

2015 SENATE APPROPRIATIONS

SB 2002

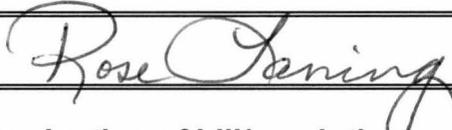
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2002
1/14/2015
Job # 21969

- Subcommittee
 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.

Minutes:

Attachment #1

Legislative Council -
OMB - Lori Laschkewitsch

Co-Chairman Krebsbach called the committee to order on SB 2002. All committee members were present except **Senators Holmberg** and **Erbele** who were ill.

Al Jaeger, North Dakota Secretary of State: Introducing the Secretary of State Budget bill. Attachment #1.

Senator Krebsbach: Are your temporary people pretty much fulltime and have they been longterm?

Al Jaeger: A few of them have been. If I hire a temporary person through the agency, that comes out of my salary appropriation. We have also been hiring through a staffing service, that comes out of my operating line so sometimes we have them 6,7, or 8 months. We have a couple of part-time people that come in ½ days. We have had two half-time people that have been with us probably in excess of a year.

Senator Robinson (question to Lori): Do we have the latitude within general fund agencies to pay benefits?

Lori Laschkewitsch: An agency has the choice to pay full health benefits and give the option to the employee to purchase their retirement. Under the Affordable Care Act, things have changed slightly and that is if we have temporary employees that are working 30 hours or more, we are required to provide them with a single health insurance plan. We cannot charge them more than 9.5% of their income. If we chose 9.5% of their income, we would be charging every single person a different amount which would administratively be very difficult. One of the other options that was given to us by the federal government was

that we could charge them 9.5% of the federal poverty level which is what we chose to do and so if someone is working temporary at 30 hours or more, we charge them 9.5% of the federal poverty level which is \$92 and then the state picks up the \$380 difference for a single plan. Then we also have to provide them the option if they want to purchase the difference for a family plan.

Al Jaeger: He introduced Deputy Secretary of State Jim Silrum, and Renae Bloms, Accounting Director. Jim informed him that they've had 42 temporary people.

Senator Carlisle: HB 1053, the Centralized Desktop Support Services - it's a bill to require that all agencies have the services.

Lori Laschkewitsch: There were 29 agencies recommended in a study for desktop services. Agencies that chose to request the funding for the desktop services in their budget were funded in the Governor's Recommendation. The SOS is currently purchasing services from ITD for their desktop services already so that's why you won't see something itemized specifically and they didn't have it in their optionals because they would then transition into those desktop services. If that bill passes, it will require all of the 29 agencies to have the money put in their budget so that they purchase those desktop services from ITD. At this point, the Governor was supporting the agencies requesting it.

Senator Carlisle: What kind of fiscal note is on this bill?

Lori Laschkewitsch: It's about \$5M. That is a double impact because it's the appropriation to those agencies and when they pay their money to ITD, ITD has special funds but they also need an appropriation to spend those special funds.

Senator Bowman: When you do a study, is it going to include that it's going to last more than one biennium before we have to update and modernize?

Al Jaeger: Some of the systems we're looking at and something that I've wanted for a long time are systems that have a very sound architectural base. Then we are more in a maintenance mode so that as procedures change, we're not re-designing the entire system.

Jim Silrum, Deputy Secretary of State: Technology solves a lot, but sometimes when we solve problems, then people say, "Since we can do this, wouldn't it be nice if we could do that?" The question comes in where do we stop saying, yes we should do that. When we deliver services online, that's where our customers say, "Wouldn't it be great if we could..." As government, we try to respond to the people and we have to make those critical decisions.

Senator Sorvaag: Do you have room to house the new employees since you're getting some additional room? Will they be housed in this complex?

Al Jaeger: When ITD moved out, I do have additional space coming in the J-wing. It needs to be remodeled but at least I have all my staff within walking distance. I had eight people off campus for over two years.

Senator Bowman: With the data and the growth in business activity, with the slowdown in oil, we may see a slow decrease, but the growth will still come back. Is that going to be able to accommodate another 79,000 more businesses so we won't have to go thru this again in six years?

Al Jaeger: A filing is a filing. So if the system exists to do an annual report, to do one. It can do 100,000. It will be designed to accommodate the load capacity. In 2011, after approval of the \$3.5M, we spent several months with ITD going thru requirements and requirements, but in the development of that software, the connect in terms of what we actually do, and Mike Ressler said they really underestimated what our office does. I have over 40 different duties. I do contractor licensing. I register a number of different businesses and they all have their differences. I am the commissioner of combative sports otherwise I was the State Athletic Commissioner.

The sub-committee is **Senators Carlisle, Sorvaag and O'Connell.**

Senator O'Connell: When the remodeling takes place, who is charged for that?

Al Jaeger: That is something that I don't know. I have permission from Capital Grounds Planning Commission to pursue it. They understand that adding this second level to the capitol, they're ok with that. It's a capital improvement type thing, so I don't know how that's funded. I understand I would get the shell.

Al Jaeger introduced Clara Jenkins, who has been with the office 41 years, is now retired and a permanent temporary helper because she has institutional memory. Another person forced to retire is Linda Gregoryk. We have two data bases; the mainframe where the central indexing is and the AS-400 that has RPG programming. There is no one in town anymore that handles that kind of programming. The only person in our office who has a working knowledge of the AS-400 with the RPG programming is being forced to retire at the end of February. I need my system.

Senator Heckaman: I hear frustration with your IT project and a majority of that funding has been available with special appropriations. Is there a possibility that we could get a printout of how much total funding that the State of North Dakota has put in over the years? Have you had to put in general funds of your own into some of the project development that you've not been able to recapture?

Al Jaeger: In our detailed summary, it indicates a history of that and we can certainly get that information to you. The first time I asked for funding, I asked for \$500,000. The Governor gave me \$250,000 and the legislature gave me \$175,000. Until the 2011 session where we thought we had full funding, now ITD says they had underestimated the complexity of our project. We thought we were in pretty good shape, but that didn't turn out.

Senator Heckaman: Have you had to use some of your general funds in any portion of that project that was completed?

Al Jaeger: We're giving one-time funding over and above our budget so yes, we've had to dig into our regular operating to subsidize some of that to carry us forward. When you look at my budget, you'll see that I'm partially general funded, but I also have a special fund.

My special fund is what we call our retail account. If I sell 2000 CDs in one month, I have expenses in direct proportion to that. In that fund I'm able to go with the demand. We've had cases where we've had money left over. Legislation allows me to carry that forward. The reasons that there's an exemption made is because agencies will build up special funds so I asked that the language be written that anything over \$75,000 has to be turned over to the general fund which we have done in the past. Now when we have that revenue, it's been allowed to be carried forward and that revenue has been applied to our projects.

Senator Heckaman: Have you been able to get any kind of help from any of the companies that you've contracted with for this program? Any services that you've been able to use?

Al Jaeger: In 2011, when we got \$3.5M, I was told specifically that we would be using ITD. ITD has been in charge of the software development. We want to continue on, but we believe that we've identified vendors. I've attended 22 years of National Secretary of State and I've talked to my colleagues from other states and to top off this project, we'd like to pursue some of these vendors because they are on the cutting edge of what a Secretary of State's office does. In answer to your question, ITD has been my developer for the last couple 2-3 years. We really need to move to a level where we have programming expertise of people that do this and have accounts in other states. When they see that something works in another state, I think we're going to be the beneficiaries of that, where if it's internal, you don't have that particular advantage

Senator Krebsbach: Does ITD pursue these exclusive things for Secretary of States offices?

Al Jaeger: At this point, it's what do you need, here's what we can do. With ITD, just the way the system is set up, we're not on a contract. If something is developed that doesn't work, then it goes back and gets corrected, we pay also for the correction. It's not like we're working with a private business. Whatever work is done, we pay for it.

Jim Silrum: When we were working on this project with an outside company before ITD, there was a discussion at the time of could ITD use the software that was built by the previous vendor? The answer was yes they could, however through discussions that ITD went through; they determined that it would be far more difficult for them to learn how that software was constructed to complete it than to begin all over again. In that instance, some of the technology was not able to be re-used. There have been other things that are being used today that have been deployed so far with this project.

Senator Carlisle: Do you have a computer person on board in SOS office?

Jim Silrum: We are a small member agency. The most we have are IT coordinators. I serve as one of those people which just means we try and stay on top of things. We depend heavily on the state's IT department to provide that level of service for us and we

contract through them. Even now as we're looking to bring on board an outside vendor to deploy a central indexing system for us, ITD is working directly with us to help make sure that we.....

Senator Carlisle: So there isn't a "techy" in the department? (Answer: We do not.) In our subcommittee, we'd like to talk about that.

Al Jaeger: Between Jim and Clara, they are not the techy people, but these are the people that have been doing the development of the software.

Senator Robinson: Bringing in an outside vendor is not an exact science either, and we look at what happened with Workforce Safety - \$17M later and now we're starting all over. It's a challenging issue. ITD is the best we have and to the extent that we can rely on their services at least on a local level. You're right, they don't have specialized programs to cover the waterfront. They do the best they can with what they have.

Jim Silrum: Please understand that none of the testimony that Al or I have given today are in anyway intended to be derogatory towards the services provided by ITD. We're very grateful for the services that they have provided.

Senator Krebsbach closed the hearing on SB 2002.

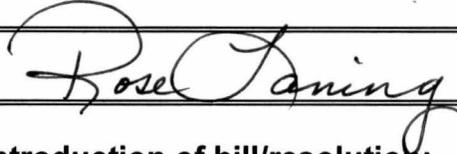
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2002
1/26/2015
Job # 22551

Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

This is a sub-committee hearing on the budget of the office of the secretary of state.

Minutes:

Legislative Council - Sean Smith
OMB - Becky Deichert

Senator Carlisle called the sub-committee hearing to order on SB 2002. Sub-committee members **Senator Sorvaag** and **Senator Robinson** were present as well as **Senator Holmberg**, **Secretary of State Al Jaeger**, and **Rena Bloms**, accounting and budgeting specialist for SOS office. .

Senator Carlisle asked about the employees that have been with the department a long time and have technological expertise.

Al Jaeger: Clara Jenkins has been with the office for many years. Our appropriation was for her to oversee the project. There was 4-5 months of information gathering and many of the things should have been done by 2013. She's been on part-time basis for about a year but it's going to come to a point where she will be finished and retire. ITD has run into challenges well past August 2013. The project is under the direction of a steering committee. While it's his project, he only has two votes on the steering committee. He kept documentation of the challenges that they kept encountering, but their requirements are stacked high. There have been a lot of problems. The project was rebase-lined again and it will be another 3-4 years before they can get done.

His staff attended national meetings of all Secretary of State's offices and they found programs that were very good. One thing delayed was the central indexing system. ITD wouldn't be done for 3-4 more years. This system connects the agency and the state's fifty-three county Recorder offices.

We did a RFP in December 2013 and Mike Ressler has said that they under-estimated the project. The original estimated cost was approx. \$4M and it may cost closer to \$8M.

The Central Indexing phase has a completion date deadline of August 1, 2015. We have a bid of \$800,000 with an outside vendor. This vendor is in 26 states with very good results.

The steering committee said projects should have a business analysis done. We asked that it be funded in this bill and that study will evaluate the entire office and also what ITD has worked on.

Senator Robinson: Who directed you to work with ITD?

Al Jaeger: In 2010, I was told by Governor's office that we would use ITD.

Senator Carlisle: Can't we require a performance bond?

Al Jaeger: We didn't have a bond with ITD. When I talk to other states, there programs are exceedingly well done. One company doing the Central Indexing is in 26 states. When we talk about a corporate filing, they know what we're talking about.

Senator Carlisle: Can we get a bond?

Al Jaeger: Our steering committee has legal counsel from the Attorney General's office.

Senator Robinson: ITD will tell you that they've done everything possible.

AL Jaeger: This particular company has told us that when changes have been made, they have stuck with their bid and they also do maintenance.

Senator Carlisle: Could you put together some bullet points or talking points so we have accurate information when we take it to the floor?

Senator Robinson: You don't have expertise in your office, or do they wait until there's trouble and then hope ITD can help?

Senator Carlisle: Do you have an IT person on your staff? (Answer - No.)

Al Jaeger: We have a person in our office - she's being forced to retire. If our AS/400 goes down, it has RPG programming and there's no one to run it. There are no people in our office that can run this. The history shows we've asked, but we never get our whole amount of money. We were told that ITD would give us a figure. I was told \$3.5M was enough, but ITD underestimated the cost and amount of work involved. ITD has to approve the architecture and we have no one we can hire that has that high level of expertise. With the programming, we can document how many months we have but if there are any problems, we get charged. ITD didn't give us a bid so we have to pay for everything.

Senator Sorvaag: You don't have an IT person, so if we get an outside vendor and you have an issue, you have to depend on them.

Al Jaeger: The Executive Steering Committee allowed us to use an outside vendor. We also had to meet statutory deadlines of August 1, but have to resort to an outside vendor. We rebase-lined and now the project won't get done for 3-4 years.

I don't feel our agency can get the qualified person that we would need. In terms of development, we have had people who have said that this is how SOS office should work.

A vendor shows us a product that has everything and even more and they will do maintenance for 3-4 years.

We're in a tough spot. Any changes that I make, 4 out of 5 members of the steering committee have to agree. They have now agreed that they would evaluate the functions of the Secretary of State's office what has been done so far.

Senator Robinson: It all costs money, but with outside vendors, it usually costs more.

Al Jaeger: Based on what I learned in 8-9 months, we could already have in place everything we need and everything we want. I was under the impression that I have no choice but to go with ITD.

Senator Carlisle: Who is on the steering committee?

Al Jaeger: Who is my vendor? It's ITD.

Al Jaeger: The **Executive Steering Committee** consists of **myself (Secretary of State), Jim Silrum, (Deputy SOS), Mike Ressler (ITD Director), Pam Sharp (OMB Director), and Justin Data (ITD)**. I can't talk budget with Pam Sharp. We had to convince the steering committee that this program is being done on 26 states.

Senator Carlisle: How old is the AS/400?

Becky Deichert: It is old. Not aware of anyone else that is using it.

Senator Carlisle: There's only one person who runs AS/400?

Al Jaeger: I've asked for funding for AS/400. Central Indexing is on the mainframe and I've been told to get off. Last session, we were allowed to carry money forward. I don't have anything to show for it. The project has been put on pause. Senator Robinson knows that we thought we could model a system like North Carolina. After spending \$800,000, ITD said it's not going to work. It was Al and Mike's project and in our failure, we've had changes.

Senator Sorvaag: If we went along with \$3M plus, does this say that the outside vendor will be hired?

Al Jaeger: The Executive Steering Committee has agreed to develop the Central Indexing System. Part of the deficiency appropriation is to give us money to pay ITD for the money they're borrowing from the BND to pay for the project. Now we're having discussions and Mike Ressler is emphatic that we need a business analyst. ITD underestimated our office. I have over 40 different functions. The Steering Committee agreed to have a study and see if we'll go with an outside vendor or continue with ITD. We can't do any of that unless we have the funding. Based on other states, the \$3M should be enough.

Senator Sorvaag: You feel that this would be enough.

Al Jaeger: Yes, and New Mexico has said this could be done within 2-3 years. ITD even controls the software that we use right now. They've been working on it for several years and aren't close to completing and they charge us out so it's costing way more money.

Senator Carlisle asked about the growing business registration unit and if businesses can go online for forms.

Al Jaeger: We receive an email almost every day that asks if they can fill out something online. We're gathering requirements. It just continues on and on. The vendor that we've talked to - when I say something about registration, they know what we're talking about. We've had to take ITD programmers from ground zero.

Senator Carlisle asked about the requested positions and about converting some of them to fulltime.

Al Jaeger: They go elsewhere because they can get benefits. Some we can convert and we have also gone thru an agency. There's no way that I can separate the two bills SB 2023 and this SB 2002. I need the money to get the project completed. I have no control over the project and I don't know if I'm asking for me or the steering committee.

Senator Carlisle closed the subcommittee hearing on SB 2002.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2002
2/3/2015
Job # 23072

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

This is a sub-committee hearing on the office of the Secretary of State.

Minutes:

Legislative Council - Sean Smith
OMB - Sheila Peterson

Senator Carlisle called the sub-committee to order on SB 2002. **Senators Sorvaag, Robinson, Lee and Holmberg** were also present. Also **Secretary of State Al Jaeger** and **ITD Director Mike Ressler**.

Senator G. Lee: There is \$950,000 in the deficiency appropriation for the Secretary of State's office, and now we're asked to add another \$400,000. In the December minutes provided in the SOS testimony, it says you may borrow money from \$850,000 to \$950,000 to cover the work that was going to be done. Is that what we're paying for and why is it in the Secretary of State's budget as opposed to being in yours - if we're paying back the note that you got?

Mike Ressler: We realized we weren't going to have enough funding in the Secretary of State's biennium's budget to complete all the work that we knew that we could get done. I went to the budget section and updated them that we would use the authority we had to borrow up to a million dollars. We ended up picking \$950,000 and borrowed it from the Bank of North Dakota. The thought process was instead of ITD going to the Legislature to ask for funding, we wanted to keep it in the Secretary of State's budget because it's actually their application. Even though they receive the funds and give it to ITD, we thought it was a cleaner way to present that.

Senator G. Lee: If you borrow for any of these projects, you filter it back to the agency that you're borrowing it from?

Mike Ressler: Yes, every time we've borrowed for an agency project, we always have the agency request it. Primarily in the Human Services case, they get a federal fund match.

Senator G. Lee: In some of the minutes, it talks about borrowing \$950,000, but the original plan did not include training costs and the plan underestimated the complexity of some of those components. Is that why there was the \$950,000? (Answer - Correct.) Who put the plan together?

Mike Ressler: When we put a cost estimate together, it was ITD that worked with the Secretary of State's office and came up with an estimate as to what we thought this project would cost. When we look back at our history in these multi-million dollar multi-year projects, we have not been very good at being accurate. We give that best guess at the time and when we get into the project, we do the analysis and determine what it is we're actually going to develop. In this case, we found we underestimated the cost.

Senator G. Lee: In the same set of minutes on Dec 10 & 11, the project cost was \$4M and is now going to be \$8M?

Mike Ressler: That was our best guess. Without completing the business analysis, that we are requesting for the second half of the deficiency - there's the \$950,000 we borrowed and then an additional \$400,000 that the Secretary has asked for in the deficiency appropriation - until we've completed a business analysis as to exactly what it is that the requirements are for the other remaining parts, we don't know what the total cost will be. It was our estimate that the total cost of the project would be around \$8M.

Senator G. Lee: So switching to the \$400,000 that's being requested now, that would do the business analysis of the project itself to figure out what you do need?

Mike Ressler: For the remaining components, that is correct.

Senator G. Lee: If someone asked 'why wasn't that done before the \$950,000?' what would my answer be to them?

Mike Ressler: What we are requesting now for all future large IT projects, is that we complete this business analysis component before we get into an IT project. Again, our experience has been that we jump into these IT projects, get into what we're trying to accomplish and then learn things that we didn't know when we first came to the Governor's office and then the legislature to get funding. Then we're disappointed because then we realize that when we gave the original estimate, we weren't including everything. By doing this business analysis, we will go into an agency, have the agency define what their business requirements are and that will define the scope of the project. My hope is that we're going to be a lot more accurate when we come to the legislature for funding in the future because we're going to complete this study first.

Senator G. Lee: So this methodology is new to the way you're going to deal with these?

Mike Ressler: We've implemented it twice now - both with WSI's project and the Department of Transportation's motor vehicle project. Both did the business analysis first. Both of those are completed and now we're going to actually start the project.

Senator G. Lee: New in 2014 - that you've initiated this? (Answer - Correct.)

Senator Carlisle asked for a memo or bullet points when they take the bill to the floor - explaining about the new process and WSI because they have the same issue.

Senator Robinson said he supports doing the business analysis and thinks we should do the analysis. WSI should have been done earlier.

Mike Ressler: It's my recommendation that you fund the \$950,000 deficiency because that's money already borrowed. The \$400,000 for the business analysis, I strongly recommend because that's how we're going to feel more comfortable that we know exactly what we want to finish going in - which is the \$3M that's in the Secretary of State's budget. My other strong recommendation would be to fund the position request that is in AI's budget request. With this project, as well as another large project we're doing, in both cases, their day to day workload takes them away from the project and puts these projects at risk - especially from a schedule standpoint. All these components need to be funded in order to be successful.

Senator Carlisle: I'm referring to the green sheet, you're talking about the 6 FTE office assistant?

Mike Ressler: Correct. It would be the business people, not technology positions.

Senator Sorvaag: Where does the \$3M come from if you haven't done a business analysis? The whole purpose of the business analysis is to figure out, but going forward, we've got \$3M in the budget.

Mike Ressler: Correct. Our belief will be that we'll need those \$3M to implement what the business analysis will direct us to do. In a perfect world, we do the business analysis in a interim, or a biennium, and then find out what it is we want to come back to the Governor and the legislature for from a funding request. In this case, we believe that after we complete a business analysis, which we estimate will take about 8 weeks. We will then have our direction so we can jump right in and finish deploying the remaining components which would all take place in the 2015-17 biennium.

Senator Sorvaag: So the \$3M is a guess. (Answer - yes.)

Senator G. Lee: So anyone who has an ITD project, they come to ITD to get authorization to move forward with business plan? How does it get started now?

Mike Ressler: They wouldn't come necessarily to ITD. It's just been my recommendation to these department heads that they don't proceed until they complete that phase. They would request funding to do business analysis. We then go out with an RFP and hire someone to come in and probably sit down with the agency and have them define exactly what it is the business requirements are that we then need to look at an automated system. ITD wouldn't necessarily do the work. They don't need my permission to do it. It would just be my advice that they proceed that way.

Senator G. Lee: So it's an outside consultant that will help the secretary in his defining what kind of software package they need to make it work.

Mike Ressler: It would be an outside person. They may not even pick a software product. The whole purpose of the business analysis is to define the business needs. In most cases, there may be an automated tool that will do that, but they may find that there's a manual step that could be done here instead of an automated step. The purpose isn't necessarily to buy technology. It's to define what it is we want to accomplish before we get into the project and actually start programming and then realize that we maybe should go this direction.

Senator Carlisle: Roughly there are 30 FTEs on board, but no one IT. Out of the six office assistant, there would still be no semblance of IT.

Mike Ressler: My belief is that they are not IT people. We need people that really understand the agency's business because they're the ones that will have to work with the hired IT people that we bring in - whether that be IT staff or the vendor that we've selected for the UCC component which is a company called PCC Technology. We have to make sure that we have dedicated staff that know the business to work with these technology people as they're deploying the solution.

Senator Carlisle: Is there any way we can performance bond these people? What happens if they don't produce?

Mike Ressler: I think the state has done a really good job over the years in proving our contracts that we're putting in place. What we find with the performance bond is that they're very expensive. What the vendor does every time is raise the cost of our contract which means we pay for it. Then it's never one party's fault. With a performance bond, you get into defining 70% your fault, 30% my fault. I'm not sure the performance bond is the best vehicle. In current contracts, we've incorporated something called damages. They operate in a similar way, but if you're late on deliverables or deliverables aren't signed off, you can build in financial fees to reimburse the state.

Al Jaeger: Part of what Senator G. Lee asked with the Business Process Modeling (BPM) or the analysis, we have an AS/400 that was developed prior to 1991-1992. We're essentially doing the same thing that we have over the years. We've told IT this is what we want. But the key is that the analysis is someone's outside opinion and looking at our processes. I think this would help us a lot. There are 11 that have submitted RFPs. The evaluators have evaluated and scored someone to select. The one part that I don't know is that I took the top end of the range because we don't know what the dollar amount is yet. It ranged from \$60,000 to \$400,000. At this stage of the game, I want to make sure we're covered.

About help, we are small agency. I have 30 people including me. Everyone in our office is hands on. When the lead people need to be in place to do the day to day work, it's been very challenging to free those people up. There's a lot of routine work, but we've been averaging 4-6 temporary people. As we go down the road, I'm not going to hire people if we don't need them. We need the backfill - the people who really know our operations. I'm on the verge of losing a lot of institutional knowledge. I've already got one that is with us temporary who has had 41 years of experience and also one that will be a forced

retirement. The reason to ask for the funding for the BPM now is that it's an emergency. When it passes, we can start on that process right away which will gain us valuable time.

Senator Carlisle: The 6 FTE office assistant position - Are some temps going to be able to apply? Is their job description ready to go?

Al Jaeger: They are ready to go. The temps we have, if they're doing a good job, we'd like very much to have them, but we have one thru a staffing agency. We have to deal with the staffing agency.

Senator Carlisle: It's \$574,000. Would you get us a job description so we know what we're dealing with? Retirements - these things are going to happen so you have to plan ahead.

Al Jaeger: We when we started this in 2011, we had that covered and that is what Clara was going to finish her career out on.

Senator Carlisle: This 5 member committee, the Executive Steering Committee. How often do they meet?

Al Jaeger: You as a legislative body, mandated on projects like this, to have an Executive Steering committee. It's my project, but I'm subject to the Steering Committee. We have open meetings and meet twice a month. We're meeting Thursday and on the 26th. The Steering Committee has it's own legal counsel. My deputy and myself represent the Secretary of State's office. Any change in the project needs four out of the five.

Senator Carlisle asked you will meet Thursday?

Al Jaeger: The secretary of state's budget is not part of the steering committee. I'm here not as a member of the steering committee, but this is the secretary of state's budget and I'm trying to rationalize the decision as far as the \$950,000. That was a steering committee decision. The recommendation that we do the business process modeling or the business analysis was a steering committee decision. But then it turns around and I have to ask for it.

Yesterday, we had five people in from PCC Technology. They're starting on the Central Indexing System. We'll get an update on that and we'll get an update from our project manager who will most likely give us an update that PCC is in.

Senator Sorvaag: In the business analysis study, do they recommend - once they get done and see the picture of what you are that state A, B, and D have similar things and already have software working or is that beyond the scope of what they're going to do?

Mike Ressler: That's one of the things we look for in the business analysis. If they have advice for us as to other existing systems out there, we would hope that they give us that recommendation. But the primary purpose is just to document the business needs so that we can then make that determination ourself.

