's mainframe. The result will create added efficiency to the agency's processes, increase productivity by permitting staff to be cross-trained to perform a wider range of office duties, and reduce the cost of hosting and maintaining the software.
- The software removes the Secretary of State's operations housed on the AS/400, which was written in RPG program language prior to 1992 and for which very few developers now exist with the necessary programming skills related to this particular language. Therefore, the current software is at high risk for failure and is fast approaching obsolescence.
- The software will contain all of the security standards and recommendations of the technological audit conducted by the State Auditor's office and its contracted security advisor.
- The software will allow a customer (filer) online access to complete and submit documents, along with payment, directly from a computer. Currently, this agency has a limited number of filings that can be completed and paid for online. It is anticipated a majority of customers will ultimately choose to file online, along with the payment, compared to submitting documents in a paper format, along with either a check or credit card authorization, through the mail or other delivery service.
- For many agency applications, the software will "check" the document being submitted online and compare it for accuracy with the Secretary of State's record and if correct, allow it to be submitted without agency intervention. This service will be available to the customer 24/7 and provide the customer with instant response and guidance to complete the document correctly. The result will reduce (not eliminate) the agency's current workload in processing paper documents, minimize the customer error factors in their preparation and submission of documents, allow more time for agency staff to assist customers with specific questions and concerns, and reduce overtime for those peak periods related to filing deadlines.
- The software will collect the filing fees for the online applications and automatically "feed" them through the system directly to the Bank of North Dakota. This will eliminate the processing of tens of thousands of checks/credit card transactions between the Secretary of State and Treasurer's Office.
- The software will enable acceptance of Automatic Clearing House (ACH) payments from customers. It is anticipated this feature will decrease the cost of credit card transaction fees paid by the agency because ACH payments do not have transaction fees.
- The software will allow for the electronic transmission of documents between the Secretary of State's office and customers in a secured utility protecting confidential information. This will allow the agency to provide customers with a faster service related to document filing and significantly reduce mailing costs.
- The software will enable customers to go online to obtain public reports (by paying the applicable fee, as is currently set in law) in multiple formats to import into their respective systems. The reporting device will contain a GIS component to allow the display of data on a map, e.g., the location of any business registered with or licensed by the Secretary of State.

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