Al Jaeger: If you dig out the testimony that I gave you for our budget bill, I actually slipped in several pages of the RFP for the business process modeling. I wanted you to see what that \$400,000 was for. That was about 26-27 pages.

Senator Holmberg: This is a project that has taken some time and as you described that the steering committee needs 4 out of the 5 to agree before the committee can pass a recommendation. The committee has agreed to do the \$950,000. So I'm assuming you supported what the committee wanted. It sounds at times like there's a little difference of opinion. On these items today, I'm assuming you voted for them.

Al Jaeger: Yes, the ultimate vote came about after a lot of discussion in terms of the business process modeling, the timing of it, what the RFP should cover. At some particular point we do come to an agreement. If I feel I have to put my foot down, I will put my foot down, but so far we've been able to work through all of the issues. It's my project but I do not have sole control. I haven't had sole control since August of 2013.

Senator G. Lee: As you look back at the RFPs that you got, you picked the high (\$400,000) one so you've got enough money, correct?

Mike Ressler: Yes, we picked the high end. We'll actually know that before you leave the legislature.

Senator G. Lee: When do you expect this project to be completed?

Mike Ressler: We need to do the business analysis to define what the remaining components are. We're hoping by the end of the 2015-17 biennium.

Senator Carlisle: What's the threshold before you do a business analysis on an IT project?

Mike Ressler: We've determined a large IT project usually starts at \$500,000 and above. My recommendation is to do a business analysis before we start.

Senator Robinson: I think the recommendation that Mike is making is something that we need to do with all IT projects. If you look at the total package, we have done very well in ND. WSI is the worst case scenario, but this is one more step in checks and balances that we have in place. Any of the large projects that we look at, this has to be job one. Overall it's a pretty darn good system.

Senator Carlisle: We're trying to figure out some semblance of a plan in light of the oil projections.

Al Jaeger: I can't speak for the steering committee, but from the standpoint of our office, we believe that there's a plan. We have the central indexing underway and if we get the business process modeling, it will set the stage for us to do the next stage. If we get support in those areas, we feel that we'll be successful. When we started in 2011, I was supposed to have this year and a half ago and we still don't have it. There have been delays. The people I had in my office yesterday, they are absolutely knowledgeable about

the central indexing. The questions they asked came from a base of knowledge and that really pleased me.

Senator Carlisle asked about HB 1053 - the desktop services.

Mike Ressler said it's waiting to go to Appropriations. It hasn't gone to full appropriations yet. The policy side heard it, passed it and it hasn't been heard in appropriations.

Al Jaeger: Right now the secretary of state's office brings in a lot more money than we are appropriated and this morning earlier, because of the fee change (in contractor licensing), we're going to add another million dollars in the next biennium. We are generating enough to cover all of our requests.

Senator Carlisle: What's the issue with contractors?

Al Jaeger: Our business registrations have jumped 180%. We have a lot of out-of-state companies that file their annual reports online. They can't do that in North Dakota. So that's a very labor intensive area. In some states, and I talked to Vermont, they said 90% of their annual report filers filed online.

Senator Carlisle: The two items are in the deficiency appropriation, right? There is nothing to amend on this budget until we get some semblance of guidelines.

Senator Carlisle closed the hearing on SB 2002.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2002
2/9/2015
Job # 23530

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove for Rose Loring

Explanation or reason for introduction of bill/resolution:

This is a sub-committee hearing on the office of the Secretary of State.

Minutes:

Attachment 1

Legislative Council - Alex Cronquist
OMB - Sheila Peterson

Senator Carlisle called the sub-committee to order on SB 2002. **Senator Sorvaag** and **Senator Robinson** were also present.

Al Jaeger, North Dakota Secretary of State supplied the committee with a listing, job description and prioritization of the 6 FTEs that he is requesting. Attachment #1.

Senator Carlisle informed the committee that the breakdowns will be 3-3,
Your computer is way up at the top, as far as priorities, right?

Al Jaeger -- It is over the top. It is essential. As I've said, we believe that we have a plan in place. On the central indexing, the vendor came in a week ago and reported that what they were going to accomplish in 2 weeks, was accomplished in 1 week. On the business process modeling, our steering committee met on Thursday we put out an intent to award and it is the same analyst as WSI and DOT. They are the highest ranked.

Senator Robinson -- The committee on deficiency will recommend to the full appropriations committee the \$1.35M. And that is in SB2023.

Al Jaeger --If we get the \$3M here, then we will have the three pieces together that we need.

Senator Carlisle --You handed out the FTE's and the governor recommended the 6 and then you had one time on the 3. What's going to happen, we are going to be kicking budgets out. We're starting with the Governor tomorrow morning. Have you given thought to 5 positions, which 5 or how you are looking at handling that?

Al Jaeger -- The one thing that we definitely would want is the 3 that were authorized last session. They are in place and being trained. The system shows 9 but keep in mind that we've had 3 of them for 2 years.

Senator Carlisle: The 3 FTE's that were authorized, they are your top 3 out of the 9 right now?

Al Jaeger -- Yes, because they are trained and working. As to the other 6, we did a little trade-off & because I have temporary help and we also have overtime, that was taken out of our budget and if we don't get all 6, we just need to keep in mind that we might have to add back in some of our overtime and temporary salaries. I have 5-6 temp people in my office all the time.

Senator Carlisle -- Out of those 6, give me a figure?

Al Jaeger -- In the sheet, the position III can do all of these positions. We have office assistant III is what we have based in the budget. If you go to office assistant I, they are not supposed to do II and III but III could have a wide variety of duties.

Senator Carlisle -- On page 2 of 5, the office assistant III, you budgeted for 6 of those?

Al Jaeger -- Yes.

Senator Sorvaag -- So you're looking at \$95,000/each of the 6? I would think that there would be a little hope that when this computer program starts working, it might alleviate some pressure for these office assistants.

Al Jaeger -- We're never going to have more people than we actually need. So if this software program really does some things where we're able to create some efficiencies, that would be great. The thing we have to realize is that under the best circumstances, they will have a jump start at developing the rest of the system. Realistically, we have to look at 2 years to get that accomplished.

Senator Robinson: In exchange for FTEs and part time labor, what type of money were we looking at in terms of reduction in that area?

Sheila Peterson, OMB -- In the governor's budget, we removed \$225,600 for overtime funding in the governor's recommendation .

Senator Robinson -- What happens if there are 4 that are funded, and 6 months into the biennium they are in a crunch time, can they approach the emergency commission if there is not authorization in the budget?

Sheila Peterson -- I don't believe they would be able to do that. Once the legislature has indicated an intent not to fund something, they can't come back to the emergency commission for the exact same thing.

Senator Carlisle -- Use 3 to 4 of those and then put in some overtime money to cover?

Senator Sorvaag -- The three that are with them are evidently experienced people. I'm not sure of the numbers. It would make sense to add overtime to experienced people to get a system up and running.

Al Jaeger -- In 2012, I was able to come to the emergency commission budget section and get the three FTEs that we have now. It wasn't denied. It was something that was in addition to. The thing would be to receive some FTEs and then knew that we had funding. If the concern is the FTE as long as it wasn't denied, I'd have flexibility with funding.

Senator Robinson -- Going into crossover, both House and Senate have talked about reducing a number of areas to respond to the new budget forecast. One of those areas is FTE's. All agencies.

Senator Carlisle -- Sheila, the 3 FTEs that are in place and funded, and the 3 office assistant III, what overtime money could we put in addition to fill the gap?

Sheila Peterson -- I think that might be a question that Renae can answer. Of the \$225,000 overtime, that was removed in the governors budget, because we did recommend the 6 additional. How much would be workable?

Al Jaeger -- If we had \$200,000 that would help. And one of the things, I don't sense this is the poured in the concrete type of thing. It's something that you need now and if this is the process, we'll just go thru that process.

Senator Carlisle -- You take the interim committee bills that went forward, add in the governor's budget and crossover and we're upside down.

Al Jaeger --The deficiency and the \$3 million is so important. We will do the best we can with everything else, but that project is so important for the long haul.

Senator Sorvaag --We have the information that we need and now the committee has to do the work. It's a work in process. We don't know what the numbers will say in March. We have to do something reasonable.

Al Jaeger --I hope the software is solid.

Senator Robinson -- We understand that it needs to be done.

Senator Carlisle -- If we can get the hardware and the three that are in place and the three office assistants III and some overtime money, we've got something to work with

Senator Sorvaag -- There's no overtime money at all in his budget now?

Al Jaeger -- There's some, but not to the extent there was.

Renae Bloms, Accounting Director, Secretary of State Office -- You said, Sheila, that they have the intent that they denied the 3 FTE's. You know we have 6 right now and then they gave us 3 plus the overtime. He can't go to the emergency commission, like he did before, and ask for that 3, even if you have the funding because it was denied during session, right?(19:17)

Sheila Peterson -- I think that is a question for an attorney. But that is how we have always read the emergency commission statutes. (19:21)

Senator Carlisle -- For Alex for drafting an amendment, it would basically be to add 3 FTEs; 3 office assistant III, and overtime of \$200,000, & then salary adjustment.

Senator Carlisle --The equity goes out. The salary adjustment: I'd call it a 3/3 salary compensation package. The retirement adjustment as well? Or is the senate doing that?

Sheila Peterson -- So the salary increase is 4/4, are you saying? No, it's 3/3,not considering the retirement issue at all?

Senator Sorvaag -- Our understanding was the second year of the biennium was where the 1% for retirement, which made it 4/4. And an actual salary, our understanding is 4-3 and the 1% was for the retirement. And that's on the other side.

Sheila Peterson -- So, the one percent is effective January 1, 2016. 3-3, not 4-3.

Senator Sorvaag -- Whatever they do over there. That might not even be there. So we are talking salary. 3/3. The second 4 included the 1%. There's no medical change.

Senator Sorvaag -- The 1% might not be brought into play. They are working on amendments for the governor's budget. The 3/3 is salary.

Al Jaeger -- We'll make it work. It's part of the process and we also have some other things are in play.

Senator Robinson -- What the package is for governor's bill 2001 tomorrow - that will be for salary.

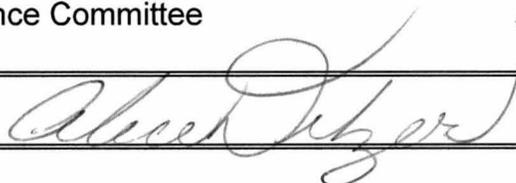
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2002
Job # 23810
02-13-2015

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to defray the expenses of the Secretary of State (Do Pass as Amended)

Minutes:

Attachment # 1 - 3

Chairman Holmberg called the committee to order on Friday, February 13, 2015 in regards to SB 2002. All committee members were present. Brady Larson, Legislative Council, Chris Kadrmass, Legislative Council and Tammy Dolan, OMB were also present.

Senator Carlisle moved the Proposed Amendment # 15.8135.01001, attachment # 1. 2nd by Senator Robinson .

Senator Carlisle also passed out the marked up SB 2002, Attachment # 2. And the green sheet Executive Budget Comparison to Prior Biennium Appropriations dated 01-13-2015, Attachment # 3, and explained the amendments.

Senator Robinson made comments that this is a high priority to update his computer and we look forward to getting this higher level of service in technology done this upcoming biennium. People are asking for a higher level of service in terms of technology and we feel this will get us there.

Senator Kilzer stated the Secretary of State Office is the main user of the old legacy system and asked if this will get them off of the main frame.

Senator Robinson: That is the plan. ITD is well aware of this and this will be a partnership to move to that point as quickly as possible. They do have a long-term employee that is knowledgeable that is working that system. This individual is on the verge of retirement, wants to retire, when she leaves there's no one there that understands that technology. This is a high priority. The additional funding is to a business analysis plan so before we get into a technology conversation to a new technology product, we know exactly the needs of the Department. I think we will see down the road we're going to require this on all large technology projects. That's the money up front, so the dollars we spend once we get into the purchase and transition to do software are well spent. We know what our needs are before we go out in the market place. We need to get that A-frame out of here. It's high

cost, because very few agencies are using it, so the costs are spread over fewer and fewer agencies and it's expensive. We can't maintain it much if any longer because it's old. This plan is very proactive and we look at resolving the issue in the next two years. (7.27)

Senator Carlisle: It is a AS400. The lady is a 41 year employee that wants to retire. She is the only one that knows how to run it.

Senator Sorvaag: That is the reason we chose to do the overtime and reduce some of the employees, when this gets done, hopefully they won't need all those employees. The whole purpose of this is to eliminate, but their backlog is huge, so the idea of using the overtime is having experienced people working than taking those resources and spending 1 ½ year training new people. That was the rationale of the subcommittee and hopefully this outfit will be running before we are back here again.

Senator Carlisle: They asked for 9 FTEs, they're going to get 6, and they won't need 9 if they get this new computer system.

Senator Heckaman had questions regarding the marked up bill, the Christmas tree bill, red and green regarding the change in the income from the original bill.

Chris Kadrmas, Legislative Council: The original bill was a negative income number, it was actually reducing estimated income and the amendment actually increases estimated income by \$200,000.

Chairman Holmberg: Does that have anything to do with the decreases the America Vote Act by \$2.4M? He was told that is where the largest reduction of income comes from. It's less money coming in from the federal government. All in favor of the amendments to the Secretary of State's budget say aye. It carried.

Senator Sorvaag moved a Do Pass as Amended. 2nd by Senator Carlisle.

Chairman Holmberg: Thank-you to the subcommittee for meeting with both ITD and other folks regarding this bill. Call the roll on a Do Pass as Amended on SB 2002.

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

Senator Carlisle will carry the bill. The hearing was closed on SB 2002.

AP
 2/13/15
 1/3

PROPOSED AMENDMENTS TO SENATE BILL NO. 2002

Page 1, replace lines 16 through 24 with:

"Salaries and wages	\$3,753,869	\$1,323,846	\$5,077,715
Accrued leave payments	82,831	(82,831)	0
Operating expenses	2,579,597	3,153,698	5,733,295
Petition review	8,000	0	8,000
Election reform	<u>5,143,115</u>	<u>(2,438,828)</u>	<u>2,704,287</u>
Total all funds	\$11,567,412	\$1,955,885	\$13,523,297
Less estimated income	<u>5,844,417</u>	<u>(2,060,129)</u>	<u>3,784,288</u>
Total general fund	\$5,722,995	\$4,016,014	\$9,739,009
Full-time equivalent positions	28.00	6.00	34.00"

Page 2, replace lines 11 through 13 with:

"Grand total general fund	\$6,043,495	\$4,016,014	\$10,059,509
Grand total special funds	<u>5,844,417</u>	<u>(2,060,129)</u>	<u>3,784,288</u>
Grand total all funds	\$11,887,912	\$1,955,885	\$13,843,797"

Page 3, line 8, remove "one hundred"

Page 3, remove line 9

Page 3, line 10, replace "thousand eight hundred thirty-three" with "one hundred two thousand six hundred eighty-nine dollars through June 30, 2016, and one hundred five thousand seven hundred seventy"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2002 - Summary of Senate Action

	Base Budget	Senate Changes	Senate Version
Secretary of State			
Total all funds	\$11,567,412	\$1,955,885	\$13,523,297
Less estimated income	<u>5,844,417</u>	<u>(2,060,129)</u>	<u>3,784,288</u>
General fund	\$5,722,995	\$4,016,014	\$9,739,009
Public Printing			
Total all funds	\$320,500	\$0	\$320,500
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$320,500	\$0	\$320,500
Bill total			
Total all funds	\$11,887,912	\$1,955,885	\$13,843,797
Less estimated income	<u>5,844,417</u>	<u>(2,060,129)</u>	<u>3,784,288</u>
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Senate Bill No. 2002 - Secretary of State - Senate Action

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Salaries and wages	\$3,753,869	\$1,323,846	\$5,077,715
Operating expenses	2,579,597	3,153,698	5,733,295
Petition review	8,000		8,000

2/3

Election reform	5,143,115	(2,438,828)	2,704,287
Accrued leave payments	82,831	(82,831)	
Total all funds	\$11,567,412	\$1,955,885	\$13,523,297
Less estimated income	5,844,417	(2,060,129)	3,784,288
General fund	\$5,722,995	\$4,016,014	\$9,739,009
FTE	28.00	6.00	34.00

Department No. 108 - Secretary of State - Detail of Senate Changes

	Adds Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adds Funding for New Positions ³	Reduces Federal Funding ⁴	Adds Funding for Overtime, Operating ⁵	Adds One-Time Funding to Complete Software Project ⁶
Salaries and wages	\$143,895	\$307,111	\$597,840		\$275,000	
Operating expenses					103,698	3,050,000
Petition review						
Election reform	(11,419)	9,287		(2,436,696)		
Accrued leave payments	(82,831)					
Total all funds	\$49,645	\$316,398	\$597,840	(\$2,436,696)	\$378,698	\$3,050,000
Less estimated income	(11,418)	9,287	0	(2,436,696)	378,698	0
General fund	\$61,063	\$307,111	\$597,840	\$0	\$0	\$3,050,000
FTE	0.00	0.00	6.00	0.00	0.00	0.00

	Total Senate Changes
Salaries and wages	\$1,323,846
Operating expenses	3,153,698
Petition review	
Election reform	(2,438,828)
Accrued leave payments	(82,831)
Total all funds	\$1,955,885
Less estimated income	(2,060,129)
General fund	\$4,016,014
FTE	6.00

¹ Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

² The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	\$164,625	\$4,970	\$169,595
Health insurance increase	142,486	4,317	146,803
Total	\$307,111	\$9,287	\$316,398

³ Adds the following funding and FTE:

	General Fund	Other Funds	Total
3 FTE office assistant positions	\$287,389		\$287,389
3 FTE positions authorized as one-time during the 2013-15 biennium for the business registration unit (2 FTE) and the business information unit (1 FTE)	310,451		310,451
Total	\$597,840		\$597,840

⁴ Federal funding is reduced to reflect projected available 2015-17 Help America Vote Act funds.

3/3

⁵ Funding is increased for the following:

	<u>General Fund</u>	<u>Other Fund</u>	<u>Total</u>
Overtime and operating expenses associated with increased office workload		\$299,359	\$299,359
Operating expenses from general fund services operating fund		75,000	75,000
Technology project carryover		<u>4,339</u>	<u>4,339</u>
Total		\$378,698	\$378,698

⁶ One-time funding is added to complete the agency's software project.

Date: 2-13-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2002

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 15.8135.01001

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Carlisle Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

*voice Vote
Carried*

Date: 2-13-15
Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2002

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Sorvaag Seconded By Carlisle

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek					

Total (Yes) 13 No 0

Absent _____

Floor Assignment Carlisle

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

REPORT OF STANDING COMMITTEE

SB 2002: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2002 was placed on the Sixth order on the calendar.

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Accrued leave payments	(82,831)					
Total all funds	\$49,645	\$316,398	\$597,840	(\$2,436,696)	\$378,698	\$3,050,000
Less estimated income	(11,418)	9,287	0	(2,436,696)	378,698	0
General fund	\$61,063	\$307,111	\$597,840	\$0	\$0	\$3,050,000
FTE	0.00	0.00	6.00	0.00	0.00	0.00

	Total Senate Changes
Salaries and wages	\$1,323,846
Operating expenses	3,153,698
Petition review	
Election reform	(2,438,828)
Accrued leave payments	(82,831)
Total all funds	\$1,955,885
Less estimated income	(2,060,129)
General fund	\$4,016,014
FTE	6.00

¹ Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

² The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	\$164,625	\$4,970	\$169,595
Health insurance increase	142,486	4,317	146,803
Total	\$307,111	\$9,287	\$316,398

³ Adds the following funding and FTE:

	General Fund	Other Funds	Total
3 FTE office assistant positions	\$287,389		\$287,389
3 FTE positions authorized as one-time during the 2013-15 biennium for the business registration unit (2 FTE) and the business information unit (1 FTE)	<u>310,451</u>		<u>310,451</u>
Total	\$597,840		\$597,840

⁴ Federal funding is reduced to reflect projected available 2015-17 Help America Vote Act funds.

⁵ Funding is increased for the following:

	General Fund	Other Fund	Total
Overtime and operating expenses associated with increased office workload		\$299,359	\$299,359
Operating expenses from general fund services operating fund		75,000	75,000
Technology project carryover		<u>4,339</u>	<u>4,339</u>
Total		\$378,698	\$378,698

6 One-time funding is added to complete the agency's software project.

2015 HOUSE APPROPRIATIONS

SB 2002

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division Roughrider Room, State Capitol

SB 2002
3/5/2015
24389

- Subcommittee
 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; 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:

Attachment #1

Chairman Monson: Called the meeting to order.

Al Jaeger, Secretary of State: (See Attachment #1) referred to page 5.

Chairman Monson: Where would you put all these people?

Jaeger: The idea is that they would take the place of the temporary help. We are still working on getting people up to speed.

Chairman Monson: The Senate gave you 3 of them at \$200?

Jaeger: Yes, we do have room for more workers. It would be nice, but it is not our highest priority. There has been a growth in business registration and so it has stayed at a higher level. The 2011 spike is directly related to Minot. The most critical part is the software project. Cont. Attachment #1.

Chairman Monson: You already had money in the budget for that.

Jaeger: It has all been used.

Chairman Monson: I don't see an emergency clause in here though.

Jaeger: We need SB 2023 to pass as well. Cont. attachment #1.

Chairman Monson: Is there any controversy? Do you want to put an emergency clause in there?

Jaeger: Cont. attachment #1.

Vice Chairman Streyle: I almost completely blame your staff for the failed project, not ITD. Do you have the staff to do this on time? Has any of that changed?

Jaeger: I would not characterize or agree with your statement of it being the Secretary of State's fault. We spent 4-5 months providing ITD with requirements.

Chairman Monson: What you are looking at now is an off the shelf product with someone who developed that and is going to get it up and running.

Jaeger: They have a base to help complete the central indexing, that architecture will exist.

Vice Chairman Streyle: Why was this not looked at 5 years ago? If there was a product out, why didn't we go there first? Are you 100% sure that there will be enough staff, time, and availability. My biggest concern is that there will be delays upon delays due to lack of staff.

Jaeger: I think we are in good shape. Cont. attachment #1.

Rep. Dosch: When you say that the budget is a million dollars over, where does the money go?

Jaeger: That is general fund revenue.

Rep. Dosch: Is that retained within your office?

Jaeger: It is returned to the general fund. Anything over \$75,000 has to be turned over to the general fund.

Rep. Dosch: For your UCC system, what is the time-frame for completion?

Jaeger: The contract is to have it done by August 1st.

Rep. Dosch: You anticipate this August?

Jaeger: It has started out really well. There will be a 90 day lag before I can actually use it.

Rep. Dosch: So what does the project cost? Is it going to be \$4,000,000?

Jaeger: If you add in the cost for the BPM, then it would be about \$4,400,000.

Chairman Monson: On page 12, I see the over and under budget on the right side. It shows you are a million dollars over budget. Looking at some of the other numbers, it is possible that the number will decline.

Jaeger: It might decline. We are still going to get all the annual reports.

Chairman Monson: Is your office pretty caught up now on new filings?

Jaeger: in 2012 we were 6 weeks in turn around; right now we are about 3 which is not at our comfort level. In the past, we were easily under 2 weeks. It does take time to train people. It does take time for training, and 3 people have retired.

Chairman Monson: This is not unique to your agency?

Jaeger: It is not, these people have been through a lot. There are other agencies that experience the same thing.

Jaeger: Cont. Attachment #1

Chairman Monson: Meeting was adjourned.

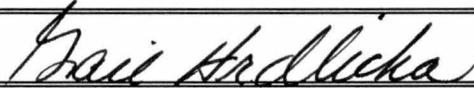
2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division
Roughrider Room, State Capitol

SB 2002
3/16/2015
24881

- Subcommittee
 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; 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:

Chairman Monson: Called the meeting to order.

Becky was just telling us there was an error in the Senate. There is \$200,000 dollars in the line item that says it is for special funds and supposed to be for general funds for overtime work. So we will have to make that correction. What line item is it exactly so we get the right one?

Becky Deichert: Referring to the bill it would be line 10 the salaries and wages line number 16 of the actual bill. Actually no I take that back cause that one is okay. It's just in the funding source line 22 and 23.

Chairman Monson: The special funds will be reduced by \$200,000 dollars in both of those.

Deichert: Line 22 would be reduced by \$200,000 dollars and Line 23 would be increased by \$200,000 dollars.

Vice Chairman Streyle: I do have a question on the office assistance positions. Are these temporary positions now and we are converting the full? What is the implication if we do the 3 versus the 6?

Al Jaeger, Secretary of State: The 3 FTEs that are being requested over and above the 3 that are being confirmed from last time would be full-time. Right now I have 7 part-time people on staff and we would hope that some of them would apply and become regular members. We have had 6-7 temporaries the last 2-3 years and so it is very difficult with temporaries they really don't receive benefits. In that period of time we have had between 25 and 30 different people filter in and out so it is very challenging for consistency in terms of the services that we provide. The particular classification that they would be in would

allow us to kind of move them around as needed within the office. We believe 6 would be nice to have and that is the reason the money you referred to \$200,000 dollars. What the Senate did was reduced us from 6 to 3, but with the idea that the reduction we are probably going to need more in that salary line to cover overtime and things like that. That was supposed to be that 6 were general fund so when they cut it back to 3 that \$200,000 dollars was supposed to come out of the general fund and not the special. That was never a committee decision.

Chairman Monson: So the \$200,000 dollars, Becky, that you referenced is in the green sheets is part of that? I'm not seeing special funds listed anywhere.

Deichert: No it is not listed on the green sheet. This is just from the executive recommendation that hasn't been updated to reflect that \$200,000 dollars. The amount on here is strictly the salary dollars.

Jaeger: To have them in a full-time position would really be helpful and the need isn't going to go away. We are still going to have all the processing and everything that we need to do.

Chairman Monson: But the Senate did give you 6 positions total?

Jaeger: We had asked 3 of them had to be approved from last session plus we added 3.

Chairman Monson: So really it's 3 new FTEs.

Vice Chairman Streyle: If we add these 3 positions we aren't going to see 7 temporary positions are we?

Jaeger: I would hope not.

Chairman Monson: When you have retirements, you have money set aside in your budget to take care of the leave?

Jaeger: We will have funds available. They won't have a lot of leave coming.

Vice Chairman Streyle: In 1053 which is the desktop consolidation piece you did request that in your budget but they didn't include the one time at least that is what the fiscal note says to pay for the full transition of \$77,800 dollars. Can you absorb that in your budget?

Jaeger: That wasn't related to desktop.

Chairman Monson: I'm looking at the green sheets.

Jaeger: I know there are other things like salaries and what have you that are in a whole lot bigger picture than just my agency.

Vice Chairman Streyle: In that bill there isn't funding for the onetime of \$77,000 dollars so you might want to check with whoever is your finance person and see what they think of that.

Jaeger: What we have been doing in the past with ITD we have been supporting a half person for desktop support.

Meeting adjourned.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division
Roughrider Room, State Capitol

SB 2002
3/24/2015
25334

- Subcommittee
 Conference Committee



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:



Chairman Monson: Called the meeting to order.

Handed out an amendment (no number) see attached; for secretary of state, dated 3/20/15; about the ability to carry over emergency clause put in for central indexing computer project
Attachment 1

Rep. Martinson: Why would you need an emergency clause?

Chairman Monson: if you're going to have carryover, why do you need an emergency clause? This is a different bill.

Vice Chairman Streyle: This is the deficiency appropriation bill

Chairman Monson: but even then, deficiency appropriation has been made

Vice Chairman Streyle: It has an emergency clause on the whole bill

Chairman Monson: we don't need the emergency clause.

Shawn Smith, Legislative Council: I'm not aware of a reason to have it.

Rep. Martinson: Why would you need it anyway, it would expire at the end of the budget year.

Chairman Monson: I don't see a problem with it I guess.

Rep. Boe: These funds are being carried over from last session or this session.

Chairman Monson: part of the deficiency bill #2023, so we've actually authorized it in our budget section.

Vice Chairman Streyle: \$950,000 for operating expenses and \$400,000 for the business process model so he wants to roll into his current project, which is \$3.25M; for a total of \$4.5M.

Chairman Monson: So Shawn if we change 2023 in some way and say we are not going to give you that much money, it isn't going to have an effect.

Vice Chairman Streyle: Amendment 15.8135.02001. Ask for study on the Secretary of State's office, utilizing software which would allow employees of the office to monitor and report billable hours in order to improve efficiency and productivity within the secretary of state. *Attachment 2*

Rep. Boe: Do we do this in other agencies too?

Vice Chairman Streyle: I would support doing it, but I think the one problem agency in my mind is this one as far as the slowness of getting stuff done and the reporting, the business registrations. We should study this one agency at this time. I believe all agencies should be doing this. I think they should be picked on because I don't think they have been run as well as they should have the last 5 years.

Vice Chairman Streyle: made a motion to approve amendment #15.8135.02001 for a study of the Secretary of State's office and seconded by Rep. Rep. Boe. Voice vote taken: Motion carried.

Becky Keller, OMB: Allows them to carry forward to next biennium what they don't spend from deficiency bill. Emergency clause is because this is an amendment to 2002.

Chairman Monson: I understand the carry forward, but explain...

Keller: The emergency on because this exemption effects the deficiency bill

Rep. Guggisberg: When he brought this amendment down did he say that he needs this to get other projects done? I hope we are not punishing people in the office because of poor management in the office.

Chairman Monson: I think over the years there's been a huge increase in workload. If there is no money in 2023 for his project, this will have no bearing.

Rep. Schmidt: If we pass this amendment what is the negative of passing it?

Chairman Monson: I don't see any.

Rep. Martinson: He wants to carry over his deficiency appropriation? That's to cut money already spent, isn't it?

Keller: his deficiency bill is to cover the cost of the project, there is a chance he may not be able to spend it.

Rep. Martinson: then it is not a deficiency, but he hasn't spent the money.

Keller: A lot of the deficiency bill isn't because they are already deficient right now, its because they expect to be deficient

Rep. Martinson: I don't like that either.

Rep. Schmidt: That is the same thing for Valley City; they are asking for one also.

Vice Chairman Streyle: The business process modeling; haven't they already gotten a contract on that? He wants to use the funds for the project.

Rep. Boe: The two amendments before us, seem to be the same problem and we are pulling in two different directions.

Vice Chairman Streyle: That is pretty fair. We need to get that project to get done.

Rep. Boe: Wouldn't we be better off to leave it go and when it becomes a deficiency, treat it as such.

Vice Chairman Streyle: seems a bit backwards to me.

Keller: I have asked Sheila Peterson to come down and answer this question.

Shelia Peterson, OMB: There are two cases to the deficiency bill; neither which will be spent in its entirety by June 30, 2015.she explained the specifics...about the difficulties of completing contracts...

Rep. Martinson: Sheila why do we call it a deficiency?

Peterson: That could have worked as well, the provisions with the central indexing computer project; ITD has authority to borrow the \$950,000 already, because the loan has already been taken out by ITD, which is why it is in the deficiency bill.

Rep. Martinson: there's no accountability.

Vice Chairman Streyle: They have selected a vendor, correct? Why do we need to do a business processing model now?

Peterson: Central Indexing computer project is different than the business process modeling piece is.

Vice Chairman Streyle: The phase 2 of the annual reporting, on-line contributions, etc?

Peterson: Correct.

Vice Chairman Streyle: So ITD is doing the central processing or not?

Peterson: the pieces that have been done are there and working fine, the business processing model will take it to the next step.

Vice Chairman Streyle: My understanding was that it was wasted. It mostly clears it up.

Rep. Schmidt: What's the downside of approving this amendment?

Rep. Schmidt made a motion to approve an amendment for unexpended funds to be carried over.

Peterson: Are you putting the amendment on a deficiency bill or on the secretary of state's bill?

Vice Chairman Streyle: Sec. of state

Peterson: then you need the emergency clause.

Seconded Rep. Sanford. Voice vote taken: Motion carried.

Vice Chairman Streyle: (inaudible)

Rep. Schmidt: goes back to 2002; it is not attached to the deficiency bill.

Vice Chairman Streyle: if there's zero money in there, this doesn't matter.

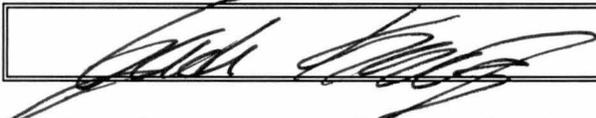
Meeting adjourned

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division
Roughrider Room, State Capitol

SB 2002
3/30/2015
25602

- Subcommittee
 Conference Committee



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:



Chairman Monson: Called the meeting to order.

Rep. Boe: This item #7 in green sheets I would as our resident expert here in the committee to explain to me, how would you miss the scope of your project by 3 million dollars when you started on it?

Vice Chairman Streyle: They missed the scope and I think this is the third go around at this project and supposedly this is the magic silver bullet. The first one failed almost 10 years ago, the next one ITD was going to do and they ended up doing a part of it and that is closed already and this is the part that apparently ITD could do but it has been determined to outsource that final piece of it and this is the cost to do it and so this is basically the third go around on this project. Supposedly this is going to do it now.

Chairman Monson: Senate Bill 2023 is the deficiency appropriation. The Senate action says the Senate provided a deficiency appropriation of 1.35 million to repay bank of North Dakota loan authorized for a compute project and to provide funding for increased business process modeling. So on top of this 3,050,000 dollars he as a 1,035,000 dollars that he borrowed which we gave him authority to borrow. The deficiency bill has 1.35 million for him to repay that back.

Vice Chairman Streyle: We didn't give them the authority they do have the authority to borrow under a million dollars, ITD does. They borrowed 950,000 dollars and then the 400 for the business process management piece which they hope to start before the biennium ends for the project that this 3 million is for.

Chairman Monson: ITD that had actually borrowed that?

Vice Chairman Streyle: Yup. They have the authority to do anything under a million they just have to let budget section know about it.

Chairman Monson: Committee are you ok with three new FTEs that the Senate gave them?

Vice Chairman Streyle: I move to remove 299, 359 dollars in item #5 of the green sheet.

Rep. Sanford: Second

Chairman Monson: I don't see the 200,000 dollars in the line.

Vice Chairman Streyle: It's in the darkened area.

Chairman Monson: So you want to take out the whole 299,000 dollars.

Motion to Remove 299,359 dollars in item #5 of the green sheet.

Motion made by Representative Streyle.

Seconded by Representative Sanford.

Voice Vote.

Motion Carried

Chairman Monson: We added two amendments earlier, an emergency clause and exemption to section four and then a study.

Shawn Smith: That is correct.

Chairman Monson: The insurance amendment that we are putting on all budgets is in there.

Rep. Boe: I move to remove 950,000 dollars.

Vice Chairman Streyle: Second.

Rep. Dosch: I thought they already signed up with this company and had already been in the process of doing this thought.

Vice Chairman Streyle: Then that leaves the question why do we need to do a BP for 400,000 dollars if they are already going to do it because the business process management should be done before hand and that kind of tells you what they need but that should be done now. I think we can figure out in confidence if that's really what is needed I can add it back in.

Chairman Monson: Your motion was 950,000 dollars.

Motion to Remove 950,000 dollars.

Motion made by Representative Boe

Seconded by Representative Streyle.

Total Yes 5, No 3, absent 0.
Motion carried.

Rep. Martinson: I move a Do Pass As Amended.

Rep. Boe: Second.

Motion for a Do Pass As Amended
Motion made by Representative Martinson.
Seconded by Representative Boe.
Total Yes 4, No 4, absent 0.
Motion failed.

Rep. Martinson: Do Pass As Amended

Rep. Schmidt: Second

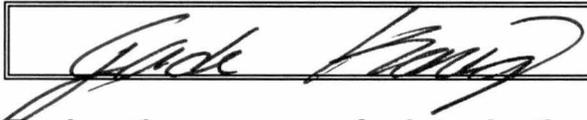
Motion for Do Pass As Amended.
Motion made by Representative Martinson.
Seconded by Representative Schmidt
Total Yes 7, No 1, absent 0.
Motion carried.
Floor assignment Chairman Monson.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2002
4/8/2015
25941

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

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:



Chairman Jeff Delzer: Opened the meeting on 2002.

Representative Boe: Spoke on amendment .02002. We adjusted the health care, converted three FTE's that were onetime funding for last biennium for a cost of 310,451 dollars, we decreased the federal funding. There was 2,436,696 dollar item in there that was decreased out of there. They had a request for increasing overtime and operating expenses associated with increased office work load. We took that all out because of the conversion on item number 3. We had a general services carryover of 75,000 dollars, onetime fund for software that was at 3 million and we reduced that by 950,000 dollars. We added a study for deficiency appropriation to repay a Bank of North Dakota loan for 950,000 dollars and to provide funding for increase business processing model services for 400,000 dollars. They wanted the exemption on the deficiency of full appropriation in order to carry it over to this biennium in finish that off. The feasibility study was the feasibility and desirability study of the Secretary of State's office using software to monitor efficiency and productivity within the Secretary of State's Office. There was also an emergency clause for the exemption related to the 1.3 million dollar deficiency appropriation. With that I would move amendment .02002.

Representative Monson: Second.

Chairman Jeff Delzer: That is just a study?

Representative Boe: It just says during the 2015-2016 interim the legislative management shall consider studying the feasibility and desirability of the Secretary of State's office utilizing software which would allow employees of the office to monitor and

report billable hours in order to improve efficiency and productivity within the Secretary of State's office.

Chairman Jeff Delzer: Did he say what his intent was with billable hours?

Representative Boe: It is to track how much work is getting done and how much of this work is directed toward certain tasks to get us an idea of how efficient an office is run.

Representative Skarphol: There are too many similarities in numbers here, the deficiency appropriation in 2023.

Chairman Jeff Delzer: We left the Secretary of States alone and that was the issue that I brought up and that is what this is the language that would mean that if their bill came in after they wanted to close out this biennium it would allow them to have this money to pay that bill then, because I think the timing was a question.

Representative Skarphol: I am a little confused by the fact that we took out 950,000 dollars from the budget, because you need the 950,000 dollars to repay the deficiency is that the same 950,000 dollars?

Representative Boe: Its two different numbers 950,000 dollars.

Representative Monson: He came forward last time and asked for 950,000 dollars deficiency so if he comes up short on the space coming up he will probably do the same things.

Motion to Adopt Amendment .02002
Motion made by Representative Boe.
Seconded by Representative Monson.
Voice vote.
Motion carries.

Representative Boehning: Spoke on amendment 15.0088.01003. We will be able to study the election cycles in North Dakota. We would like to study how elections are handled and consolidate them into two years, one in the spring and one in the fall. I move the amendment.

Representative Brandenburg: Second

Motion to Adopt Amendment .01003.
Motion made by Representative Boehning.
Seconded by Representative Brandenburg.
Voice vote.
Motion carries.

Representative Monson: I move a Do Pass As Amended.

Vice Chairman Keith Kempenich: Second.

Representative Bellew: Would you explain to me the 2 million dollars to complete the software project that was started in 2011-2013 biennium?

Representative Streyle: It is for off the shelf product that is being used in other states and then they can pick the modules they want and customize them slightly. So in theory this should be the last dollars for this project.

Representative Bellew: So did they spend any money or did they return it?

Representative Streyle: There has been lots of money spent on this project, probably in the eight figure range I would guess.

Motion for a Do Pass As Amended.
Motion made by Representative Monson.
Seconded By Representative Kempenich.
Total yes 13. No 9. Absent 1.
Motion carries.
Floor Assignment Representative Streyle.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2002

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

Page 1, line 4, after "state" insert "; and to provide for a legislative management study"

Page 3, after line 10, insert:

"SECTION 5. LEGISLATIVE MANAGEMENT STUDY. During the 2015-16 interim, the legislative management shall consider studying the feasibility and desirability of the secretary of state's office utilizing software which would allow employees of the office to monitor and report billable hours in order to improve efficiency and productivity within the secretary of state's office."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL 2002

Page 3, after line 3, insert:

"SECTION 4. EXEMPTION. The amounts appropriated to the Secretary of State in section 1, subdivision 2 of Engrossed Senate Bill 2023 of the sixty-fourth legislative assembly, are not subject to the provisions of section 54-44.1-11. Any unexpended funds from these appropriations are available for completing the central indexing computer project and the business process modeling services contract during the biennium beginning July 1, 2015, and ending June 30, 2017."

Page 3, after line 10, insert:

"SECTION 6. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Renumber accordingly

15.8135.02002
Title.

Prepared by the Legislative Council staff for
House Appropriations - Education and
Environment Division Committee
March 31, 2015

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2002

Page 1, line 2, remove "an"

Page 1, line 2, replace "exemption" with "exemptions"

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

Page 1, line 4, after "state" insert "; to provide for a legislative management study; and to
declare an emergency"

Page 1, replace line 16 with:

"Salaries and wages	\$3,753,869	\$1,024,004	\$4,777,873"
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Page 1, replace line 18 with:

"Operating expenses	2,579,597	2,179,339	4,758,936"
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Page 1, replace lines 20 through 23 with:

"Election reform	<u>5,143,115</u>	<u>(2,439,580)</u>	<u>2,703,535</u>
Total all funds	\$11,567,412	\$680,932	\$12,248,344
Less estimated income	<u>5,844,417</u>	<u>(2,360,240)</u>	<u>3,484,177</u>
Total general fund	\$5,722,995	\$3,041,172	\$8,764,167"

Page 2, replace lines 11 through 13 with:

"Grand total general fund	\$6,043,495	\$3,041,172	\$9,084,667
Grand total special funds	<u>5,844,417</u>	<u>(2,360,240)</u>	<u>3,484,177</u>
Grand total all funds	\$11,887,912	\$680,932	\$12,568,844"

Page 2, replace lines 23 and 24 with:

"Technology project		<u>0</u>	<u>2,100,000</u>
Total general fund		\$603,354	\$2,100,000"

Page 3, after line 3, insert:

"SECTION 4. EXEMPTION. The amounts appropriated to the secretary of state in subdivision 2 of section 1 of engrossed Senate Bill 2023, as approved by the sixty-fourth legislative assembly, are not subject to the provisions of section 54-44.1-11. Any unexpended funds from these appropriations are available for completing the central indexing computer project and the business process modeling services contract during the biennium beginning July 1, 2015, and ending June 30, 2017."

Page 3, after line 10, insert:

"SECTION 6. LEGISLATIVE MANAGEMENT STUDY. During the 2015-16 interim, the legislative management shall consider studying the feasibility and desirability of the secretary of state's office utilizing software which would allow employees of the office to monitor and report billable hours in order to improve efficiency and productivity within the secretary of state's office. The legislative

management shall report its findings and recommendations, along with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

SECTION 7. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2002 - Summary of House Action

	Base Budget	Senate Version	House Changes	House Version
Secretary of State				
Total all funds	\$11,567,412	\$13,523,297	(\$1,274,953)	\$12,248,344
Less estimated income	5,844,417	3,784,288	(300,111)	3,484,177
General fund	\$5,722,995	\$9,739,009	(\$974,842)	\$8,764,167
Public Printing				
Total all funds	\$320,500	\$320,500	\$0	\$320,500
Less estimated income	0	0	0	0
General fund	\$320,500	\$320,500	\$0	\$320,500
Bill total				
Total all funds	\$11,887,912	\$13,843,797	(\$1,274,953)	\$12,568,844
Less estimated income	5,844,417	3,784,288	(300,111)	3,484,177
General fund	\$6,043,495	\$10,059,509	(\$974,842)	\$9,084,667

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

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$3,753,869	\$5,077,715	(\$299,842)	\$4,777,873
Operating expenses	2,579,597	5,733,295	(974,359)	4,758,936
Petition review	8,000	8,000		8,000
Election reform	5,143,115	2,704,287	(752)	2,703,535
Accrued leave payments	82,831			
Total all funds	\$11,567,412	\$13,523,297	(\$1,274,953)	\$12,248,344
Less estimated income	5,844,417	3,784,288	(300,111)	3,484,177
General fund	\$5,722,995	\$9,739,009	(\$974,842)	\$8,764,167
FTE	28.00	34.00	0.00	34.00

Department No. 108 - Secretary of State - Detail of House Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Removes Overtime and Operating Expenses Increases ²	Reduces One-Time Funding for Software Project ³	Total House Changes
Salaries and wages	(\$24,842)	(\$275,000)		(\$299,842)
Operating expenses		(24,359)	(950,000)	(974,359)
Petition review				
Election reform	(752)			(752)
Accrued leave payments				
Total all funds	(\$25,594)	(\$299,359)	(\$950,000)	(\$1,274,953)
Less estimated income	(752)	(299,359)	0	(300,111)
General fund	(\$24,842)	\$0	(\$950,000)	(\$974,842)
FTE	0.00	0.00	0.00	0.00

¹ Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.

² Increased funding is removed for overtime and operating expenses associated with increased office workload.

³ One-time funding is adjusted to complete the agency's software project of \$3,050,000 is reduced to \$2,100,000.

This amendment also provides:

- An exemption for the \$1.35 million deficiency appropriation provided in Senate Bill No. 2023 to repay a Bank of North Dakota loan (\$950,000) and to provide funding for increased business processing modeling services (\$400,000). The exemption allows the Secretary of State to continue any remaining funding into the 2015-17 biennium to complete the computer project.
- A legislative study of the feasibility and desirability of the Secretary of State's office using software to monitor efficiency and productivity within the Secretary of State's office.
- An emergency clause for the exemption related to the \$1.35 million deficiency appropriation.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1474

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the consolidation of elections."

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - CONSOLIDATION OF ELECTIONS. During the 2015-16 interim, the legislative management shall consider studying the feasibility and desirability of consolidating all political subdivision and school district elections with the statewide primary election and the holding of all special elections on other specified dates during any year. If the legislative management conducts the study, the legislative management shall seek input and participation from the secretary of state; representatives of cities, counties, school districts, and other political subdivisions; and representatives of political parties. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly

JH
4-9-15
103

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2002

Page 1, line 2, replace "an exemption" with "exemptions"

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

Page 1, line 4, after "state" insert "; to provide for legislative management studies; and to declare an emergency"

Page 1, replace line 16 with:

"Salaries and wages	\$3,753,869	\$1,024,004	\$4,777,873"
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Page 1, replace line 18 with:

"Operating expenses	2,579,597	2,179,339	4,758,936"
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Page 1, replace lines 20 through 23 with:

"Election reform	<u>5,143,115</u>	<u>(2,439,580)</u>	<u>2,703,535</u>
Total all funds	\$11,567,412	\$680,932	\$12,248,344
Less estimated income	<u>5,844,417</u>	<u>(2,360,240)</u>	<u>3,484,177</u>
Total general fund	\$5,722,995	\$3,041,172	\$8,764,167"

Page 2, replace lines 11 through 13 with:

"Grand total general fund	\$6,043,495	\$3,041,172	\$9,084,667
Grand total special funds	<u>5,844,417</u>	<u>(2,360,240)</u>	<u>3,484,177</u>
Grand total all funds	\$11,887,912	\$680,932	\$12,568,844"

Page 2, replace lines 23 and 24 with:

"Technology project		<u>0</u>	<u>2,100,000</u>
Total general fund		\$603,354	\$2,100,000"

Page 3, after line 3, insert:

"SECTION 4. EXEMPTION. The amounts appropriated to the secretary of state in subdivision 2 of section 1 of Engrossed Senate Bill No. 2023, as approved by the sixty-fourth legislative assembly, are not subject to the provisions of section 54-44.1-11. Any unexpended funds from these appropriations are available for completing the central indexing computer project and the business process modeling services contract during the biennium beginning July 1, 2015, and ending June 30, 2017."

Page 3, after line 10, insert:

"SECTION 6. LEGISLATIVE MANAGEMENT STUDY. During the 2015-16 interim, the legislative management shall consider studying the feasibility and desirability of the secretary of state's office utilizing software which would allow employees of the office to monitor and report billable hours in order to improve efficiency and productivity within the secretary of state's office. The legislative management shall report its findings and recommendations, along with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

JA 2003

SECTION 7. LEGISLATIVE MANAGEMENT STUDY - CONSOLIDATION OF ELECTIONS. During the 2015-16 interim, the legislative management shall consider studying the feasibility and desirability of consolidating all political subdivision and school district elections with the statewide primary election and the holding of all special elections on other specified dates during any year. If the legislative management conducts the study, the legislative management shall seek input and participation from the secretary of state; representatives of cities, counties, school districts, and other political subdivisions; and representatives of political parties. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

SECTION 8. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2002 - Summary of House Action

	Base Budget	Senate Version	House Changes	House Version
Secretary of State				
Total all funds	\$11,567,412	\$13,523,297	(\$1,274,953)	\$12,248,344
Less estimated income	5,844,417	3,784,288	(300,111)	3,484,177
General fund	\$5,722,995	\$9,739,009	(\$974,842)	\$8,764,167
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Total all funds	\$320,500	\$320,500	\$0	\$320,500
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Bill total				
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Salaries and wages	\$3,753,869	\$5,077,715	(\$299,842)	\$4,777,873
Operating expenses	2,579,597	5,733,295	(974,359)	4,758,936
Petition review	8,000	8,000		8,000
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Accrued leave payments	82,831			
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FTE	28.00	34.00	0.00	34.00

Department No. 108 - Secretary of State - Detail of House Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Removes Overtime and Operating Expenses Increases ²	Reduces One-Time Funding for Software Project ³	Total House Changes
Salaries and wages	(\$24,842)	(\$275,000)		(\$299,842)
Operating expenses		(24,359)	(950,000)	(974,359)

JR 3A

Petition review				
Election reform	(752)			(752)
Accrued leave payments				
Total all funds	(\$25,594)	(\$299,359)	(\$950,000)	(\$1,274,953)
Less estimated income	(752)	(299,359)	0	(300,111)
General fund	(\$24,842)	\$0	(\$950,000)	(\$974,842)
FTE	0.00	0.00	0.00	0.00

¹ Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.

² Increased funding is removed for overtime and operating expenses associated with increased office workload.

³ One-time funding is adjusted to complete the agency's software project of \$3,050,000 is reduced to \$2,100,000.

This amendment also provides:

- An exemption for the \$1.35 million deficiency appropriation provided in Engrossed Senate Bill No. 2023 to repay a Bank of North Dakota loan (\$950,000) and to provide funding for increased business processing modeling services (\$400,000). The exemption allows the Secretary of State to continue any remaining funding into the 2015-17 biennium to complete the computer project.
- A legislative study of the feasibility and desirability of the Secretary of State's office using software to monitor efficiency and productivity within the Secretary of State's office.
- A legislative study of the feasibility and desirability of consolidating all political subdivision and school district elections with the statewide primary election and the holding of all special elections on other specified dates during any year.
- An emergency clause for the exemption related to the \$1.35 million deficiency appropriation.

Date: 3/24/15
 Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2002

House Appropriations - Education and Environment Division Committee

Amendment LC# or Description: Subcommittee
15.8135.02001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Streyle Seconded By Boe

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson			Rep. Boe		
Vice Chairman Streyle			Rep. Guggisberg		
Rep. Dosch					
Rep. Martinson					
Rep. Sanford					
Rep. Schmidt					

*voice vote
 motion carried*

Total Yes _____ No _____
 Absent _____
 Floor Assignment _____

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

Motion to approve amendment to study the Secretary of State's office.

Date: 3/24/15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2002

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: no number

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Streyle Seconded By Boe

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson			Rep. Boe		
Vice Chairman Streyle			Rep. Guggisberg		
Rep. Dosch					
Rep. Martinson					
Rep. Sanford					
Rep. Schmidt					

*Vote made
motioned
carried*

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Motion to approve an amendment for unexpended funds to be carried over.

Date: 3/30/15
 Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2002

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Streyle Seconded By Sanford

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson			Rep. Boe		
Vice Chairman Streyle			Rep. Guggisberg		
Rep. Dosch					
Rep. Martinson					
Rep. Sanford					
Rep. Schmidt					

*Voici Vote
 motion carried*

Total Yes _____ No _____
 Absent _____
 Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
*Remove \$ 299,359 from
 Item # 5 guns sheet.*

Date: 3/30/15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2002

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Boe Seconded By Streyle

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson		✓	Rep. Boe	✓	
Vice Chairman Streyle	✓		Rep. Guggisberg	✓	
Rep. Dosch		✓			
Rep. Martinson	✓				
Rep. Sanford		✓			
Rep. Schmidt	✓				

Motion Carried

Total Yes 5 No 3

Absent _____

Floor Assignment _____

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

Remove \$950,000

Date: 3/30/15
 Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2002

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Martinson Seconded By Boe

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson		✓	Rep. Boe	✓	
Vice Chairman Streyle	✓		Rep. Guggisberg	✓	
Rep. Dosch		✓			
Rep. Martinson		✓			
Rep. Sanford		✓			
Rep. Schmidt	✓				

Motion failed

Total Yes 4 No 4

Absent 0

Floor Assignment _____

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

Date: 3/30/15
Roll Call Vote #: 7

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2002

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Martinson Seconded By Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson	✓		Rep. Boe	✓	
Vice Chairman Streyle	✓		Rep. Guggisberg	✓	
Rep. Dosch		✓			
Rep. Martinson	✓				
Rep. Sanford	✓				
Rep. Schmidt	✓				

Total Yes 7 No 1

Absent _____

Floor Assignment Monson

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

Do pass

REPORT OF STANDING COMMITTEE

SB 2002, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 9 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2002 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "an exemption" with "exemptions"

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

Page 1, line 4, after "state" insert "; to provide for legislative management studies; and to declare an emergency"

Page 1, replace line 16 with:

"Salaries and wages	\$3,753,869	\$1,024,004	\$4,777,873"
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SECTION 8. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

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Accrued leave payments				
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General fund	(\$24,842)	\$0	(\$950,000)	(\$974,842)
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- An emergency clause for the exemption related to the \$1.35 million deficiency appropriation.

2015 CONFERENCE COMMITTEE

SB 2002

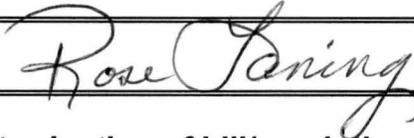
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2002
4/15/2015
Job # 26147

Subcommittee
 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.

Minutes:

Attachment 1

Legislative Council - Sean Smith
OMB - Becky Deichert

Conferees:

Senators Carlisle, Sorvaag, Robinson
Representatives Monson, Dosch, Boe

Senator Carlisle: called the conference committee to order on SB 2002. All members were present. Curious why House took out overtime, how come?

Rep. Monson: Which one are you asking about?

Senator Carlisle: You apparently took out the \$275,000 we put in for overtime for the Secretary of State. Senator Sorvaag can explain why we put it in there and we're just curious how come you took it out?

Senator Sorvaag: I am going on the long sheet (Attachment 1). If you look down below Decrease Help America Vote, there was an increase operating expenses that increase over time of \$299,359 that was removed. The operating was the adjustment for health premiums so we understand that - the \$24,842. But \$275,000 of that was overtime for the Secretary of State. The reason we put it in originally is because of the new software system they are trying to develop. There is obviously money to do that. They have worked at it a long time and I think there is a commitment to get it done this next biennium. There had been a request for more employees to get the work load done and I know we're adding 6 but over and above that there was a discussion. What we decided again is to go with this overtime so they can keep working hard; working extra to get up until this software is running. Then they hopefully wouldn't need it the next biennium. But in lieu of hiring more people we figured go with overtime with his trained staff and try to keep up until they get the new

software going. That's the reason we put it in initially. It was over more FTE's or even temporary employees.

Representative Boe: I believe when we discussed taking that out, the reference was the fact that the one-time funding for the FTE positions for the 2013-2015 biennium converting them into full time. We thought they would be able to pick up that amount of work and we would be able to avoid the overtime. I think that is what the discussion was when it was made.

Senator Sorvaag: The initial request that was for 9 more and we cut back to 6 new FTE's. That is where our rationale was coming in lieu of the 3 more FTE's, that we would just allow a little extra money so that he can pay his present people and hopefully that work load can go away. That the extra over the 6 to the 9 wouldn't be necessary once the new software is up and working. That was the rationale where our came from.

Representative Monson: After Rep. Boe answered that I guess you know there is still going to be an increase of 6 FTE's. We also figured with the software, there should be some efficiencies. They had temporaries before I believe and we thought we could take some of the money, the increased over time and operating expenses out of there based on the fact that they should be more efficient with the new software and with 6 more full time FTE's. That was kind of where our discussion was, and I'd forgotten all about that line.

Senator Robinson: We can appreciate that. We've had that discussion and there will be some increase deficiencies, but that is not going to happen right away. But if you recall the caseload, the growth in business filings and so on in the Secretary of State's office has been phenomenal. When we look at the entire scope of workload, and then conversion with new software, we were convinced that we could keep 9 busy and we funded the 6, and provided some overtime rather than going with more FTE's thinking that was the route to go in light of some efficiencies coming on board at some point in time.

Representative Dosch: The other part of our consideration was the new filings now for businesses have dramatically decreased as we've seen the cut in oil prices and I think we're seeing a marked slowdown so I guess that was another reason. A year ago yes, they were over their heads but now things have dramatically changed. We think with the 6 full time now, that should be able to work.

Senator Carlisle: Let's move down, being your Chairman brought up on the operating line for the software project. I see you took about \$950,000 out of that. Our understanding is they kind of got to pay IT so we kind of care where you are on that?

Representative Monson: Representative Streyle is not our committee here but he is our tech guy and he said that sounds pretty expensive, so he thought there should be a little cheaper version of this. Now since that time, Secretary Jaeger has shown a lot of anxiety over losing that, because this is a piece of software off the shelf. It has a price tag, and there isn't a whole lot maybe we can do about that so we may have to discuss a little there.

Senator Robinson: You make a good point. This particular expenditure was driven jointly as I understand it. Maybe that's not the right word by the Secretary of State's office and

ITD. It's my recollection that ITD is going to require this business analysis process, whatever we call it, on all major projects from now on. Rather than getting into the project and realizing it is far more complex than we had anticipated, we want to do this upfront and know the exact needs. What services does this software have to provide so we have that up front and we know that going in. Mike Ressler thought it would be a smart investment. And after several projects now over the last few years, he said we are going to strongly encourage that we do this on all projects and not mess around anymore and then get in and have to back up and regroup. We should make this expenditure, know exactly what our needs are before we get halfway down the road and realize this is deeper than we thought. So I think your point is well taken that we thought that this is an important expenditure up front.

Senator Carlisle: If you want to talk to Rep. Streytle, we understand he is a tech guy, but that is a recommendation from IT. That package, it has a term, Business Analysis Research, before they get into a project and it's a new concept. Being we are looking at another \$3-4 million dollars to complete this, we felt it was good to have it in there.

Representative Monson: When we were working on this the deficiency bill that happened to have \$950,000 in it as well. There was a request in there, which I don't know if that bill has actually passed, but that also has \$950,000 in it. I believe it has passed too. That is a whole different \$950,000. It is the same number, different purpose but related in some ways and it gets carried over. We put an emergency clause on there as well.

Senator Sorvaag: Because there was a little discussion in the committee as I happened to sit in on the deficiency hearing, there was \$1.35 million in the deficiency for Secretary of State minus \$400,000 was left and this \$950,000 was moved out of that budget and put over onto the Secretary of State. Because you're right, there was confusion, it looked like a duplication of the same \$950,000. But my understanding is that is not in the deficiency. I think it is just the \$400,000 that is in the deficiency.

Senator Carlisle: We can have that checked by either OMB or Legislative Council. I think that is correct, there was \$400,000 and then you add the two together.

Becky Diechert: That \$950,000 is in the deficiency bill.

Representative Monson: So it did not get removed in the deficiency, so that \$950,000 is still in there.

Becky Diechert: That was to go for the loan that ITD had taken out to pay the Bank of North Dakota.

Senator Robinson: The deficiency bill is in conference and I think we will meet again on Friday, and there is some other issues with that bill.

Senator Carlisle: Becky, that deficiency, that money is earmarked to pay ITD?

Becky Diechert: That is correct.

Senator Robinson: We had heard just recently here, that you referenced that the business activity had dropped off dramatically and we haven't heard that. We've heard that the agency has been surprised that even, at a slow-down, activity remains robust. Now we should probably verify that before we meet again so we know where we are with that. It has been our belief, based on the information we've heard, that activity is surprising robust even though we hear of reports of slow-down in a number of rigs. So we should get that information so we have it the next time we meet.

Senator Carlisle: Sean, you should be able to pick that up pretty easy I think, right? Then the \$950,000 too just as Becky said so that is not a duplication? That \$950,000 was to pay the bill to IT?

Senator Sorvaag: My understanding they still took the \$3 million. We need to get some clarification because the \$3 million is what the cost to finishing the software and you took the \$950,000, so there is two, different \$950,000 then?

Becky Deichert: Yes, the \$950,000 that they took out doesn't have the marked deficiency \$950,000.

Senator Sorvaag: So then you just took it off the top end of the software where they said they need \$3 million, you guys decided to give them \$2.1 Million, rounding up.

Senator Carlisle: Is that correct?

Representative Monson: That is correct.

Representative Boe: The \$950,000, I know that it is not duplicated. There's \$950,000 in the deficiency appropriation to pay off the Bank of North Dakota because the ITD has the authority to borrow up to \$1 million dollars to finish a project. The \$950,000 that has gone out of the \$3 million, could be borrowed to finish the project, if it is totally needed or any amount up to that amount to finish the project. I would expect that you would not pay for a project in total until you made sure it worked.

Senator Carlisle: This project has apparently been vetted in several other states and they have a track record of that. I am sure the Secretary of State said that to your committee too, that this deal is supposed to work; its worked in other states, and those states have adopted this. He's been working on this a couple of biennium's as we all know and we're trying to figure out a plan where he can get it up and running.

Representative Monson: As Representative Boe indicated, they do have the ability to borrow the money which is why there is a deficiency because they borrowed the money. Had there not been a deficiency bill that had \$950,000 in it to pay off the loan we wouldn't have really thought twice about saying you know he can do that again. If it came in at \$850,000 instead of \$950,000 that was needed then he could actually save some money. Is the round number, the price tag, exactly what the \$3.1 million or whatever the amount is but because we knew there was a deficiency and he had borrowed the \$950,000, it made it a little easier for us to say when he gets the final bill and goes to pay this, if he's short from the \$2.1 million that we had left in there, then he's got the ability to go ahead and borrow it

again and then we would be looking at a deficiency in 2017. Which makes it kind of sloppy if you have to go around doing that but we thought if there was some efficiencies or some wiggle room on the price tag, we could maybe see some reduced costs in that piece of software.

Senator Carlisle: From the two perspectives that we're looking at, we'd would like the overtime back in and the \$950,000. Why don't we just meet again and give it just a little mulling and have Sean get that information for us. Those are the two hard and fast of where we are at right now - our differences, right?

Representative Monson: I would agree with that. If we can see a trend here where these business filings are dropping off because of the oil, and I know even in my end of the state, over in the East, there are lots of businesses that are working with the oil. My son is working for a company and they are making tanks, making pipes, all coming out here and they just laid off half of their staff because the orders are not coming in. Are companies going to be coming in at the same rate? If that big trigger hits, and I think this is where we are going to see a trend where it's going to really slow up. Maybe we won't even need the 6 FTE's out of the nine. I'd like see that trend and it hasn't been long enough that there is a trend. A month or two doesn't really make a trend.

Senator Carlisle: Why can't Sean and the Secretary of State get us some information and put together a little information sheet that we can hand out to the committee? So we have these questions answered.

We both understand the issues and we will reschedule again and go from there. Is that okay?

He closed the hearing.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2002
4/16/2015
Job # 26190

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove for Rose Lanning

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.

Minutes:

Attachment 1

Legislative Council - Sean Smith
OMB - Becky Deichert

Conferees -
Senators Carlisle, Sorvaag, Robinson
Representatives Monson, Dosch, Boe

Senator Carlisle called the conference committee to order on SB 2002 and roll call was taken. He asked Al Jaeger, Secretary of State, to hand out the previously asked for information (Conference Committee for SB 2002 - Attachment 1).

Senator Sorvaag: One idea we've discussed, it seems that to sign the contract for the software, it needs to be the full \$3.1M. To do it last they wouldn't be able to sign the contract and go forward with the project. We have discussed putting it back and the other item was the overtime and the operating expenses with it that together totaled \$299,000 which was under special funds, is that correct?

Sean Smith: The \$200,000 they want under general funds. The \$99,000 would stay special, but the \$200,000 would be general is what they want.

Senator Sorvaag : You took it out but we were thinking of splitting that in half. Between the overtime and operating it would be the \$150,000. We're fine with leaving the two studies requests in there.

Senator Carlisle: The reason we don't have a problem with studies is if you read the words it says "consider" and that means legislative management. If it was put in the budget, that would be a different thing. The \$3.1M, I talked twice to Pam Sharp and my understanding is that we've got to have that to sign the contract.

Rep. Monson: I too talked to Pam Sharp. It has to be dedicated to the software package in order to sign it. Beings as we've had so many other problems with software, but also others that seem to go belly-up, Pam Sharp said that she will be keeping a very close eye on this as well as Mike Ressler to make sure they get a good product. I would like an explanation on how that \$200,000 was supposed to be general fund and \$99,000 special. What is the source of the special funds?

Senator Carlisle -- In my notes, I had \$200,000 general; \$75,000 special plus ancillary business for the other \$25,000.

Becky Deichert: Their special funds would be like their operating fund. It would just be from their operating fund. The reason why the \$200,000 was supposed to be general was to help with the FTE that didn't get funded. They needed some overtime money to continue for any extra overtime.

Rep. Monson: I don't understand \$99,000 being special just because its in operating.

Becky Deichert: That \$99,000 was just other changes in their budget that didn't have to do with the overtime. It was just other operating changes.

Senator Robinson: Those changes would still remain general funds, right? Do we have any fees assessed? Do we have any income coming in? Charges? Those would be special funds.

Al Jaeger: Our general services fund collects a number of pieces of revenue outside of the revenue that is dedicated to the general fund. In the special fund we do have the salary line authority, we have operating authority, and the fees come in from a number of different things. For instance, the central indexing, when it goes electronic, there is a portion of those fees that will go into the special fund.

Senator Robinson: Could you explain the confusion we have over the \$299,000? The breakdown of that.

Al Jaeger: In the Senate side, when you gave me the overtime, inadvertently it was put to the special fund when it was supposed to have been coded to the general fund. That was a coding error.

Senator Carlisle: The \$200,000 general, \$75,000 special, and the \$24,000 extra is your health premium and that's how we get to \$300,000.

Al Jaeger: The health premiums are deducted in and out of different things.

Senator Sorvaag: The health premium is a separate \$24,000. There was another \$24,000 of operating. That is two separate \$24,000's.

Becky Deichert: The \$99,000 was base budget adjustments that they made in their special fund line. It wasn't something that was in their recommendation.

Senator Carlisle: The secretary wants some overtime, if we don't do FTE, we are going to pay some people to do some extra work and what we're offering is to split the overtime.

Senator Sorvaag: The \$99,359 is still other funds. Then under general funds it would only be another \$50,000. The \$200,000 would be general funds. That would get us to half of that amount.

Senator Carlisle: Would you consider it and think about it.

Rep. Monson: If we did the \$50,000 in general and the \$99,359 in special and designate that as going for overtime, leave the health insurance as it is and put the software package back up to \$950,000 so they can get that done, we can agree to that. And leave the studies.

Senator Carlisle: Consider feasibility, so it's open for whatever legislative management decides to do.

Rep. Monson: I think the motion would be for the House to recede from our amendments and further amend to reduce general fund by \$150,000. That is assuming that the \$299,000 that is now in special gets moved over to the general fund, correct? And then we would leave the two studies in there. And the health insurance adjustment.

Senator Sorvaag: I'll second with software in the motion.

Rep. Monson: My motion would be that we go all the way back to everything the House did, but we are \$150,000 less than what we had taken off and we also put the amount for software package back up to \$3.1M.

Senator Carlisle: He will have money for overtime, whichever fund it comes out of. If he has employees to pay he has money to pay them.

Senator Robinson: Would the plan be to get these amendments put in place and then we just need to sign off?

Rep. Monson: As long as the final version of the amendments, we look them over, and if it is the way that we agreed.

Senator Carlisle: Once we get the amendments, we make sure there are no glitches before it goes to the floor.

A Roll Call vote was taken. Yea: 6 Nay: 0 Absent: 0

The committee will look at the amendments before the conference committee report is run.

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4/17/15
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PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2002

That the House recede from its amendments as printed on pages 1358-1360 of the Senate Journal and pages 1534-1537 of the House Journal and that Engrossed Senate Bill No. 2002 be amended as follows:

Page 1, line 2, replace "an exemption" with "exemptions"

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

Page 1, line 4, after "state" insert "; to provide for legislative management studies; and to declare an emergency"

Page 1, replace line 16 with:

"Salaries and wages	\$3,753,869	\$1,149,645	\$4,903,514"
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Page 1, replace lines 20 through 23 with:

"Election reform	5,143,115	(2,439,580)	2,703,535
Total all funds	\$11,567,412	\$1,780,932	\$13,348,344
Less estimated income	<u>5,844,417</u>	<u>(2,260,881)</u>	<u>3,583,536</u>
Total general fund	\$5,722,995	\$4,041,813	\$9,764,808"

Page 2, replace lines 11 through 13 with:

"Grand total general fund	\$6,043,495	\$4,041,813	\$10,085,308
Grand total special funds	<u>5,844,417</u>	<u>(2,260,881)</u>	<u>3,583,536</u>
Grand total all funds	\$11,887,912	\$1,780,932	\$13,668,844"

Page 3, after line 3, insert:

"SECTION 4. EXEMPTION. The amounts appropriated to the secretary of state in subdivision 2 of section 1 of Senate Bill No. 2023, as approved by the sixty-fourth legislative assembly, are not subject to the provisions of section 54-44.1-11. Any unexpended funds from these appropriations are available for completing the central indexing computer project and the business process modeling services contract during the biennium beginning July 1, 2015, and ending June 30, 2017."

Page 3, after line 10, insert:

"SECTION 6. LEGISLATIVE MANAGEMENT STUDY - USE OF SOFTWARE BY SECRETARY OF STATE. During the 2015-16 interim, the legislative management shall consider studying the feasibility and desirability of the secretary of state's office utilizing software which would allow employees of the office to monitor and report billable hours in order to improve efficiency and productivity within the secretary of state's office. The legislative management shall report its findings and recommendations, along with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

SECTION 7. LEGISLATIVE MANAGEMENT STUDY - CONSOLIDATION OF ELECTIONS. During the 2015-16 interim, the legislative management shall consider studying the feasibility and desirability of consolidating all political subdivision and

2/13

school district elections with the statewide primary election and the holding of all special elections on other specified dates during any year. If the legislative management conducts the study, the legislative management shall seek input and participation from the secretary of state; representatives of cities, counties, school districts, and other political subdivisions; and representatives of political parties. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

SECTION 8. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2002 - Summary of Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Secretary of State						
Total all funds	\$11,567,412	\$13,523,297	(\$174,953)	\$13,348,344	\$12,248,344	\$1,100,000
Less estimated income	5,844,417	3,784,288	(200,752)	3,583,536	3,484,177	99,359
General fund	\$5,722,995	\$9,739,009	\$25,799	\$9,764,808	\$8,764,167	\$1,000,641
Public Printing						
Total all funds	\$320,500	\$320,500	\$0	\$320,500	\$320,500	\$0
Less estimated income	0	0	0	0	0	0
General fund	\$320,500	\$320,500	\$0	\$320,500	\$320,500	\$0
Bill total						
Total all funds	\$11,887,912	\$13,843,797	(\$174,953)	\$13,668,844	\$12,568,844	\$1,100,000
Less estimated income	5,844,417	3,784,288	(200,752)	3,583,536	3,484,177	99,359
General fund	\$6,043,495	\$10,059,509	\$25,799	\$10,085,308	\$9,084,667	\$1,000,641

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

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$3,753,869	\$5,077,715	(\$174,201)	\$4,903,514	\$4,777,873	\$125,641
Operating expenses	2,579,597	5,733,295		5,733,295	4,758,936	974,359
Petition review	8,000	8,000		8,000	8,000	
Election reform	5,143,115	2,704,287	(752)	2,703,535	2,703,535	
Accrued leave payments	82,831					
Total all funds	\$11,567,412	\$13,523,297	(\$174,953)	\$13,348,344	\$12,248,344	\$1,100,000
Less estimated income	5,844,417	3,784,288	(200,752)	3,583,536	3,484,177	99,359
General fund	\$5,722,995	\$9,739,009	\$25,799	\$9,764,808	\$8,764,167	\$1,000,641
FTE	28.00	34.00	0.00	34.00	34.00	0.00

Department No. 108 - Secretary of State - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Adjusts Funding for Overtime ²	Total Conference Committee Changes
Salaries and wages	(\$24,842)	(\$149,359)	(\$174,201)
Operating expenses			
Petition review			
Election reform	(752)		(752)

3/13

Accrued leave payments			
Total all funds	(\$25,594)	(\$149,359)	(\$174,953)
Less estimated income	(752)	(200,000)	(200,752)
General fund	(\$24,842)	\$50,641	\$25,799
FTE	0.00	0.00	0.00

¹ Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.

² Funding for overtime is reduced by \$149,359 to provide a total increase of \$125,641. In addition the funding source for \$50,641 is changed from the Secretary of State's general services operating fund to the general fund. The Senate provided \$275,000 from the Secretary of State's general services operating fund for overtime and increased operating expenses by \$24,359 from the general services operating fund. The House reduced overtime and operating expense increases by \$299,359.

The Conference Committee did not accept the House changes to decrease funding for the Central Indexing System information technology project by \$950,000.

This amendment also provides:

- An exemption for the \$1.35 million deficiency appropriation provided in Senate Bill No. 2023 to repay a Bank of North Dakota loan (\$950,000) and to provide funding for increased business processing modeling services (\$400,000). The exemption allows the Secretary of State to continue any remaining funding into the 2015-17 biennium to complete the computer project. The House also made this change.
- A Legislative Management study of the feasibility and desirability of the Secretary of State's office using software to monitor efficiency and productivity within the Secretary of State's office. The House also made this change.
- A Legislative Management study of the feasibility and desirability of consolidating all political subdivision and school district elections with the statewide primary election and the holding of all special elections on other specified dates during any year. The House also made this change.
- An emergency clause for the exemption related to the \$1.35 million deficiency appropriation. The House also made this change.

Senate Bill No. 2002 - Public Printing - Conference Committee Action

The Conference Committee did not change the funding for public printing provided by the Senate and the House.

Date: 4/16/2015

Roll Call Vote #: 1

**2015 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. 2002 as (re) engrossed

Senate Appropriations Committee

- Action Taken
- SENATE accede to House Amendments
 - SENATE accede to House Amendments and further amend
 - HOUSE recede from House amendments
 - HOUSE recede from House amendments and amend as follows
 - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep. Monson Seconded by: Senator Sorvaag

Senators	4/15		4/16		Yes	No	Representatives	4/15		4/16		Yes	No
Carlisle	X	X			X		Monson	X	X			X	
Sorvaag	X	X			X		Dosch	X	X			X	
Robinson	X	X			X		Boe	X	X			X	
Total Senate Vote					3		Total Rep. Vote					3	

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Senator Carlisle House Carrier Representative Monson

LC Number 15.8135 . 02004 of amendment

LC Number 15.8135 . 04000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

SB 2002, as engrossed: Your conference committee (Sens. Carlisle, Sorvaag, Robinson and Reps. Monson, Dosch, Boe) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1358-1360, adopt amendments as follows, and place SB 2002 on the Seventh order:

That the House recede from its amendments as printed on pages 1358-1360 of the Senate Journal and pages 1534-1537 of the House Journal and that Engrossed Senate Bill No. 2002 be amended as follows:

Page 1, line 2, replace "an exemption" with "exemptions"

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

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General fund	\$5,722,995	\$9,739,009	\$25,799	\$9,764,808	\$8,764,167	\$1,000,641
FTE	28.00	34.00	0.00	34.00	34.00	0.00

Department No. 108 - Secretary of State - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Adjusts Funding for Overtime ²	Total Conference Committee Changes
Salaries and wages	(\$24,842)	(\$149,359)	(\$174,201)
Operating expenses			
Petition review			
Election reform	(752)		(752)
Accrued leave payments			
Total all funds	(\$25,594)	(\$149,359)	(\$174,953)
Less estimated income	(752)	(200,000)	(200,752)
General fund	(\$24,842)	\$50,641	\$25,799
FTE	0.00	0.00	0.00

¹ Funding for employee health insurance premiums is adjusted to reflect the revised

premium estimate of \$1,130.22 per month.

² Funding for overtime is reduced by \$149,359 to provide a total increase of \$125,641. In addition the funding source for \$50,641 is changed from the Secretary of State's general services operating fund to the general fund. The Senate provided \$275,000 from the Secretary of State's general services operating fund for overtime and increased operating expenses by \$24,359 from the general services operating fund. The House reduced overtime and operating expense increases by \$299,359.

The Conference Committee did not accept the House changes to decrease funding for the Central Indexing System information technology project by \$950,000.

This amendment also provides:

- An exemption for the \$1.35 million deficiency appropriation provided in Senate Bill No. 2023 to repay a Bank of North Dakota loan (\$950,000) and to provide funding for increased business processing modeling services (\$400,000). The exemption allows the Secretary of State to continue any remaining funding into the 2015-17 biennium to complete the computer project. The House also made this change.
- A Legislative Management study of the feasibility and desirability of the Secretary of State's office using software to monitor efficiency and productivity within the Secretary of State's office. The House also made this change.
- A Legislative Management study of the feasibility and desirability of consolidating all political subdivision and school district elections with the statewide primary election and the holding of all special elections on other specified dates during any year. The House also made this change.
- An emergency clause for the exemption related to the \$1.35 million deficiency appropriation. The House also made this change.

Senate Bill No. 2002 - Public Printing - Conference Committee Action

The Conference Committee did not change the funding for public printing provided by the Senate and the House.

Engrossed SB 2002 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

SB 2002

ALVIN A. JAEGER
SECRETARY OF STATE

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BISMARCK ND 58505-0500

January 14, 2015

SB 2002
1-14-15
#1

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

FR: Al Jaeger, Secretary of State

RE: SB 2002 – Appropriation for the Secretary of State

Page 1 – public printing

Page 5 – executive summary

Page 6 – optional requests and supplemental appropriation

Page 7 – agency future critical issues

Page 8 – agency overview

Page 9 – agency major accomplishments

Page 10 – agency program costs

Page 13 – agency statistical data

Page 23 – agency statistical background 2003-2013

Page 28 – agency credit card usage and fees

Page 29 – agency data processing system

Page 35 – timeline for technology File 2.0 project

Page 37 – election reform federal funds



SB 2002 #1A
1-14-15

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Public Printing

Program Statistical Data

The agency distributes the publications to elected officials, legislators, legislative council, state agencies, county agencies, judicial system, and libraries as prescribed by state law.

Explanation of Program Costs

Under state law, the agency is responsible for the distribution of publications known as "public printing" that includes the North Dakota Century Code, the North Dakota Administrative Rules, Session Law Books, etc.

Although the appropriation to cover the cost of publishing and distribution is included in the agency's budget, it is based on a recommendation dated June 2, 2014, from the Legislative Council, which has the legal responsibility for preparing, supervising, contracting, and communicating with the various publishers and vendors regarding these publications.

The major portion of the appropriation is directly related to the cost of printing the North Dakota Century Code, Session Laws, and the North Dakota Administrative Code. The remaining portion of the appropriation is used by the agency to cover costs related to programming database records, shipping, mailing, supplies, etc.

Program Goals and Objectives

To provide effective and efficient services to state agencies and others as it relates to the distribution of publications funded by the public printing appropriation.

Section 1, Page 2, lines 1 through 6 – Subdivision 2

See letter dated June 2, 2014 from the Legislative Council

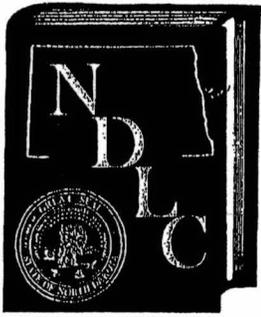
Budget History for Public Printing

Biennium: 2011-2013 – \$ 310,000

Biennium: 2013-2015 – \$ 320,500

Proposed

Biennium: 2015-2017 – \$ 320,500



North Dakota Legislative Council

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

Jim W. Smith
Director

Jay E. Burlingrud
Legal Services
Division Director

Allen H. Knudson
Legislative Budget
Analyst & Auditor

Jason J. Steckler
Administrative Services
Division Director

John Walstad
Code Revisor

June 2, 2014

RECEIVED
JUN 03 2014
SEC. OF STATE

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, North Dakota Administrative Code, and North Dakota Session Laws. The purpose of this letter is to notify you of the estimated costs for the 2015-17 biennium so you can include a sufficient amount in your budget request for these purposes.

During the 2013-15 biennium, cost estimates for the Century Code purchases in your budget were based on the state maintaining 700 sets of the code. Your staff has not advised us to change the number of sets needed, so we are continuing to base our estimates on maintaining 700 code sets for the 2015-17 biennium.

During the 2015-17 biennium, we have tentatively identified Volumes 1A, 3B, 3C, 5, and 7B of the Century Code for replacement. 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, \$160,125 will be needed to purchase 700 sets of replacement Volumes 1A, 3B, 3C, 5, and 7B, and \$50,960 will be needed to purchase 700 sets of the Court Rules Annotated volume and two supplements to that volume.

Based on LexisNexis estimates, \$111,370 will be needed to purchase 700 sets of the 2015 pocket supplements, and \$42,210 will be needed to purchase 700 sets of the 2013 general index. We are recommending that the state not purchase 700 sets of the Advance Code Service, which will result in a savings of \$64,400.

The estimated costs for Century Code updates for the 2015-17 biennium total \$364,665. In the letter of estimated costs from Ms. Leslie Ostrander, 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 2015-17 Century Code updates to \$273,498.75.

Beginning in 2011, costs were decreased substantially because the Administrative Code is now being published in a CD-ROM format. We estimated CD-ROM preparation and mailing costs for the Administrative Code would total \$7,000 for the 2013-15 biennium. Your staff has not advised us this amount should be increased, so we believe the same amount will be adequate for the 2015-17 biennium.

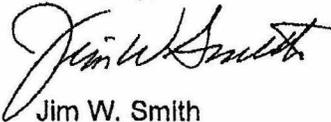
We estimate that \$35,000 will be required to cover printing, binding, and mailing costs for the 2015 North Dakota Session Laws.

We respectfully suggest that you include \$315,498.75 in your budget request for the 2015-17 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 Administrative Code and Session Laws. This is a 3.88 percent increase from the comparable amount we recommended for these expenses for the 2013-15 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,

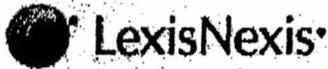


Jim W. Smith
Director

JWS/JJB

Enc.

cc: Ms. Pam Sharp
Ms. Leslie Ostrander



March 21, 2014

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 2015-2016 upkeep service. The following prices reflect slight increases from the pricing levels offered for 2013-2014. The cost of production has increased over the past two years and although the Producer Price Index for Book Publishers has risen almost 8% 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 four or five replacement volumes in the two-year period.

Cumulative Supplement The price of the 2015 Supplement will depend on the number of volumes replaced. If five volumes are replaced, the price of the Supplement is \$159.10. If four volumes are replaced, the price of the Supplement is \$175.50.

Index The price of the Index will be \$60.30 with the publication of five Replacement volumes. The price increases to \$62.70 with four 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 our editorial department, our recommendation is to replace Volume 3B (2003 volume with 280 page supp); Volume 3C (2009 volume with 183 page supp); Volume 1A (2008 volume with 223 page supp); Volume 5 (2007 volume with 193 page supp) and Volume 7B (2008 volume with 210 page supp.) If five volumes are replaced, the price for each copy of each replacement volume will be \$45.75. If four volumes are replaced, the price for each copy of each replacement volume will be \$47.00.

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	\$159.10	\$45.75	\$60.30	\$448.15	4.0 %
2	4	\$175.5	\$47.00	\$62.70	\$426.20	4.5%

ALVIN A. JAEGER
SECRETARY OF STATE

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EXECUTIVE SUMMARY

1. Some of the attached statistical information is for documenting the significant increase in demand for services over the past four and one-half years related to the administrative functions that the law assigns to the Secretary of State.
2. The statistical information documents that the growth in services provided has resulted in a substantial increase in the revenue generated for the state's general fund and that the agency is a profit center for the state. And, that the biennial revenue/expenditure history documents that the agency's revenue noticeably exceeds the amount appropriated from the general fund for the agency's operations.
3. The Governor has recommended that the three FTE conditionally approved last session be made permanent and he has recommended six additionally FTE. As it is, the agency for the past few years has had regularly had up to six temporary employees.
4. The completion of the agency's software project is imperative. The attached documentation includes a detailed time line of the project.
5. The project's Executive Steering Committee decided to use resources to develop and deploy the Central Indexing phase to meet the statutory deadline of August 1, 2015. A contract is currently in the process of being reviewed and executed. To provide the funding, ITD borrowed a line of credit from the Bank of North Dakota, which is to be repaid with funds appropriated through SB 2023.
6. The project's Executive Steering Committee decided to issue an RFP for Business Process Modeling (BPM) to coincide with the recommendations made by ITD in the December 2013 to the Information Technology Committee. The Committee received eleven bids that are now under review. The review will be completed by the hearing date for SB 2023 and a request will be made at that time to add an amount to allow immediate execution of a contract to study the procedures and processes of the agency.
7. With a BPM in place, the Governor's recommendation of \$3,050,000 will be used as a guide to complete the software project based on its findings.



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AGENCY OPTIONAL REQUESTS

3 FTE's approved 2013/2015 with limited authorization – request for permanent Governor Recommended	310,451 310,451
6 FTE's Governor Recommended	574,777 574,777
Office Trainer – 1 FTE Governor Recommended	138,979 0
Secretary of State Technology Project Governor Recommended	4,000,000 3,050,000
Overtime Governor Recommended	250,000 0
Annual Leave Pay-outs - Retirement Governor Recommended	9,500 0
Supplemental Appropriation SB 2023	
Bank of North Dakota ITD Loan for software project	950,000

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AGENCY FUTURE CRITICAL ISSUES

In the historical revenue/expenditure statistical data section of this testimony, the data reveals that since the 1995/1997 biennium and through the 2011/2013 biennium, the agency's revenue has steadily increased. The 2011/2013 biennium revenue increased 36% from the previous biennium. 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.

As is documented in the demand for services statistical data section, the agency is processing 95,144 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 and additional FTE's to handle the increase in workload.

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 a new platform. The enhancement in services to the public and agency productivity will be significant.

Having adequate FTE's and the ability to offer competitive salaries is a huge challenge. The agency needs to have competitive salaries and address compression issues in its employment structure to be competitive and to pay salaries appropriate for agency staff.



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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 previous bienniums and for which continued funding is being requested in the agency's 2015/2017 budget request.



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Agency Major Accomplishments

1. Enhanced agency website, which received approximately 524,000 hits over a 12 month period ending June 30, 2014 on its various pages and sections.
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 Management System (EMS) and Election Administration System (EAS), which provide new and expanded election information on the agency's website about elections, candidates, campaign contributions, voter precinct finder, polling location details and the reporting of election night returns. In addition, it assists in the administration of petition review, poll worker tracking, voting statistics reporting, and early and absentee voting. A specific feature already mentioned was launched in October 2008 that allows the voter to find his or her voting precinct using their house number and zip code.
7. Launched the Central Voter File for use by the counties to track absentee ballots, allow for the efficient management of early voting precincts, and to expedite the voting process on election day.
8. Launched the Campaign Finance online system, which allows candidates, committees, political parties, and independent expenditure filers to file campaign disclosure statements online. The system also includes public search tools, including the capability to search by contributors and expenditure recipients, and to search for disclosure statements and contact information for candidates, political committees, political parties and independent expenditure filers registered in the system.

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EXPLANATION OF PROGRAM COSTS

For the 2013-2015 biennium, the appropriated salary line represented approximately 67% of the agency's total general fund spending authority. (This does not include the \$1.35 million of one-time funding appropriated for the technology project)

The appropriated operating line for 2013-2015 represented approximately 33% of the agency's total general fund spending authority. Of that amount, approximately 61% of the operating line was budgeted for payments to the state's Information Technology Division (ITD). The remaining 39% 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 73% of that budget is to cover expenses related to the technology for providing the requested information.

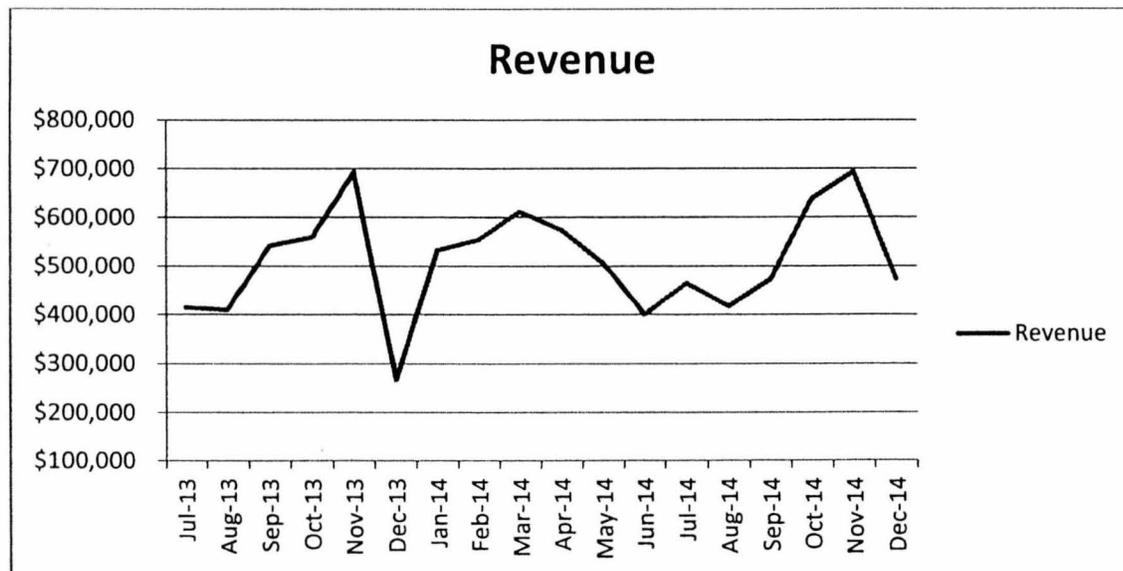
Extensive technology is used by the agency to increase productivity, provide better and faster services for the public, and to maintain many thousands of records associated with approximately 100 diverse and varied categories that relate to the duties of the agency. For example:

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 316,756 active files related to various personal property liens throughout the state.
2. The agency's budget supports a database of approximately 443,500 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 2015-2017, the agency requested additional one-time funding to continue the 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.

1.10

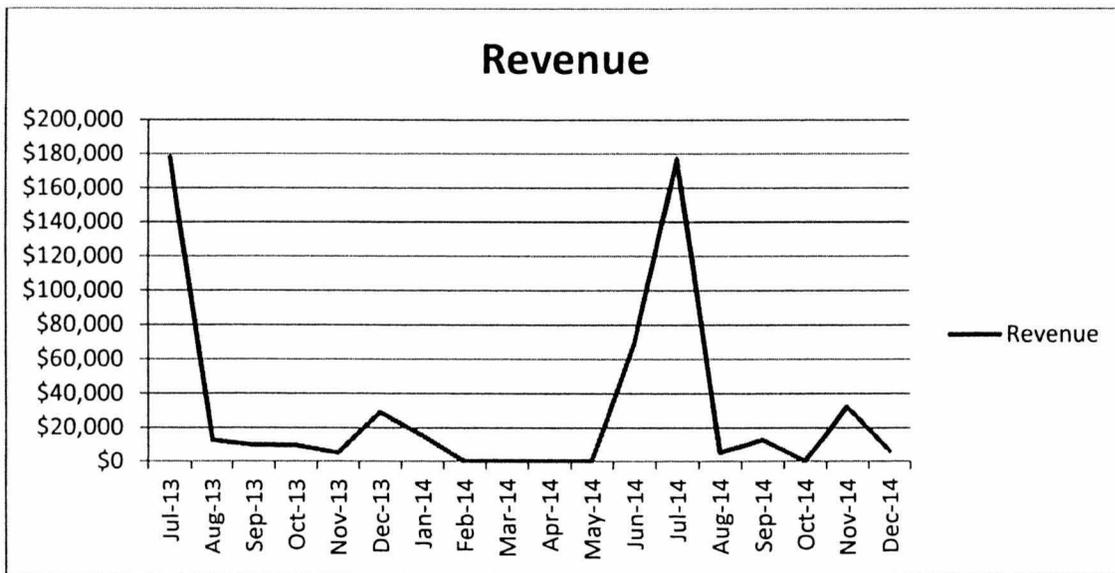
Secretary of State
 General Fund Revenue Chart

2013/2015 Biennium - General Fund Revenue					
December 31, 2014 -25% Biennium Remaining					
	Revenue	Monthly Average Revenue Per Budget	Monthly Accumulative Revenue Total	Accumulative Monthly Budget	(Under) Over Budget
		\$ 11,000,000			
Jul-13	\$ 414,577	\$ 458,333	\$ 414,577	\$ 458,333	\$ (43,757)
Aug-13	\$ 409,970	\$ 458,333	\$ 824,546	\$ 916,667	\$ (92,120)
Sep-13	\$ 541,945	\$ 458,333	\$ 1,366,492	\$ 1,375,000	\$ (8,509)
Oct-13	\$ 559,626	\$ 458,333	\$ 1,926,117	\$ 1,833,333	\$ 92,784
Nov-13	\$ 692,334	\$ 458,333	\$ 2,618,451	\$ 2,291,667	\$ 326,785
Dec-13	\$ 266,723	\$ 458,333	\$ 2,885,174	\$ 2,750,000	\$ 135,174
Jan-14	\$ 532,628	\$ 458,333	\$ 3,417,802	\$ 3,208,333	\$ 209,468
Feb-14	\$ 554,356	\$ 458,333	\$ 3,972,157	\$ 3,666,667	\$ 305,491
Mar-14	\$ 611,585	\$ 458,333	\$ 4,583,742	\$ 4,125,000	\$ 458,742
Apr-14	\$ 574,109	\$ 458,333	\$ 5,157,851	\$ 4,583,333	\$ 574,518
May-14	\$ 505,839	\$ 458,333	\$ 5,663,690	\$ 5,041,667	\$ 622,023
Jun-14	\$ 399,851	\$ 458,333	\$ 6,063,541	\$ 5,500,000	\$ 563,541
Jul-14	\$ 464,871	\$ 458,333	\$ 6,528,412	\$ 5,958,333	\$ 570,079
Aug-14	\$ 417,442	\$ 458,333	\$ 6,945,853	\$ 6,416,667	\$ 529,187
Sep-14	\$ 472,988	\$ 458,333	\$ 7,418,842	\$ 6,875,000	\$ 543,842
Oct-14	\$ 639,301	\$ 458,333	\$ 8,058,143	\$ 7,333,333	\$ 724,810
Nov-14	\$ 692,556	\$ 458,333	\$ 8,750,699	\$ 7,791,667	\$ 959,032
Dec-14	\$ 472,727	\$ 458,333	\$ 9,223,425	\$ 8,250,000	\$ 973,425



Secretary of State
Special Fund Revenue Chart

2013/2015 Biennium - General Fund Revenue					
December 31, 2014 -25% Biennium Remaining					
	Revenue	Monthly Average Revenue Per Budget	Monthly Accumulative Revenue Total	Accumulative Monthly Budget	(Under) Over Budget
		\$ 695,107			
Jul-13	\$ 177,770	\$ 28,963	\$ 177,770	\$ 28,963	\$ 148,807
Aug-13	\$ 12,580	\$ 28,963	\$ 190,350	\$ 57,926	\$ 132,424
Sep-13	\$ 9,861	\$ 28,963	\$ 200,211	\$ 86,888	\$ 113,323
Oct-13	\$ 9,721	\$ 28,963	\$ 209,932	\$ 115,851	\$ 94,081
Nov-13	\$ 5,219	\$ 28,963	\$ 215,151	\$ 144,814	\$ 70,337
Dec-13	\$ 29,051	\$ 28,963	\$ 244,202	\$ 173,777	\$ 70,425
Jan-14	\$ 15,299	\$ 28,963	\$ 259,500	\$ 202,740	\$ 56,761
Feb-14	\$ 0	\$ 28,963	\$ 259,500	\$ 231,702	\$ 27,798
Mar-14	\$ 0	\$ 28,963	\$ 259,500	\$ 260,665	\$ (1,165)
Apr-14	\$ 0	\$ 28,963	\$ 259,500	\$ 289,628	\$ (30,128)
May-14	\$ 0	\$ 28,963	\$ 259,500	\$ 318,591	\$ (59,090)
Jun-14	\$ 69,949	\$ 28,963	\$ 329,450	\$ 347,554	\$ (18,104)
Jul-14	\$ 177,080	\$ 28,963	\$ 506,530	\$ 376,516	\$ 130,013
Aug-14	\$ 5,286	\$ 28,963	\$ 511,815	\$ 405,479	\$ 106,336
Sep-14	\$ 12,818	\$ 28,963	\$ 524,633	\$ 434,442	\$ 90,191
Oct-14	\$ 0	\$ 28,963	\$ 524,633	\$ 463,405	\$ 61,228
Nov-14	\$ 32,415	\$ 28,963	\$ 557,047	\$ 492,367	\$ 64,680
Dec-14	\$ 6,231	\$ 28,963	\$ 563,278	\$ 521,330	\$ 41,948





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STATE OF NORTH DAKOTA
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PROGRAM STATISTICAL DATA

History of Revenue and Expenditures for the past seven budget cycles

Revenue

1999/2001 – \$ 5,953,504 (general \$5,555,610 – special \$333,036) plus 21.2% over previous biennium

2001/2003 – \$ 6,277,698 (general \$5,869,160 – special \$371,868) plus 5.5%

2003/2005 – \$ 6,716,245 (general \$6,289,108 – special \$401,305) plus 7.0%

2005/2007 – \$ 7,289,015 (general \$6,815,185 – special \$454,445) plus 8.5%

2007/2009 – \$ 7,949,077 (general \$7,432,582 – special \$516,495) plus 9.1%

2009/2011 – \$ 9,058,760 (general \$8,543,052 – special \$515,708) plus 14.0%

2011/2013 – \$ 12,376,388 (general \$11,744,573 – special \$601,815) plus 36.0%

2013/2015 – estimated

\$ 11,701,302 (general \$11,000,000 – special \$701,302)

Expenditures

1999/2001 – \$ 3,545,065 plus 24.8% over previous biennium (see note # 1)

2001/2003 – \$ 3,961,253 plus 11.7% (see note # 2)

2003/2005 – \$ 4,146,332 plus 4.7%

2005/2007 – \$ 4,536,178 plus 9.4% (see note # 3)

2007/2009 – \$5,666,247 plus 24.9% (see note #4)

2009/2011 – \$6,168,973 plus 8.9% (see note #5)

2011/2013 – \$8,383,125 plus 35.9% (see note #6)

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.

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.

Note # 5: The expenditures included a one-time amount of \$702,000 for migration of database (One time funding was \$780,000 total, we requested \$78,000 in carryover to 2011-2013 biennium)

Note #6: The expenditures included one-time amounts of \$3,500,000 for migration of database and \$43,039 for online public meeting system. In addition, one-time funding carryover of \$78,000 for migration of database was approved. (agency requested \$1,351,035 in carryover to 2013-2015 for migration of database)

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STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
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PROGRAM STATISTICAL DATA

Demand for Services

The demand for the agency's services has grown steadily during the period beginning June 30, 1995, and ending June 30, 2014. This is in direct relationship to the net increase in filings and registrations as listed below.

	June 30, 1995	June 30, 2014	Percentage Increase/decrease
Contractors	4,701	12,009	+155%
Charitable Solicitation	559	3,101	+455%
Notary Publics	10,419	14,796	+38%
ND For-profit corporations	10,734	13,796	+29%
ND Cooperatives	434	273	-37%
ND Professional corporation	552	975	+77%
Foreign For-profit corporations	7,307	16,672	+128%
Foreign cooperatives	45	72	+60%
Limited Liability Companies (all)	441	27,333	+3098%
Limited Liability partnerships (all)	13	3,341	+25600%
Limited Partnerships (all)	864	1,676	+94%
Limited Liability Limited Partnerships	0	1,124	+1124%
Partnership Fictitious Names	1,362	2,039	+50%
Trademarks	1,286	1,488	+16%
Trade names	3,565	28,620	+703%
ND non-profit corporations *	0	7,672	+7672%
Foreign non-profit corporations *	0	2,883	+2883%
Total	42,282	137,426	+225%

*Prior to 1997, non-profit corporations were not required to file an annual corporate report. Therefore, the agency is processing an additional 10,555 filings that it did not process seventeen years ago.



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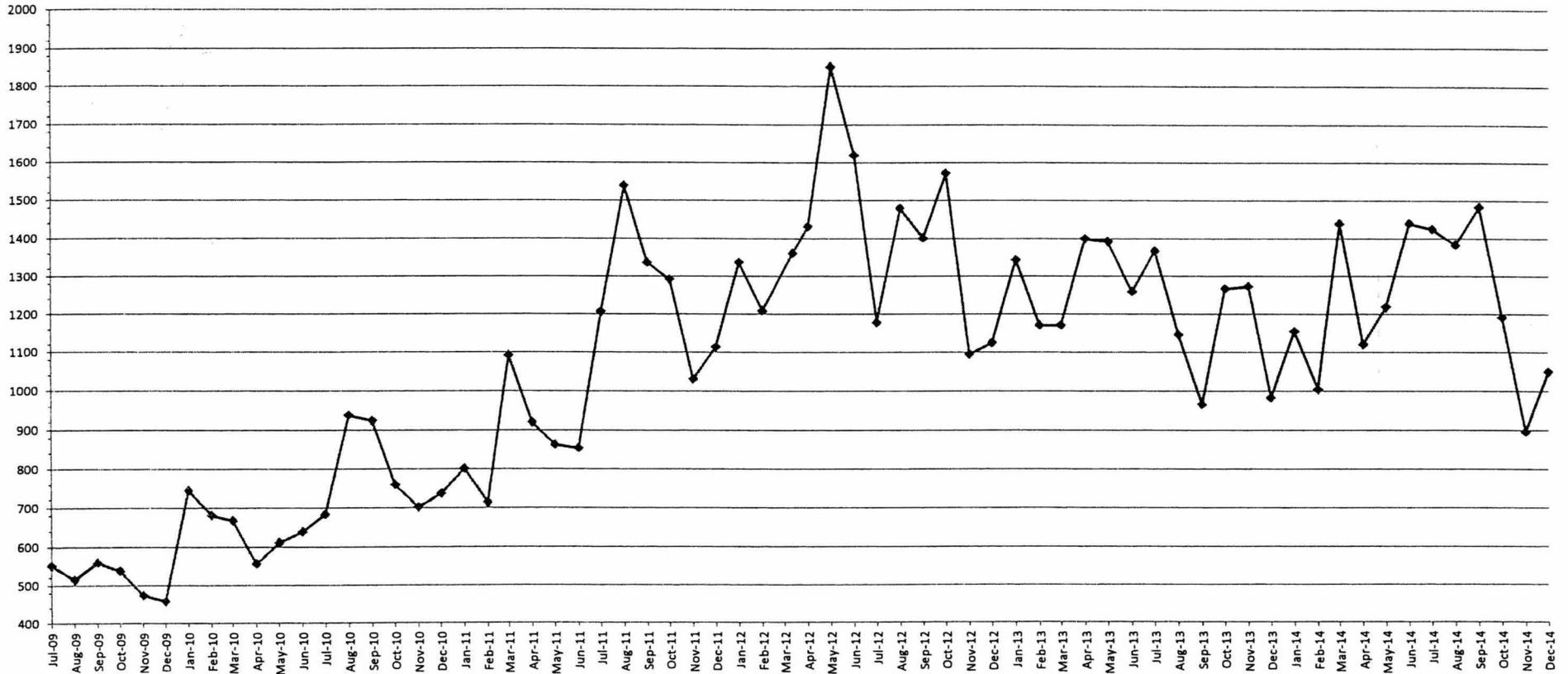
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STATE OF NORTH DAKOTA
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BISMARCK ND 58505-0500

PROGRAM STATISTICAL DATA

JULY 2009 THROUGH DECEMBER 31, 2014

One of the more significant statistics in the information of the following pages is related to Limited Liability Companies. On June 30, 2010, the Secretary of State's office had 12,459 Limited Liability Companies registered. As of December 31, 2014, there were 30,297 registered. That is 17,838 more registrations in four one-half years, or 243% of the number registered four one-half years ago at an average of 330 new filings a month.

Secretary of State - # of New Filings per Month



	January	February	March	April	May	June	July	August	September	October	November	December
2009	N/A	N/A	N/A	N/A	N/A	N/A	551	514	559	537	474	457
2010	744	681	667	555	610	638	683	937	923	759	701	736
2011	801	713	1092	919	862	853	1206	1539	1336	1291	1030	1113
2012	1336	1208	1361	1431	1851	1619	1177	1479	1401	1571	1094	1124
2013	1343	1170	1170	1399	1392	1258	1367	1145	965	1266	1272	982
2014	1154	1004	1439	1120	1218	1440	1425	1383	1483	1191	896	1050

plus
261 more
filings
1-1-15
1-12-15

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State of North Dakota - Secretary of State - Business Registrations - July 1, 2013 through June 30, 2014

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total Active end of 6/30/2013	Total Active end of 6/30/2014*	Increase (decrease)	Percentage Versus Previous Year as of 6/30/2013
Monthly New Registrations																
Business Corporations	61	52	63	81	70	58	98	69	81	51	54	96	13,783	13,796	13	0.1%
Limited Liability Companies	369	282	299	342	361	307	348	269	409	307	347	413	15,723	17,877	2,154	13.7%
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	1	0	0	1	1	0	0	0	0	0	0	2	276	273	-3	-1.1%
Farm Corporations	2	1	0	3	1	7	5	1	6	0	0	0	794	812	18	2.3%
Farm Limited Liability Companies	3	0	1	2	0	1	5	12	7	8	7	2	263	304	41	15.6%
Professional Corporations	2	3	2	3	1	1	8	5	3	2	2	2	983	975	-8	-0.8%
Professional Limited Liability Co	6	6	4	3	4	4	3	3	3	3	3	11	208	251	43	20.7%
Foreign Corporations	172	166	98	139	137	95	111	114	165	112	135	181	16,483	16,672	189	1.1%
Foreign Professional Corporations	6	6	4	7	2	0	6	4	4	4	6	2	301	335	34	11.3%
Foreign Limited Liability Companies	164	158	117	173	165	142	122	109	170	159	136	192	8,077	8,886	809	10.0%
Foreign Coops	0	0	0	1	1	0	0	0	0	0	0	0	72	72	0	0.0%
Limited Partnerships	12	27	4	6	7	8	5	6	15	16	20	28	1,690	1,676	-14	-0.8%
Limited Liability Partnerships	34	31	19	24	36	19	32	19	25	27	23	37	3,219	3,341	122	3.8%
Limited Liability Limited Partnerships	15	9	6	10	17	11	15	12	10	10	13	11	1,017	1,124	107	10.5%
Church/Nonprofit Corporations/Certified NP Development Corps	19	21	19	27	48	35	36	25	25	18	22	38	7,589	7,672	83	1.1%
Foreign Nonprofit Corporations	34	31	15	29	30	16	21	19	30	18	22	26	2,737	2,883	146	5.3%
Nonprofit LLC	0	0	0	0	0	1	0	1	1	1	1	0	15	15	0	0.0%
Foreign Nonprofit LLC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	#DIV/0!
Trade Names	421	316	293	387	355	239	297	304	430	354	404	355	26,851	28,620	1,769	6.6%
Trademarks	13	10	4	14	10	16	17	9	18	8	2	8	1,460	1,488	28	1.9%
Partnerships Fictitious Names	33	26	17	14	26	22	25	23	37	22	21	36	1,945	2,039	94	4.8%
Total New Filings/Month	1,367	1,145	965	1,266	1,272	982	1,154	1,004	1,439	1,120	1,218	1,440	103,486	109,111	5,625	5.4%
<p>*During the course of the year, entities are dissolved, withdrawn, cancelled, converted to an alternate entity, or merged out of existence. Therefore, this column represents the</p>																

State of North Dakota - Secretary of State - Business Registrations - July 1, 2013 through June 30, 2014

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total Active end of 6/30/2013	Total Active end of 4/30/2014*	Increase (decrease)	Percentage Versus Previous Year as of 6/30/2013
Monthly New Registrations																
Business Corporations	61	52	63	81	70	58	98	69	81	51			13,783	13,663	-120	-0.9%
Limited Liability Companies	369	282	299	342	361	307	348	269	409	307			15,723	18,840	3,117	19.8%
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	1	0	0	1	1	0	0	0	0	0			276	274	-2	-0.7%
Farm Corporations	2	1	0	3	1	7	5	1	6	0			794	810	16	2.0%
Farm Limited Liability Companies	3	0	1	2	0	1	5	12	7	8			263	297	34	12.9%
Professional Corporations	2	3	2	3	1	1	8	5	3	2			983	971	-12	-1.2%
Professional Limited Liability Co	6	6	4	3	4	4	3	3	3	3			208	246	38	18.3%
Foreign Corporations	172	166	98	139	137	95	111	114	165	112			16,483	17,307	824	5.0%
Foreign Professional Corporations	6	6	4	7	2	0	6	4	4	4			301	330	29	9.6%
Foreign Limited Liability Companies	164	158	117	173	165	142	122	109	170	159			8,077	9,274	1,197	14.8%
Foreign Coops	0	0	0	1	1	0	0	0	0	0			72	72	0	0.0%
Limited Partnerships	12	27	4	6	7	8	5	6	15	16			1,690	1,644	-46	-2.7%
Limited Liability Partnerships	34	31	19	24	36	19	32	19	25	27			3,219	3,283	64	2.0%
Limited Liability Limited Partnerships	15	9	6	10	17	11	15	12	10	10			1,017	1,002	-15	-1.5%
Church/Nonprofit Corporations/Certified NP Development Corps	19	21	19	27	48	35	36	25	25	18			7,589	7,614	25	0.3%
Foreign Nonprofit Corporations	34	31	15	29	30	16	21	19	30	18			2,737	2,840	103	3.8%
Nonprofit LLC	0	0	0	0	0	1	0	1	1	1			15	14	-1	-6.7%
Foreign Nonprofit LLC	0	0	0	0	0	0	0	0	0	0			0	0	0	#DIV/0!
Trade Names	421	316	293	387	355	239	297	304	430	354			26,851	28,240	1,389	5.2%
Trademarks	13	10	4	14	10	16	17	9	18	8			1,460	1,488	28	1.9%
Partnerships Fictitious Names	33	26	17	14	26	22	25	23	37	22			1,945	2,026	81	4.2%
Total New Filings/Month	1,367	1,145	965	1,266	1,272	982	1,154	1,004	1,439	1,120			103,486	110,235	6,749	6.5%
													*During the course of the year, entities are dissolved, withdrawn, cancelled, converted to an alternate entity, or merged out of existence. Therefore, this column represents the			

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State of North Dakota - Secretary of State - Business Registrations - July 1, 2011 through June 30, 2012

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Total Active end of 6/30/2011	Total Active end of 6/30/2012*	Increase (decrease)	Percentage Versus Previous Year as of 5/31/2012
Monthly New Registrations																
Business Corporations	60	98	99	77	74	47	117	96	89	103	93	122	13,330	13,661	331	2.5%
Limited Liability Companies	233	344	312	286	246	325	327	305	394	403	420	464	9,732	12,853	3,121	32.1%
Coops/Electric Coops/Mutual Aid Cor	0	0	2	0	1	1	0	0	0	1	0	0	292	286	-6	-2.1%
Farm Corporations	0	3	0	0	0	0	2	0	1	4	0	1	756	753	-3	-0.4%
Farm Limited Liability Companies	3	0	2	3	2	2	3	0	3	2	3	1	190	203	13	6.8%
Professional Corporations	2	1	2	3	0	3	6	1	2	2	1	3	971	993	22	2.3%
Professional Limited Liability Co	2	3	3	3	4	4	3	3	5	2	3	7	138	167	29	21.0%
Foreign Corporations	242	311	229	213	184	193	193	190	193	238	248	245	14,072	15,737	1,665	11.8%
Foreign Professional Corporations	3	6	7	4	6	5	5	6	2	15	3	12	166	232	66	39.8%
Foreign Limited Liability Companies	163	173	180	224	127	122	160	150	154	219	222	218	5,288	6,934	1,646	31.1%
Foreign Coops	1	0	0	0	0	0	0	0	2	1	0	0	73	73	0	0.0%
Limited Partnerships	6	8	8	6	7	8	17	5	17	19	21	7	1,602	1,609	7	0.4%
Limited Liability Partnerships	20	39	38	30	33	22	50	24	29	23	31	39	2,874	3,021	147	5.1%
Limited Liability Limited Partnerships	6	9	8	5	11	19	7	8	7	9	9	8	774	850	76	9.8%
Church/Nonprofit Corporations/Certifi	12	29	21	25	17	24	22	14	26	21	26	32	7,432	7,502	70	0.9%
Foreign Nonprofit Corporations	16	37	24	26	19	23	29	13	20	24	30	39	2,309	2,514	205	8.9%
Nonprofit LLC	0	0	0	1	0	0	0	0	0	0	0	0	8	8	0	0.0%
Foreign Nonprofit LLC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	#DIV/0!
Trade Names	401	430	377	357	273	285	356	362	392	322	682	384	22,749	24,932	2,183	9.6%
Trademarks	10	9	0	9	0	2	15	3	5	5	15	6	1,458	1,450	-8	-0.5%
Partnerships Fictitious Names	26	39	24	19	26	28	24	28	20	18	44	31	1,777	1,871	94	5.3%
Total New Filings/Month	1,206	1,539	1,336	1,291	1,030	1,113	1,336	1,208	1,361	1,431	1,851	1,619	85,991	95,649	9,658	11.2%
<p>*During the course of the year, entities are dissolved, withdrawn, cancelled, converted to an alternate entity, or merged out of existence. Therefore, this column represents the</p>																

1.21

State of North Dakota - Secretary of State - Business Registrations - July 1, 2009 through June 30, 2010																		
	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total Active end of 6/30/2009	Total Active end of 6/30/2010*	Increase (decrease)	Percentage Versus Previous Year		
Monthly New Registrations																		
Business Corporations	44	41	56	51	46	49	85	49	71	31	47	75	13,283	13,253	(30)	-0.23%		
Limited Liability Companies	137	113	139	139	119	114	191	155	167	122	166	145	6,818	7,851	1,033	15.15%		
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	0	0	0	0	0	0	0	0	0	0	0	3	318	305	(13)	-4.09%		
Farm Corporations	1	0	1	3	0	1	3	2	2	0	1	3	712	739	27	3.79%		
Farm Limited Liability Companies	7	2	0	0	3	2	4	9	6	3	1	3	131	165	34	25.95%		
Professional Corporations	3	2	2	3	2	5	10	2	3	3	2	2	945	945	0	0.00%		
Professional Limited Liability Co	1	1	1	1	1	2	3	1	0	1	1	1	98	107	9	9.18%		
Foreign Corporations	117	128	119	141	161	114	148	165	138	128	145	200	11,815	13,206	1,391	11.77%		
Foreign Professional Corporations		1	1	3	1	1	0	0	0	0	3	1	124	128	4	3.23%		
Foreign Limited Liability Companies	59	67	68	64	63	40	84	90	87	69	83	111	3,917	4,401	484	12.36%		
Foreign Coops	0	0	1	1	0	0	1	0	0	0	0	0	75	75	0	0.00%		
Limited Partnerships	10	6	6	1	7	8	13	18	8	6	11	11	1,580	1,576	(4)	-0.25%		
Limited Liability Partnerships	26	19	20	16	24	29	20	33	21	21	19	18	2,648	2,675	27	1.02%		
Limited Liability Limited Partnerships	3	7	4	2	9	4	14	7	8	5	5	7	672	675	3	0.45%		
Church/Nonprofit Corporations/Certified NP Development Corps	17	22	20	14	22	21	14	24	19	11	16	24	7,286	7,331	45	0.62%		
Foreign Nonprofit Corporations	27	28	25	20	30	14	16	22	17	8	17	28	2,005	2,125	120	5.99%		
Trade Names	234	234	231	229	181	186	293	287	266	270	248	246	20,797	21,503	706	3.39%		
Trademarks	11	9	7	16	10	2	8	14	5	3	5	5	1,505	1,471	(34)	-2.26%		
Partnerships Fictitious Names	23	14	23	11	11	17	22	25	31	24	20	16	1,774	1,768	(6)	-0.34%		
New Filings/Month	720	694	724	715	690	609	929	903	849	705	790	899	76,503	80,299	3,796	4.96%		
State of North Dakota - Secretary of State - Business Registrations - July 1, 2010 through June 30, 2011																		
	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total Active end of 6/30/2010	Total Active end of 6/30/2011*	Increase (decrease)	Percentage Versus Previous Year	Increase (decrease) over Biennium	Percentage Versus Previous Biennium
Monthly New Registrations																		
Business Corporations	62	170	64	62	48	79	111	66	72	102	91	63	13,253	13,330	77	0.58%	47	0.35%
Limited Liability Companies	159	204	206	207	168	227	253	173	279	257	228	228	7,851	9,732	1,881	23.96%	2,914	42.74%
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	0	0	0	0	0	0	0	0	1	1	0	1	305	292	(13)	-4.26%	(26)	-8.18%
Farm Corporations	2	1	2	1	1	5	7	4	4	0	1	0	739	756	17	2.30%	44	6.18%
Farm Limited Liability Companies	5	4	4	2	1	1	6	2	3	7	0	1	165	190	25	15.15%	59	45.04%
Professional Corporations	4	4	5	6	6	7	7	5	5	1	3	10	945	971	26	2.75%	26	2.75%
Professional Limited Liability Co	2	3	8	3	4	1	6	2	5	0	2	0	107	138	31	28.97%	40	40.82%
Foreign Corporations	156	179	186	164	141	113	114	99	167	169	195	172	13,206	14,072	866	6.56%	2,257	19.10%
Foreign Professional Corporations	1	3	4	5	4	4	2	2	8	4	1	6	128	166	38	29.69%	42	33.87%
Foreign Limited Liability Companies	103	91	123	89	82	88	77	92	129	107	153	162	4,401	5,288	887	20.15%	1,371	35.00%
Foreign Coops	0	0	0	1	0	0	0	0	0	0	0	1	75	73	(2)	-2.67%	(2)	-2.67%
Limited Partnerships	8	13	5	9	4	8	9	16	47	17	7	14	1,576	1,602	26	1.65%	22	1.39%
Limited Liability Partnerships	28	36	26	32	22	26	27	26	65	23	30	26	2,675	2,874	199	7.44%	226	8.53%
Limited Liability Limited Partnerships	9	13	12	10	12	14	14	4	14	12	4	8	675	774	99	14.67%	102	15.18%
Church/Nonprofit Corporations/Certified NP Development Corps	23	16	30	22	20	14	23	15	33	29	24	13	7,331	7,432	101	1.38%	146	2.00%
Foreign Nonprofit Corporations	27	23	31	13	22	22	25	18	26	30	16	34	2,125	2,309	184	8.66%	304	15.16%
Trade Names	270	350	433	296	300	263	274	289	432	357	308	301	21,503	22,749	1,246	5.79%	1,952	9.39%
Trademarks	16	9	12	13	8	4	0	16	10	15	6	13	1,471	1,458	(13)	-0.88%	(47)	-3.12%
Partnerships Fictitious Names	21	38	25	25	42	15	21	22	26	24	29	21	1,768	1,777	9	0.51%	3	0.17%
New Filings/Month	896	1,157	1,176	960	885	891	976	851	1,326	1,155	1,098	1,074	80,299	85,983	5,684	7.08%	9,480	12.39%

1.22

Chapter One

Constitutional, Statutory, and Legislative Authority

The origin of the Secretary of State's office begins prior to North Dakota's admittance to the union as a state on November 2, 1889. On March 2, 1861, the Congress of the United States adopted The Organic Law, which established the Territory of Dakota. Section three of that law prescribed there would be a secretary of the territory. The term of office was four years, unless sooner removed by the President of the United States. The duties of the secretary were to record and preserve all the laws and proceedings of the legislative assembly, the acts and proceedings of the Governor, and many other duties, which are very similar to those mandated in present day law to the Secretary of State.

The office, as known today, was established in Article V, Section 12, of the Constitution of North Dakota when the state's citizens adopted it on October 1, 1889. In that election, 35,548 electors cast their ballot, with 27,441 voters (77%) voting in favor of its adoption and 8,107 voters (23%) opposed.

Presently, the office of Secretary of State is authorized in Article V, Section 2, of the North Dakota Constitution (as amended by the voters June 11, 1996, and as amended by the voters June 13, 2000). The duties of the Secretary of State are defined in various parts of the state's constitution, in numerous state statutes, and within the agency's administrative rules.

In the state's constitution, the duties of the Secretary of State appear in Article III, related to the initiative and referral powers of the people; Article IV, Section 12, related to selecting the elected person by a toss of a coin if two or more legislative candidates have an equal and highest number of votes; Article IV, Section 13, related to the filing of legislative bills; Article V, Section 5, related to the term of office for the Secretary of State; Article V, Section 11, related to succession in the event of a vacancy in the office of Governor and Lieutenant Governor; Article IX, Section 3, related to membership on the Board of University and School Lands; and Article X, Section 17, related to the certificates regarding bonds or evidence of indebtedness on the part of the state.

In the North Dakota Century Code (state law), the general duties of the Secretary of State are established in Chapter 54-09; in Title 10 as they pertain to various business structures, e.g., registered agents, corporate and limited liability company farming, electric cooperative corporations, cooperative associations, business corporations, development corporations, venture capital corporations, community development corporations, professional organizations, limited liability companies, nonprofit corporations, real estate investment trusts, and publicly traded corporations; in Title 16.1 as they relate to elections; in Title 35 as they relate to liens, e.g., agister's, agricultural processor's, and agricultural supplier's; in Title 41 as they relate to the uniform commercial code; in Chapter 43-07 related to contractors; in Chapter 43-54 related to home inspectors; in Chapter 43-55 related to professional employer organizations; in Title 45 as they pertain to general partnerships, limited partnerships, limited liability partnerships, and limited liability limited partnerships; in Chapter 50-22 related to charitable solicitation; in Chapter 53-01 related to commissioner of combative sports, i.e., boxing and mixed fighting styles; in Chapter 54-02-01 related to the state's Great Seal; in Chapter 54-05.1 related to lobbying of the legislature and Governor; and in various other sections related to miscellaneous duties.

Under both the provisions of the Constitution and the North Dakota Century Code, the Secretary of State serves on the following boards, commissions, and advisory committees:

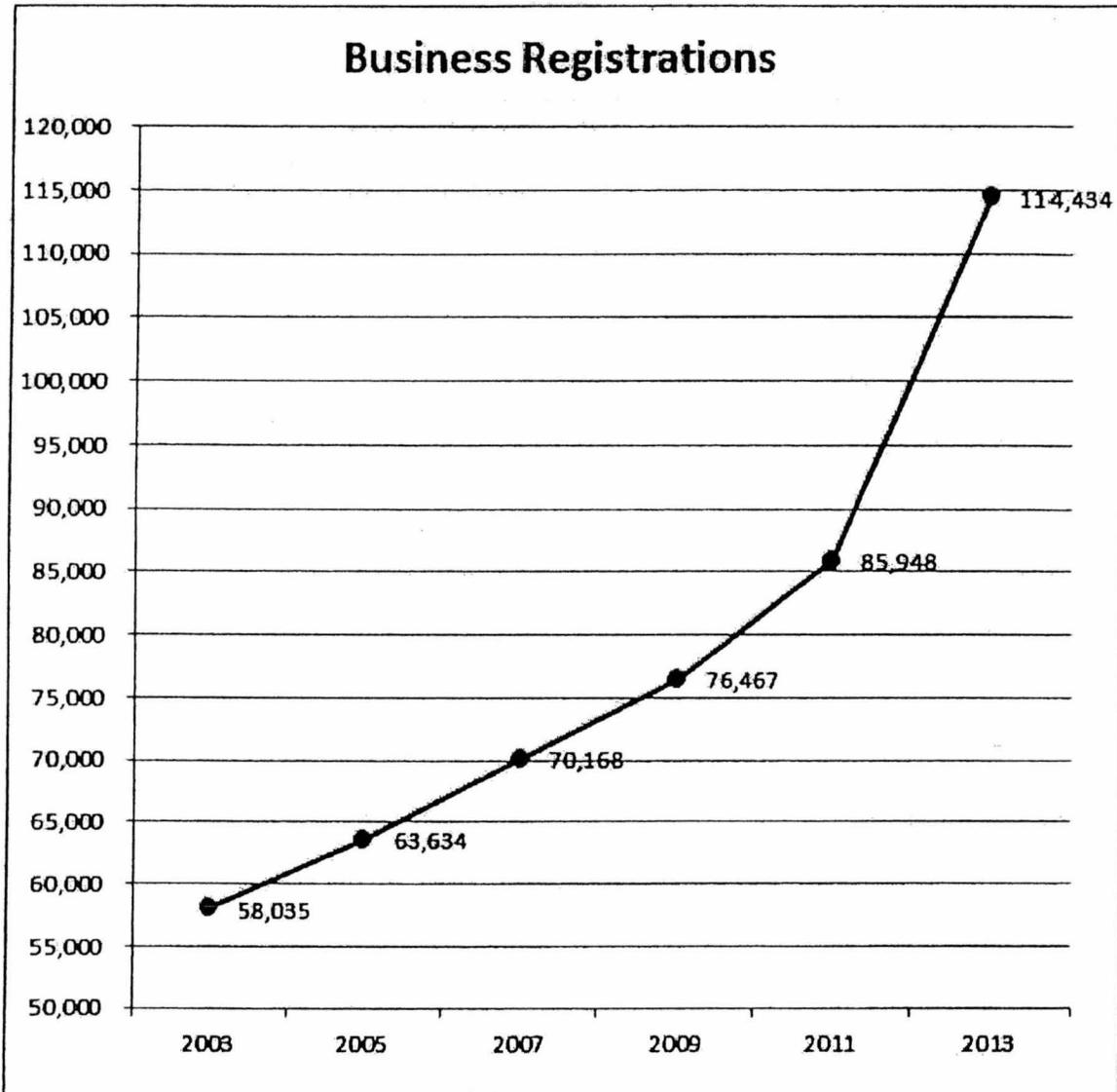
Board of University and School Lands (North Dakota Constitution, Article IX, Section 3)

Emergency Commission (also serves as secretary of the commission) (N.D.C.C. § 54-16-01)

State Historical Board (N.D.C.C. § 55-01-01)

State Canvassing Board (N.D.C.C. § 16.1-15-33)

Theodore Roosevelt Rough Rider Award (N.D.C.C. § 54-02-07)



Summary

- From June 30, 2011 to June 30, 2013, business registrations increased by 28,486 or 33.1%
- From June 30, 2009 to June 30, 2011, business registrations increased by 9,481 or 12.4%
- Combined increase from June 30, 2009 to June 30, 2013 was 37,967 or 44.0%

#2
1/24

Business Registrations

	<u>2003</u>	<u>2005</u>	<u>2007</u>	<u>2009</u>	<u>2011</u>	<u>2013</u>
Domestic Churches	1,419	1,388	1,372	1,361	1,356	1,435
Domestic Cooperatives	376	354	325	318	261	399
Domestic Credit Unions	40	39	36	34	29	26
Domestic Farm	665	688	703	712	756	837
Domestic Farm LLC	60	76	94	131	190	270
Domestic For Profit Corporations	12,284	12,849	13,211	13,283	13,330	13,785
Domestic LLC*	2,220	3,362	4,833	6,818	9,732	16,783
Domestic LLP	1,416	1,767	2,092	2,536	2,764	3,097
Domestic Nonprofit Corporations	5,610	5,721	5,795	5,925	6,072	6,297
Domestic Professional Corporations	756	825	876	945	971	1,169
Domestic Professional LLC	19	35	65	98	138	221
Domestic Professional LLP	20	20	25	26	22	19
Domestic State Banks	89	84	82	79	77	75
Foreign Cooperatives	73	71	70	75	73	95
Foreign For Profit Corporations*	10,764	11,304	11,903	11,815	14,072	23,694
Foreign LLC*	1,497	2,049	2,975	3,917	5,311	10,010
Foreign LLP	49	42	44	22	76	94
Foreign Nonprofit Corporations	1,145	1,371	1,716	2,005	2,310	3,070
Foreign Professional LLC	4	9	10	25	33	81
Foreign Professional LLP	9	9	9	14	15	14
Limited Liability Limited Partnerships	309	384	452	672	774	1,017
Limited Partnerships	1,528	1,374	1,332	1,580	1,602	1,690
Partnership Fictitious Names	1,543	1,654	1,760	1,774	1,777	1,945
Trade Names	14,686	16,666	18,877	20,797	22,749	26,851
Trademarks	1,454	1,493	1,511	1,505	1,458	1,460
Business Registration/Information Totals:	58,035	63,634	70,168	76,467	85,948	114,434

*Summary of Notable Increases

Domestic LLC

- From June 30, 2011 to June 30, 2013, registrations increased by 7,051 or 72.5%
- From June 30, 2009 to June 30, 2011, registrations increased by 2,914 or 42.7%
- Combined increase from June 30, 2009 to June 30, 2013 increased by 9,965 or 146.2%

Foreign LLC

- From June 30, 2011 to June 30, 2013, registrations increased by 4,699 or 88.5%
- From June 30, 2009 to June 30, 2011, registrations increased by 1,394 or 35.5%
- Combined increase from June 30, 2009 to June 30, 2013 increased by 6,093 or 155.6%

Foreign For Profit Corporations

- From June 30, 2011 to June 30, 2013, registrations increased by 9,622 or 68.4%
- From June 30, 2009 to June 30, 2011, registrations increased by 2,257 or 19.1%
- Combined increase from June 30, 2009 to June 30, 2013 increased by 11,879 or 100.5%

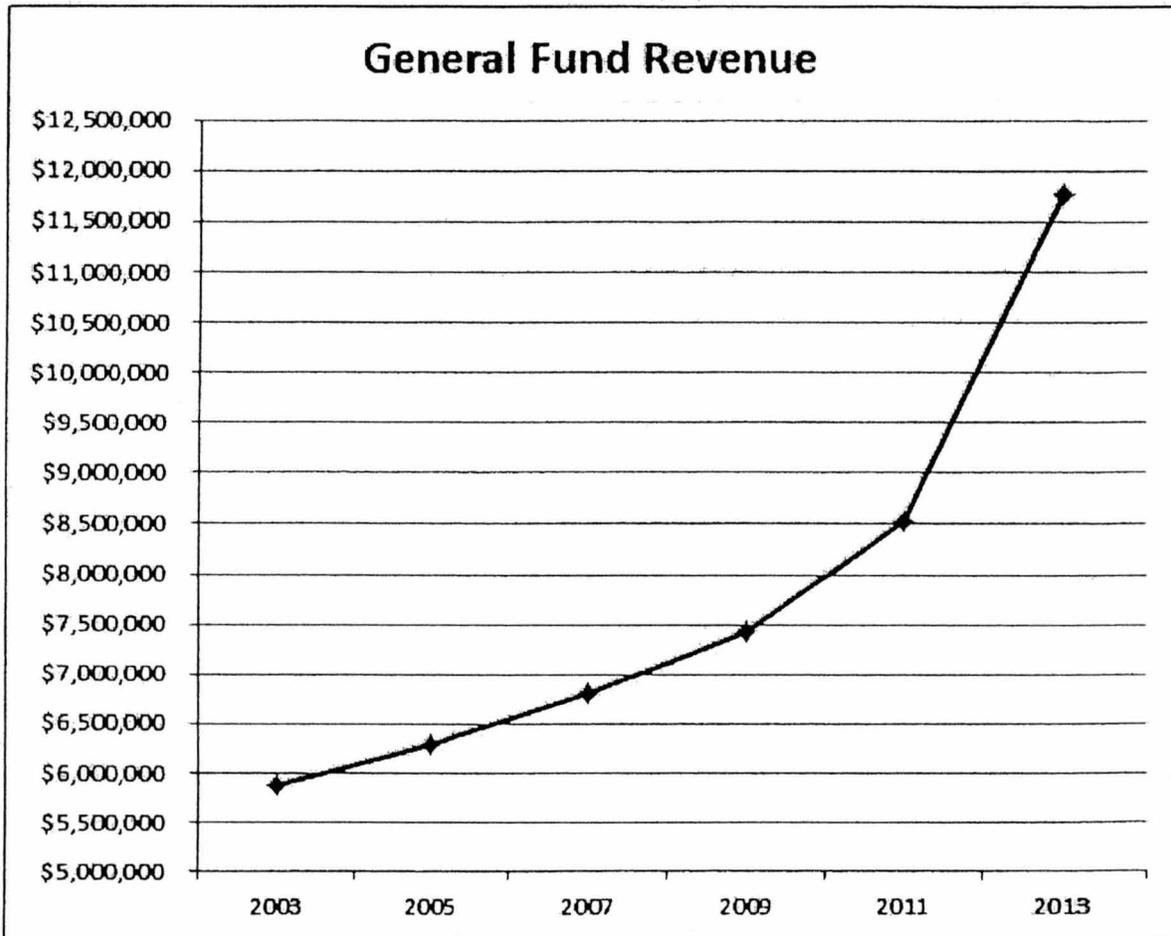
#13
1.25



Summary

- From June 30, 2011 to June 30, 2013, the number of contractors licensed increased by 2,877 or 32.6%
- From June 30, 2009 to June 30, 2011, the number of contractors licensed increased by 1,458 or 19.8%
- Combined increase from June 30, 2009 to June 30, 2013 was 4,335 or 58.9%

#4
1.26



Summary

- From June 30, 2011 to June 30, 2013, the general fund revenue increased by \$3,294,673 or 38.0%
- From June 30, 2009 to June 30, 2011, the general fund revenue increased by \$1,097,317 or 14.8%
- Combined increase from June 30, 2009 to June 30, 2013 was \$4,341,990 or 58.4%

#5
1.27

LEGACY AND BUDGET STABILIZATION FUNDS

Advisory Board Report

The Budget Section received reports from the Legacy and Budget Stabilization Fund Advisory Board regarding the development of investment policies for the legacy fund and budget stabilization fund pursuant to Section 21-10-11. Section 21-10-11 requires the advisory board to provide at least semiannual reports to the Budget Section regarding asset allocation and investment policies developed for the legacy fund and budget stabilization fund as well as recommendations presented to the State Investment Board regarding investment of funds in the legacy fund and budget stabilization fund. The market value of the legacy fund was \$2,455 million as of August 31, 2014. The market value of the budget stabilization fund as of August 31, 2014, was \$587.7 million. The advisory board reported assets had been held in 100 percent fixed income-type investments, and the advisory board revised the investment policy and recommended the following asset allocation mix for the legacy fund--30 percent broad US equity securities, 20 percent broad international equity securities, 35 percent fixed income assets, 5 percent core real estate, and 10 percent diversified real assets. The Budget Section learned the transition is to be completed in January 2015. The advisory board has not made any changes to the budget stabilization fund investment policy.

STATE TREASURER

Outstanding Warrants and Checks

The Budget Section received a report from the State Treasurer regarding warrants and checks outstanding for more than 90 days and less than three years pursuant to Section 54-11-01. Section 54-11-01 provides the State Treasurer report to the Budget Section, within 90 days of the beginning of each fiscal year, all warrants and checks outstanding for more than 90 days and less than three years. The State Treasurer provided reports to the Budget Section in September 2013 and September 2014. The Budget Section learned items reported may be the result of money which has not been received by the proper recipient or checks that have not been cashed. Annually, checks more than three years old are transferred to the Department of Trust Lands as unclaimed property.

The State Treasurer reported in September 2013 the number of checks outstanding increased by 13 percent from state fiscal year 2012 and a total of \$5.2 million in outstanding checks existed for fiscal years 2011, 2012, and 2013. The State Treasurer provided a listing of 2,440 outstanding checks which were sent to the Unclaimed Property Division of the Department of Trust Lands in October 2013 totaling \$386,297.

The State Treasurer reported as of September 2014, 14,237 checks totaling \$3.9 million were outstanding for fiscal years 2012, 2013, and 2014. The State Treasurer provided a listing of 2,344 outstanding checks to be sent to the Unclaimed Property Division of the Department of Trust Lands in October 2014, which total \$376,689.

SECRETARY OF STATE

Credit Card Usage and Fees

Pursuant to Section 7 of 2013 House Bill No. 1002, the Budget Section received semiannual reports on credit card usage rates and credit card fees paid by the Secretary of State. The Secretary of State reported in September 2013 that contractor licensing has increased by 97 percent in the past four years and collectability of fees has increased significantly since the office began accepting credit cards. The Secretary of State reported in September 2014 that while fees expended to date for the 2013-15 biennium are less than budgeted, the usage of credit cards is anticipated to increase significantly when the agency's new software system is deployed.

HOUSING FINANCE AGENCY

Flood-Impacted Housing Assistance

The 2013 Legislative Assembly appropriated, out of the state disaster relief fund, the sum of \$1.5 million to the Housing Finance Agency for the purpose of providing grants for flood-impacted housing assistance. Pursuant to Section 4 of 2013 House Bill No. 1016, the Budget Section received a report regarding the status of grants awarded for flood-impacted housing assistance. The Housing Finance Agency reported that initially \$1.5 million was awarded to the Minot Housing Authority. However, residents were relocated more rapidly than anticipated; therefore, the Minot Housing Authority reduced its request to \$20,000.

Housing Units Owned or Master Leased for Essential Service Workers

The 2013 Legislative Assembly appropriated \$15.4 million from the general fund to the housing incentive fund and provided an aggregate tax credit of \$20 million for the purpose of assisting developing communities to address an unmet housing need or alleviate a housing shortage. Pursuant to Section 54-17-40, the Budget Section received a report regarding an update on progress being made to reduce the overall number of housing units owned, master leased, or subsidized by cities, school districts, or other employers of essential service workers. In September 2013, the Housing Finance Agency reported 18 projects have been awarded approximately \$20.4 million from the housing incentive fund, and none of the projects reduce the number of existing housing units owned by political subdivisions, but the projects will help prevent the need for political subdivisions to create additional housing units. In December

ND Legislative Management Report - Budget Section

Comparison of Eligibles	Medicaid Eligibles		
	July 2013	June 2014	Variance
Under age 21	36,918	37,769	851
Over age 65 (aged)	7,815	7,828	13
Disabled	10,404	10,340	(64)
Adults	10,817	12,483	1,666
Medicaid Expansion		10,611	10,611
Total	65,954	79,031	13,077

- North Dakota Hospital Association - Information on the effectiveness of the program to assist hospitals verify personal and health insurance information of patients. The Budget Section learned of the \$700,000 grant provided for the program in 2013 House Bill No. 1015, expenditures to date total \$153,570 and the North Dakota Hospital Association entered an agreement with Emdeon Business Services, LLC, for a software program to provide hospitals with a source to verify personal data and health insurance data (September 2014).
- Department of Public Instruction - Information on the purpose and status of federal grant applications. The Department of Public Instruction provided information on three federal grant opportunities which would promote school and student safety and mental health (September 2014).
- Information Technology Department - Information regarding the Secretary of State's data processing system project. They reported that the Secretary of State's appropriation is not sufficient to complete the project and that ITD plans to borrow between \$850,000 and \$950,000 for the project to allow continued project development for the remainder of the 2013-15 biennium.

**AGENCY REQUESTS CONSIDERED
BY THE BUDGET SECTION**

Pursuant to Sections 54-16-04, 54-16-04.1, 54-16-04.2, 54-16-04.3, and 54-16-09, the Budget Section considered 24 agency requests that were authorized by the Emergency Commission. All requests were approved. Approved requests increased spending authority by \$47,326,725, made line item transfers of \$1,050,000, authorized expenditures from the state contingencies appropriation of \$152,500, and added 6.5 FTE positions. The following is a list of agency requests approved from June 18, 2013, through September 24, 2014:

Adjutant General

- June 18, 2013, to authorize the expenditure of \$13,903,595 from the state disaster relief fund for expenses associated with the 2009 flood disaster. To use a portion of the funding for volunteer disaster response coordination (\$400,000) and a disaster coordination contract (\$1,500,000).
- June 18, 2013, to continue the authorization to expend \$6,277,000 from the state disaster relief fund for flood relief, disaster mitigation assistance, and road grade raising grants to political subdivisions and to continue the authorization to expend \$6,238,000 from the state disaster relief fund for flood-impacted housing rehabilitation.
- June 18, 2013, to increase federal funds spending authority by \$4,493,625 from the Federal Emergency Management Agency (FEMA) relating to the 2013 Red River flood preparation activities. To expend \$400,000 during the 2011-13 biennium and to expend \$4,093,625 during the 2013-15 biennium.
- June 18, 2013, to increase federal funds spending authority by \$6,641,250 from FEMA and to accept and expend loan proceeds of \$914,375 from the Bank of North Dakota for disaster expenses related to the state receiving above normal precipitation during spring 2013. To expend \$397,500 of federal funds during the 2011-13 biennium and to expend \$6,243,750 of federal funds during the 2013-15 biennium. To expend \$132,500 of Bank funds during the 2011-13 biennium and to expend \$781,875 of Bank funds during the 2013-15 biennium.

Aeronautics Commission

- June 25, 2014, to transfer \$300,000 from the grants line item to the operating expenses line item to update the commission's economic impact aviation study.

Department of Agriculture

- June 25, 2014, to increase federal funds spending authority by \$400,000 in the grants line item. The funding is for the United States Department of Agriculture specialty crop block grant program, which promotes specialty crops in the state.

Attorney General

- September 25, 2013, to transfer \$200,000 from the operating expenses line item to the salaries and wages line item for temporary salary increases for employees impacted by energy development.

Medicare and Medicaid Services provides enhanced federal financial participation of 90 percent for the Medicaid requirements of the system, and the enhanced federal financial participation is available through December 31, 2015. As a result, DHS issued a request for proposal for additional project assistance in order to accelerate the project's schedule and maximize the availability of federal funds for the project.

Workforce Safety and Insurance - Information Technology Transformation Program Project

The committee received information from representatives of Workforce Safety and Insurance regarding the termination of the information technology transformation program project. The project began in 2007 to replace an existing claims and policy software system. Workforce Safety and Insurance began withholding payments to Aon plc in September 2011 when software tests indicated only 30 percent completion. The contract with Aon plc was not renewed in December 2012 after Aon plc failed to provide adequate evidence that the project could be completed. Lessons learned from the project included holding vendors responsible, requiring full-time onsite resources from the vendor, investing in workflow maps for business processes, and avoiding project solutions that require significant modifications to commercial off-the-shelf software. Workforce Safety and Insurance filed a lawsuit against Aon plc in March 2014 related to the project. The trial is scheduled to begin in the fall of 2016.

Secretary of State - Data Processing System Project

The committee learned the Secretary of State's data processing system project began in 2010, experienced project delays, and needed additional funding for the 2013-15 biennium. The delays and funding shortages were related to the agency's small staff with limited information technology expertise, the complexity of the agency's responsibilities, and the rapid economic growth in recent years. The project's revised budget of \$5.5 million is approximately \$2 million more than the original project budget of \$3.7 million. Pursuant to Section 54-59-05(4), ITD borrowed \$950,000 from the Bank of North Dakota at an interest rate of 1.75 percent. The \$950,000 that was borrowed is anticipated to be sufficient to continue work on the project for the remainder of the 2013-15 biennium. The project budget for the 2015-17 biennium is anticipated to include funding to repay the loan as well as the additional funding needed to complete the project. The project is anticipated to be completed in the 2015-17 biennium.

PRIORITIZATION OF PROPOSED MAJOR COMPUTER SOFTWARE PROJECTS

Section 54-59-02.1 requires the State Information Technology Advisory Committee to prioritize major computer software projects. The Chief Information Officer is to submit recommendations of the State Information Technology Advisory Committee regarding major computer software projects to the Information Technology Committee, OMB, and Appropriations Committees of the Legislative Assembly.

The committee received information from ITD regarding the prioritization of proposed major computer software projects for the 2015-17 biennium and learned executive branch agencies developed and internally prioritized information technology projects and submitted their information technology plans to the department. The Information Technology Department compiled the information technology projects over \$500,000 by funding source. State agencies self-scored the projects based on return on investment, customer service benefits, internal efficiency benefits, operational necessity, and project risk. The Information Technology Department presented the self-scoring to the State Information Technology Advisory Committee for the committee's prioritization.

The State Information Technology Advisory Committee met on September 24, 2014, and prioritized major executive branch computer software projects proposed for the 2015-17 biennium as follows:

General Fund Projects				
Rank	Project	Agency	Preliminary Project Budget	
			General Fund	Total Funds
1	DOCSTARS to Elite upgrade	Department of Corrections and Rehabilitation	\$1,100,000	\$1,100,000
2	Workforce software	Department of Corrections and Rehabilitation	618,136	618,136
	Total		\$1,178,136	\$1,718,136

INFORMATION TECHNOLOGY DEPARTMENT COORDINATION OF SERVICES

Section 54-59-12 provides for the review and coordination of information technology between ITD, higher education, and political subdivisions. In addition, Sections 15-10-44 and 54-35-15.2 provide that the Information Technology Committee receive information from the State Board of Higher Education regarding higher education information technology planning, services, and major projects. Pursuant to these directives, the committee received information from representatives of higher education, elementary and secondary education, and political subdivisions regarding information technology activities.

Highway Patrol - Electronic Permitting Project

Ms. Carrie Oswald, Information Technology Manager, Highway Patrol, presented information (Appendix L) regarding a project closeout report for an electronic permitting project. She said the project met or exceeded all of the objectives and was 29 percent under budget. She said the system was implemented in June 2013, and within four months of operation, 95 percent of all permits were obtained online. She said some of the lessons learned included using a request for information, having the vendor onsite for implementation, and providing more internal training to help users understand the software.

In response to a question from Representative Weisz regarding the purpose of a request for information, Ms. Oswald said the request for information may have provided the project managers with information about industry standards and best practices to help them make better decisions.

Secretary of State - Data Processing System Project

Mr. Alvin A. Jaeger, Secretary of State, presented information (Appendix M) regarding the status of the agency's data processing system project. He said the project began in 2010 and is currently behind schedule and in need of additional funding. He said the three contributing factors to the current situation include a small staff with minimal information technology expertise, the complexity of the agency's responsibilities, and the rapid economic growth in the past few years. He said the project is essential and involves transferring over 300,000 records from the mainframe to a new system.

Mr. Ressler presented information (Appendix N) regarding the status of the Secretary of State's data processing system project. He said the Information Technology Department anticipates borrowing between \$850,000 and \$950,000 pursuant to North Dakota Century Code Section 54-59-05(4) to continue the project through the biennium. He said additional funding for the project will be requested from the 2015 Legislative Assembly. He said the original project plan did not include certain costs such as training costs, and the plan underestimated the complexity of some of the components. He said the Information Technology Department may implement business analysis when planning multiyear, multimillion dollar projects and may take extra time to plan the project before starting development. He said a business analysis may provide better cost and time estimates for future projects.

Senator Robinson said it appears the lessons learned from this project include the effects of rapidly changing technology and price changes, the timing delay between budgeting and development, the lack of understanding between agencies, and the limited resources of the Information Technology Department.

In response to a question from Representative Weisz, Mr. Ressler said the original estimated cost of the project was approximately \$4 million, and the revised estimated cost of the project may be approximately \$8 million.

HIGHER EDUCATION TECHNOLOGY INITIATIVES

Dr. Lisa Feldner, Vice Chancellor, Information Technology and Institutional Research, North Dakota University System, presented information (Appendix O) regarding higher education information technology projects and the status of the consolidation of the University System's information technology services. She said the new information technology office and data center building was dedicated on November 22, 2013. She said the North Dakota University System System Information Technology Services was renamed the North Dakota University System Core Technology Services. She said 101 technology staff are located in the new building.

In response to a question from Representative Streyle, Dr. Feldner said three campuses currently have their own email exchange servers, which are in the process of being consolidated.

Dr. Feldner said the use of lecture capture software on a systemwide basis has increased significantly. She said new multiple-license software contracts will create cost-savings for all campuses. She said a top priority for future projects is better project management on a systemwide basis.

Mr. Murray G. Sagsveen, Chief of Staff and Director of Legal Services, North Dakota University System, presented information (Appendix P) regarding an overview of the University System's policies and procedures relating to open records and email accounts. He said the State Board of Higher Education and the University System has not adopted a separate policy to implement open records laws. He said the University System relies on current open records laws, the Attorney General's *Open Records Manual*, and Attorney General opinions.

In response to a question from Representative Streyle regarding the consolidation of attorneys, Mr. Sagsveen said the functions and the responsibilities of the attorneys have been consolidated to serve the University System as a whole, but the attorneys will not be consolidated into one location.



Business Analysis

- The practice of enabling change in an organizational context, by defining needs and recommending solutions that deliver value to stakeholders.
- Disciplined approach for introducing and managing change to organizations.
 - it is a structured way of recognizing, formalizing and implementing change
- Used to identify and articulate the need for change in how organizations work, and to facilitate that change.



Process

- Complete prior to budget request / cost estimating / RFP
- Business Analysis used to document
 - Business requirements
 - Business processes
 - Business needs, issues, and goals
 - Business process improvements
- Stakeholders better understand the business processes

Benefits

- Validate / verify that business needs are met to ensure agencies get what they need, not just what they want
- Better understanding of an agency business to assist in strategic planning
- Identifying business changes / improvements within a state agency
- Ensuring changes to the business are implemented effectively and efficiently
- Better process for identifying and managing business requirements
- Improve accuracy of budget estimate and schedule



SECRETARY OF STATE
STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
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**Time Line for Technology Project - Secretary of State
December 30, 2014**

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. CCIS projects completion of Central Indexing module by September 2011 and Business Services by June 2015
39. November 2010 – ITD provided timeline and budget estimate to continue work on project

2011

40. Spring 2011 – 2011 Legislative Assembly approves \$3,500,000 for continuation of project with ITD
41. May 2011 – December 2011 – SOS and ITD began gathering and writing requirements
42. June 2011 – CCIS, ITD and SOS sign amended contract
43. August 2011 – Carryover of \$105,526 approved for the project

2012

44. March 2012 – Project close-out report and post implementation for CCIS project completed
45. June 2012 – Project renamed File 2.0
46. August 2012 – ITD began showing SOS prototype pages for File 2.0
47. November 2012 – CCIS developers provided to ITD released by ITD
48. December 2012 – Beverley Maitland announces retirement. GAP analysis began being performed on cGov360.

2013

49. February 2013 – Aaron Kielhack replaced Beverly Maitland as project manager
50. May 2013 – SOS team began initial testing of File 2.0
51. August 2013 – Carryover of \$1,351,035 approved for the project
52. September 2013 – SOS team is still unable to complete testing on one of the 350 filings
53. October 2013 – Ravi Venkat (Ajay), the most reliable developer, announced he is leaving ITD
54. November 2013 – Project team paused project work and met to redefine phase 1

2014

55. January 2014 – BPro began work on Campaign Finance
56. March 2014 – ESC approved motion to adopt new budget and schedule as new baseline
57. June 2014 – Re-baseline of File 2.0 approved. Re-baseline moved Phase 1 from June 2013 to April 2015, Phase 2 from August 2013 to September 2015, removed Phases 3 and 5 completely and Phase 4 completed by different vendor.
58. July 2014 – ITD secured a line of credit with BND for \$950,000
59. September 2014 – ESC voted to work on Central Indexing RFP
60. October 2014 – Issued RFP for Central Indexing portion of the project
61. November 2014 – ESC voted to pause all work on Phase 1 and 2A and procure a vendor to conduct Business Process Modeling (BPM).
62. December 2014 – Issued intent to award the Central Indexing RFP. Issued RFP for BPM.



SECRETARY OF STATE
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ELECTION REFORM HISTORY
Help America Vote Act (HAVA)

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

In 2004, the agency received \$4,150,000, which required a 5% state match. According to the State Plan, one-half share of the 5% was provided by the state and the other one-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 and 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% match. The 5% 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 was achieved when the Emergency Commission on March 4, 2010 authorized the amount of \$18,421 from state contingency fund to be used for this purpose.

In 2011, Congress appropriated an additional amount in the 2011 Requirements Payments under Section 251 of the Help America Vote Act, which resulted in North Dakota receiving an additional \$6,454 for the HAVA election fund. In order to secure it, the state was required to provide a 5% match. This was achieved using current appropriation in the State's election fund in the amount of \$340.

During the 2015-2017 biennium, it is estimated the state's federal election fund will be depleted. The remaining funds of approximately \$2,970,000 as of December 31, 2014, will be used to:

- 1) Fund the authorized FTE who is the manager of the Election Administration System
- 2) Fund the agreement with NDACo for two individuals to serve as the statewide HAVA coordinator and Central Voter File coordinator
- 3) Implement and maintain a new Central Voter File
- 4) Fund general activities to ensure the state meets the requirements of Title III

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
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February 3, 2015

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SB 2002 Subcom

2-9-15

#1

Senator Carlisle,

We budgeted each of the six positions as an Office Assistant III, Grade E. This position would be able to do all of the duties of that position, plus any other assigned to the preceding classifications on the attached printout.

Al Jaeger



OFFICE ASSISTANT

SCOPE OF WORK:

Work activities are associated with performing office support duties of a clerical or secretarial nature. Positions may be comprised of duties of a general office nature or may be specialized, as in medical, legal, etc. Due to the organizational structure in which positions at these levels are found, individuals assigned to these positions usually report to an individual at a higher level within the office support function or to an office manager position. Incumbents in these positions will rarely report to high-level managerial positions.

DUTIES PERFORMED AT ALL LEVELS:

- Greet and direct customers to appropriate staff members or locations; answer, screen, and route phone calls.
- Sort, file, retrieve, and purge office records and library materials in alphabetical, numerical, and/or subject filing systems.
- Receive, sort, and distribute incoming mail; prepare outgoing mail by folding, packaging, weighing, stamping, and sorting materials.
- Receive and secure money; complete associated transaction forms.
- Post alphanumeric data to manual or automated recordkeeping systems.
- Prepare common office forms and reports.
- Verify accuracy of data by performing comparisons between source and end-use data.
- Operate standard office equipment such as computers, printers, copy and fax machines, calculators, postage meters, and imaging equipment.

NOTE: The duties listed are not intended to be all-inclusive. Duties assigned any individual employee are at the discretion of the appointing authority.

OFFICE ASSISTANT I
GRADE C

0031

LEVEL DEFINITION:

Work at this level is characterized as basic office support duties of a clerical nature that may involve incidental typing or keyboarding, such as is required for completing forms; preparing mailing labels; and preparing routine, straightforward correspondence. Work

CLASS CODES: 0031
0032
0033

ND Class Description
Office Assistant

activities involve relatively clear-cut and consistently repetitive duties that follow established procedures or prescribed instruction. Duties may involve any of those listed above, as well as additional duties assigned by the supervisor. However, the majority of work assigned a position at this level usually encompasses only a few of the duties listed. Work is performed under immediate supervision as non-recurring activities are reviewed on a task-by-task basis.

ADDITIONAL DUTIES PERFORMED AT THIS LEVEL:

- None.

MINIMUM QUALIFICATIONS:

Requires a high school diploma or General Equivalency Diploma.

OFFICE ASSISTANT II
GRADE D

0032

LEVEL DEFINITION:

Work at this level involves office support duties of a clerical and/or secretarial nature and is performed under close supervision, as segments of work are reviewed on a periodic basis. Work is generally structured but has more variety than the Office Assistant I level. Work activities involve related steps in a process; straightforward and routine analysis, judgement, and independence in determining methods or procedures to follow; and limited interpretation when applying procedural guidelines. Work may include typing or keyboarding.

ADDITIONAL DUTIES PERFORMED AT THIS LEVEL:

- Provide basic, factual information to customers by phone, face-to-face, email, or routine correspondence.
- Type, proof, and finalize correspondence, reports, and other documents using basic word processing functions; transcribe dictation.
- Review, compile, and enter data into and retrieve data from records or an information database.
- Compile and arrange information to be used in reports.
- Coordinate schedules of multiple individuals when scheduling appointments and meetings; make arrangements for meetings by securing locations, setting times, and notifying participants by phone or email; make travel and lodging reservations.

ND Class Description
Office Assistant

CLASS CODES: 0031
0032
0033

-
- Participate in organizing and maintaining office filing systems and related procedures.
 - Order and receive supplies and forms; maintain stock of supplies and forms; issue supplies and forms to staff members or customers.
 - Perform basic bookkeeping duties such as calculating receipts; preparing bank deposits; and coding and posting invoices, vouchers and other statistical or fiscal data.
 - Verify reports and documents for accuracy and completeness.

MINIMUM QUALIFICATIONS:

Requires a high school diploma or General Equivalency Diploma and one year of office support, clerical, or secretarial work experience. Coursework in a vocational office support or closely related program may substitute for the work experience requirement on a year-for-year basis if it provided the knowledge and skills required to perform the duties of the position to be filled. Proficiency in keyboarding, basic personal computer, specific software, grammar, or spelling skills may be required for certain positions and will be stated in the job vacancy announcement at the time of recruitment.

OFFICE ASSISTANT III
GRADE E

0033

LEVEL DEFINITION:

Work at this level involves a variety of complex office support duties of a clerical and/or secretarial nature that includes completion of several steps; analysis of data to identify facts and required action; and decision-making based upon well-defined rules, regulations, methods, and procedures with limited deviation as the duties are repeated. Work is normally performed under general supervision.

ADDITIONAL DUTIES PERFORMED AT THIS LEVEL:

- Assist customers verbally or in writing by providing information and/or directions of a detailed or complex nature.
- Screen documents and supporting information to determine eligibility, authenticity, or identity.
- Compose routine correspondence requiring application of subject matter knowledge.
- Type, proof, and finalize correspondence, reports, and other documents requiring use of advanced word processing software features with some integration of charts, graphics, etc. from other software programs.
- Verify detailed, complicated reports for accuracy; take action to rectify discrepancies.
- Organize and establish office filing systems and procedures.

1.4

CLASS CODES: 0031
0032
0033

ND Class Description
Office Assistant

- Complete and maintain various office records such as purchasing and inventory, payroll and personnel, and client records.
- Prepare documents using basic functions in spreadsheet or database programs.
- Perform basic bookkeeping duties such as posting accounts, preparing billings and vouchers for payment, and preparing transaction reports.
- Provide input to the development of office procedures and forms.
- Provide lead work guidance to coworkers in the work unit.

MINIMUM QUALIFICATIONS:

Requires a high school diploma or General Equivalency Diploma and two years of office support, clerical, or secretarial work experience. Coursework in a vocational office support or closely related program may substitute for the work experience requirement on a year-for-year basis if it provided the knowledge and skills required to perform the duties of the position to be filled. Proficiency in keyboarding, personal computer, specific software, grammar, or spelling skills may be required for certain positions and will be stated in the job vacancy announcement at the time of recruitment.

Eff. Date: 5/00 – Developed to replace 0001-0003 (Clerk I, II, III, G.O.); 0018-9 (Medical Records Clerk I, II); 0071-2 (Adm Sec I, II); 0005 (Clerk, Administrative); 0077-8 Information Processing Specialist I, II
Rev: 7/12 – Conversion to Hay System

PROPOSED AMENDMENTS TO SENATE BILL NO. 2002

Page 1, replace lines 16 through 24 with:

"Salaries and wages	\$3,753,869	\$1,323,846	\$5,077,715
Accrued leave payments	82,831	(82,831)	0
Operating expenses	2,579,597	3,153,698	5,733,295
Petition review	8,000	0	8,000
Election reform	<u>5,143,115</u>	<u>(2,438,828)</u>	<u>2,704,287</u>
Total all funds	\$11,567,412	\$1,955,885	\$13,523,297
Less estimated income	<u>5,844,417</u>	<u>(2,060,129)</u>	<u>3,784,288</u>
Total general fund	\$5,722,995	\$4,016,014	\$9,739,009
Full-time equivalent positions	28.00	6.00	34.00"

Page 2, replace lines 11 through 13 with:

"Grand total general fund	\$6,043,495	\$4,016,014	\$10,059,509
Grand total special funds	<u>5,844,417</u>	<u>(2,060,129)</u>	<u>3,784,288</u>
Grand total all funds	\$11,887,912	\$1,955,885	\$13,843,797"

Page 3, line 8, remove "one hundred"

Page 3, remove line 9

Page 3, line 10, remove "thousand eight hundred thirty-three" and overstrike "dollars thereafter"

Page 3, line 10, after "thereafter" insert "one hundred two thousand six hundred eighty-nine dollars through June 30, 2016, and one hundred five thousand seven hundred seventy dollars thereafter"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2002 - Summary of Senate Action

	Base Budget	Senate Changes	Senate Version
Secretary of State			
Total all funds	\$11,567,412	\$1,955,885	\$13,523,297
Less estimated income	<u>5,844,417</u>	<u>(2,060,129)</u>	<u>3,784,288</u>
General fund	\$5,722,995	\$4,016,014	\$9,739,009
Public Printing			
Total all funds	\$320,500	\$0	\$320,500
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$320,500	\$0	\$320,500
Bill total			
Total all funds	\$11,887,912	\$1,955,885	\$13,843,797
Less estimated income	<u>5,844,417</u>	<u>(2,060,129)</u>	<u>3,784,288</u>
General fund	\$6,043,495	\$4,016,014	\$10,059,509

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

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$3,753,869	\$1,323,846	\$5,077,715

Operating expenses	2,579,597	3,153,698	5,733,295
Petition review	8,000		8,000
Election reform	5,143,115	(2,438,828)	2,704,287
Accrued leave payments	82,831	(82,831)	
Total all funds	\$11,567,412	\$1,955,885	\$13,523,297
Less estimated income	5,844,417	(2,060,129)	3,784,288
General fund	\$5,722,995	\$4,016,014	\$9,739,009
FTE	28.00	6.00	34.00

Department No. 108 - Secretary of State - Detail of Senate Changes

	Adds Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adds Funding for New Positions ³	Reduces Federal Funding ⁴	Adds Funding for Overtime, Operating ⁵	Adds One-Time Funding to Complete Software Project ⁶
Salaries and wages	\$143,895	\$307,111	\$597,840		\$275,000	
Operating expenses					103,698	3,050,000
Petition review						
Election reform	(11,419)	9,287		(2,436,696)		
Accrued leave payments	(82,831)					
Total all funds	\$49,645	\$316,398	\$597,840	(\$2,436,696)	\$378,698	\$3,050,000
Less estimated income	(11,418)	9,287	0	(2,436,696)	378,698	0
General fund	\$61,063	\$307,111	\$597,840	\$0	\$0	\$3,050,000
FTE	0.00	0.00	6.00	0.00	0.00	0.00

	Total Senate Changes
Salaries and wages	\$1,323,846
Operating expenses	3,153,698
Petition review	
Election reform	(2,438,828)
Accrued leave payments	(82,831)
Total all funds	\$1,955,885
Less estimated income	(2,060,129)
General fund	\$4,016,014
FTE	6.00

¹ Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

² The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	\$164,625	\$4,970	\$169,595
Health insurance increase	142,486	4,317	146,803
Total	\$307,111	\$9,287	\$316,398

³ Adds the following funding and FTE:

	General Fund	Other Funds	Total
3 FTE office assistant positions	\$287,389		\$287,389
3 FTE positions authorized as one-time during the 2013-15 biennium for the business registration unit (2 FTE) and the business information unit (1 FTE)	310,451		310,451
Total	\$597,840		\$597,840

⁴ Federal funding is reduced to reflect projected available 2015-17 Help America Vote Act funds.

⁵ Funding is increased for the following:

	<u>General Fund</u>	<u>Other Fund</u>	<u>Total</u>
Overtime and operating expenses associated with increased office workload		\$299,359	\$299,359
Operating expenses from general fund services operating fund		75,000	75,000
Technology project carryover		4,339	4,339
Total		\$378,698	\$378,698

⁶ One-time funding is added to complete the agency's software project.

1.3

Introduced by

Appropriations Committee

(At the request of the Governor)

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

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
7 as may be necessary, are appropriated out of any moneys in the general fund in the state
8 treasury, not otherwise appropriated, and from special funds derived from federal funds and
9 other income, to the secretary of state for the purpose of defraying the expenses of the
10 secretary of state and public printing, for the biennium beginning July 1, 2015, and ending
11 June 30, 2017, as follows:

12 Subdivision 1.

13 SECRETARY OF STATE

	Base Level	Adjustments or Enhancements	Appropriation
14			
15			
16	Salaries and wages	\$3,753,869	\$1,566,446
17	Accrued leave payments	82,831	(82,831)
18	Operating expenses	2,579,597	3,153,698
19	Petition review	8,000	0
20	Election reform	5,143,115	(2,436,464)
21	Total all funds	\$11,567,412	\$2,200,849
22	Less estimated income	5,844,417	(2,254,265)
23	Total general fund	\$5,722,995	\$4,455,114
24	Full-time equivalent positions	28.00	9.00
			37.00

Sixty-fourth
Legislative Assembly

1	Salaries and wages	\$3,753,869	\$1,323,846	\$5,077,715
2	Accrued leave payments	82,831	(82,831)	0
3	Operating expenses	2,579,597	3,153,698	5,733,295
4	Petition review	8,000	0	8,000
5	Election reform	5,143,115	(2,438,828)	2,704,287
6	Total all funds	\$11,567,412	\$1,955,885	\$13,523,297
7	Less estimated income	5,844,417	(2,060,129)	3,784,288
8	Total general fund	\$5,722,995	\$4,016,014	\$9,739,009
9	Full-time equivalent positions	28.00	6.00	34.00

10 Subdivision 2.

11 SECRETARY OF STATE - PUBLIC PRINTING

12		Adjustments or		
13		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
14	Public printing	\$320,500	\$0	\$320,500
15	Total general fund	\$320,500	\$0	\$320,500

16 Subdivision 3.

17 BILL TOTAL

18		Adjustments or		
19		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
20	Grand total general fund	\$6,043,495	\$4,455,114	\$10,498,609
21	Grand total special funds	5,844,417	(2,254,265)	3,590,152
22	Grand total all funds	\$11,887,912	\$2,200,849	\$14,088,761
23	Grand total general fund	\$6,043,495	\$4,016,014	\$10,059,509
24	Grand total special funds	5,844,417	(2,060,129)	3,784,288
25	Grand total all funds	\$11,887,912	\$1,955,885	\$13,843,797

26 SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET- REPORT TO

27 SIXTY-FIFTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding
28 items approved by the sixty-third legislative assembly for the 2013-15 biennium and the
29 2015-17 one-time funding items included in the appropriation of section 1 of this Act:

30	<u>One-Time Funding Description</u>	<u>2013-15</u>	<u>2015-17</u>
31	Funding for three new full-time equivalent positions	\$283,754	\$0

Sixty-fourth
Legislative Assembly

1	Overtime funding	225,600	0
2	Multipurpose copier	10,000	0
3	Information technology hosting charges	84,000	0
4	Technology project	<u>0</u>	<u>3,050,000</u>
5	Total general fund	\$603,354	\$3,050,000

6 The 2015-17 one-time funding amounts are not part of the entity's base budget for the 2017-19
7 biennium. The secretary of state shall report to the appropriations committees of the sixty-fifth
8 legislative assembly on the use of the one-time funding for the biennium beginning July 1, 2015,
9 and ending June 30, 2017.

10 **SECTION 3. EXEMPTION - GENERAL SERVICES OPERATING FUND.** Any unexpended
11 and unobligated balance remaining in the secretary of state's general services operating fund
12 on June 30, 2015, is not subject to the provisions of section 54-09-08, and any unexpended
13 funds are available and may be expended by the secretary of state, during the biennium
14 beginning July 1, 2015, and ending June 30, 2017, for the database and processing platform
15 migration project.

16 **SECTION 4. AMENDMENT.** Section 54-09-05 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **54-09-05. Salary of secretary of state.**

19 The annual salary of the secretary of state is ~~ninety six thousand seven hundred ninety four~~
20 ~~dollars through June 30, 2014, and ninety nine thousand six hundred ninety eight~~ one hundred
21 three thousand six hundred eighty six dollars through June 30, 2016, and one hundred seven
22 thousand eight hundred thirty three dollars thereafter one hundred two thousand six hundred
23 eighty-nine dollars through June 30, 2016, and one hundred five thousand seven hundred
24 seventy dollars thereafter.

2.3

SB 2002
 # 3
 2-13-15

Department 108 - Secretary of State
 Senate Bill No. 2002

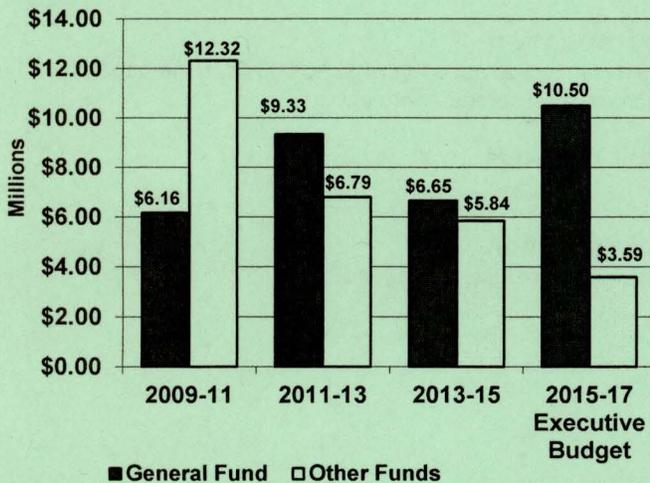
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	37.00	\$10,498,609	\$3,590,152	\$14,088,761
2013-15 Legislative Appropriations	31.00	6,646,849	5,844,417	12,491,266
Increase (Decrease)	6.00	\$3,851,760	(\$2,254,265)	\$1,597,495

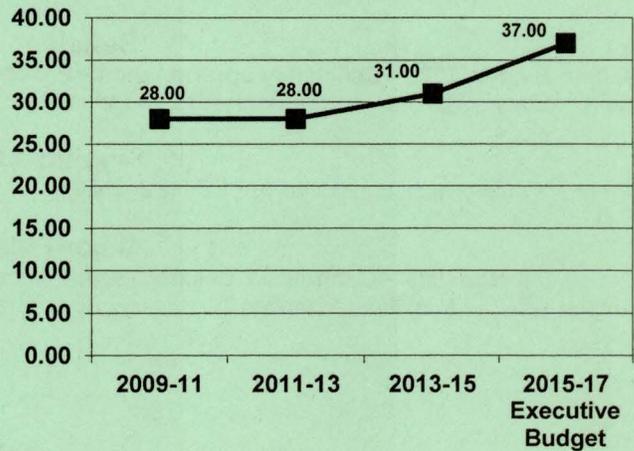
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	\$7,448,609	\$3,050,000	\$10,498,609
2013-15 Legislative Appropriations	6,043,495	603,354	6,646,849
Increase (Decrease)	\$1,405,114	\$2,446,646	\$3,851,760

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	\$10,498,609	\$3,590,152	\$14,088,761
2015-17 Base Level	6,043,495	5,844,417	11,887,912
Increase (Decrease)	\$4,455,114	(\$2,254,265)	\$2,200,849

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$242,727 relates to performance increases, \$47,088 is for market equity adjustments, \$159,757 is for health insurance increases, and \$24,402 is for retirement contribution increases	\$458,823	\$15,151	\$473,974
2. Adds funding for 6 FTE office assistant positions	\$574,777	\$0	\$574,777
3. Adds funding for 3 FTE positions authorized as one-time during the 2013-15 biennium for the business registration unit (2 FTE positions) and the business information unit (1 FTE position)	\$310,451	\$0	\$310,451
4. Decreases federal funding authority to reflect projected 2015-17 Help America Vote Act funds available	\$0	(\$2,436,696)	(\$2,436,696)
5. Increases overtime and operating expenses associated with increased office workload	\$0	\$99,359	\$99,359

3-1

6. Increases funding for operating expenses from the general services operating fund carryover	\$0	\$75,000	\$75,000
7. Adds one-time funding from the general fund to complete the software project started during the 2011-13 biennium	\$3,050,000	\$0	\$3,050,000

Other Sections in Bill

Exemption - Section 3 provides that any unobligated balance remaining in the Secretary of State's general services operating fund on June 30, 2015, is not subject to the provisions of North Dakota Century Code Section 54-09-08, and any unexpended funds are available and may be spent by the Secretary of State during the 2015-17 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 \$99,698 to \$103,686, effective July 1, 2015, and to \$107,833, effective July 1, 2016, to reflect the 4 percent and 4 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 Commission of Combative Sports.

Deficiency Appropriation

Senate Bill No. 2023 - Deficiency appropriation - Provides a deficiency appropriation of \$950,000 from the general fund to the Secretary of State to repay a Bank of North Dakota loan authorized for a computer project.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1053 - Centralized Desktop Support Services - Requires certain agencies to obtain centralized desktop support services from the Information Technology Department.

Secretary of State - Budget No. 108
Senate Bill No. 2002
Base Level Funding Changes

	Executive Budget Recommendation			Total
	FTE Positions	General Fund	Other Funds	
2015-17 Biennium Base Level	28.00	\$6,043,495	\$5,844,417	\$11,887,912
2015-17 Ongoing Funding Changes				
Base payroll changes		\$61,063	(\$11,418)	\$49,645
Salary increase - Performance		231,076	11,651	242,727
Salary increase - Market		43,588	3,500	47,088
Retirement increase		24,402		24,402
Health insurance increase		159,757		159,757
Adds funding for FTE positions provided as one-time during the 2013-15 biennium	3.00	310,451		310,451
Adds funding for office assistant positions	6.00	574,777		574,777
Decreases Help America Vote Act funding			(2,436,696)	(2,436,696)
Increases overtime and operating expenses			99,359	99,359
General services operation fund carryover			75,000	75,000
Technology carryover			4,339	4,339
Total ongoing funding changes	9.00	\$1,405,114	(\$2,254,265)	(\$849,151)
One-time funding items				
Funding to complete software project started during the 2011-13 biennium		\$3,050,000		\$3,050,000
Total one-time funding changes	0.00	\$3,050,000	\$0	\$3,050,000
Total Changes to Base Level Funding	9.00	\$4,455,114	(\$2,254,265)	\$2,200,849
2015-17 Total Funding	37.00	\$10,498,609	\$3,590,152	\$14,088,761

Other Sections in Senate Bill No. 2002

Exemption

Executive Budget Recommendation

Section 3 provides that any unobligated balance remaining in the Secretary of State's general services operating fund on June 30, 2015, is not subject to the provisions of North Dakota Century Code Section 54-09-08, and any unexpended funds are available and may be spent by the Secretary of State during the 2015-17 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 \$99,698 to \$103,686, effective July 1, 2015, and to \$107,833, effective July 1, 2016, to reflect the 4 percent and 4 percent recommended salary increase.

SB 2002

Attachment #1

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

March 5, 2015

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

FR: Al Jaeger, Secretary of State

RE: SB 2002 – Appropriation for the Secretary of State

Page 1 – public printing

Page 5 – executive summary

Page 6 – optional requests and supplemental appropriation

Page 8 – agency future critical issues

Page 9 – agency overview

Page 10 – agency major accomplishments

Page 11 – agency program costs

Page 12 – agency revenue

Page 14 – agency statistical data

Page 17 – agency statistical history 2003-2015

Page 28 – agency credit card usage and fees

Page 29 – agency data processing system

Page 35 – timeline for technology File 2.0 project

Page 37 – election reform federal funds

ALVIN A. JAEGER
SECRETARY OF STATE

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SECRETARY OF STATE
STATE OF NORTH DAKOTA
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Public Printing

Program Statistical Data

The agency distributes the publications to elected officials, legislators, legislative council, state agencies, county agencies, judicial system, and libraries as prescribed by state law.

Explanation of Program Costs

Under state law, the agency is responsible for the distribution of publications known as "public printing" that includes the North Dakota Century Code, the North Dakota Administrative Rules, Session Law Books, etc.

Although the appropriation to cover the cost of publishing and distribution is included in the agency's budget, it is based on a recommendation dated June 2, 2014, from the Legislative Council, which has the legal responsibility for preparing, supervising, contracting, and communicating with the various publishers and vendors regarding these publications.

The major portion of the appropriation is directly related to the cost of printing the North Dakota Century Code, Session Laws, and the North Dakota Administrative Code. The remaining portion of the appropriation is used by the agency to cover costs related to programming database records, shipping, mailing, supplies, etc.

Program Goals and Objectives

To provide effective and efficient services to state agencies and others as it relates to the distribution of publications funded by the public printing appropriation.

Section 1, Page 2, lines 1 through 6 – Subdivision 2

See letter dated June 2, 2014 from the Legislative Council

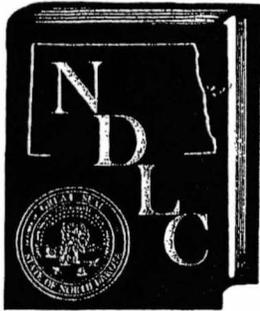
Budget History for Public Printing

Biennium: 2011-2013 – \$ 310,000

Biennium: 2013-2015 – \$ 320,500

Proposed

Biennium: 2015-2017 – \$ 320,500



North Dakota Legislative Council

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

Jim W. Smith
Director

Jay E. Burlingrud
Legal Services
Division Director

Allen H. Knudson
Legislative Budget
Analyst & Auditor

Jason J. Steckler
Administrative Services
Division Director

John Walstad
Code Revisor

June 2, 2014

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

RECEIVED
JUN 03 2014
SEC. OF STATE

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, North Dakota Administrative Code, and North Dakota Session Laws. The purpose of this letter is to notify you of the estimated costs for the 2015-17 biennium so you can include a sufficient amount in your budget request for these purposes.

During the 2013-15 biennium, cost estimates for the Century Code purchases in your budget were based on the state maintaining 700 sets of the code. Your staff has not advised us to change the number of sets needed, so we are continuing to base our estimates on maintaining 700 code sets for the 2015-17 biennium.

During the 2015-17 biennium, we have tentatively identified Volumes 1A, 3B, 3C, 5, and 7B of the Century Code for replacement. 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, \$160,125 will be needed to purchase 700 sets of replacement Volumes 1A, 3B, 3C, 5, and 7B, and \$50,960 will be needed to purchase 700 sets of the Court Rules Annotated volume and two supplements to that volume.

Based on LexisNexis estimates, \$111,370 will be needed to purchase 700 sets of the 2015 pocket supplements, and \$42,210 will be needed to purchase 700 sets of the 2013 general index. We are recommending that the state not purchase 700 sets of the Advance Code Service, which will result in a savings of \$64,400.

The estimated costs for Century Code updates for the 2015-17 biennium total \$364,665. In the letter of estimated costs from Ms. Leslie Ostrander, 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 2015-17 Century Code updates to \$273,498.75.

Beginning in 2011, costs were decreased substantially because the Administrative Code is now being published in a CD-ROM format. We estimated CD-ROM preparation and mailing costs for the Administrative Code would total \$7,000 for the 2013-15 biennium. Your staff has not advised us this amount should be increased, so we believe the same amount will be adequate for the 2015-17 biennium.

We estimate that \$35,000 will be required to cover printing, binding, and mailing costs for the 2015 North Dakota Session Laws.

We respectfully suggest that you include \$315,498.75 in your budget request for the 2015-17 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 Administrative Code and Session Laws. This is a 3.88 percent increase from the comparable amount we recommended for these expenses for the 2013-15 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,

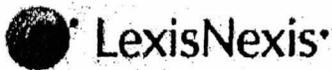


Jim W. Smith
Director

JWS/JJB

Enc.

cc: Ms. Pam Sharp
Ms. Leslie Ostrander



March 21, 2014

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 2015-2016 upkeep service. The following prices reflect slight increases from the pricing levels offered for 2013-2014. The cost of production has increased over the past two years and although the Producer Price Index for Book Publishers has risen almost 8% 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 four or five replacement volumes in the two-year period.

Cumulative Supplement The price of the 2015 Supplement will depend on the number of volumes replaced. If five volumes are replaced, the price of the Supplement is \$159.10. If four volumes are replaced, the price of the Supplement is \$175.50.

Index The price of the Index will be \$60.30 with the publication of five Replacement volumes. The price increases to \$62.70 with four 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 our editorial department, our recommendation is to replace Volume 3B (2003 volume with 280 page supp); Volume 3C (2009 volume with 183 page supp); Volume 1A (2008 volume with 223 page supp); Volume 5 (2007 volume with 193 page supp) and Volume 7B (2008 volume with 210 page supp.) If five volumes are replaced, the price for each copy of each replacement volume will be \$45.75. If four volumes are replaced, the price for each copy of each replacement volume will be \$47.00.

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	\$159.10	\$45.75	\$60.30	\$448.15	4.0 %
2	4	\$175.5	\$47.00	\$62.70	\$426.20	4.5%



SECRETARY OF STATE
STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
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EXECUTIVE SUMMARY

1. This packet includes statistical information for documenting the significant increase in demand for services over the past four and one-half years related to the administrative functions that the law assigns to the Secretary of State.
2. The statistical information documents that the growth in services provided has resulted in a substantial increase in the revenue generated for the state's general fund and that the agency is a profit center for the state. And, that the biennial revenue/expenditure history documents that the agency's revenue noticeably exceeds the amount appropriated from the general fund for the agency's operations.
3. The Governor recommended that the three FTE conditionally approved last session be made permanent and he recommended six additionally FTE. As it is, the agency for the past few years has regularly had up to six temporary employees to assist with the work load. The Senate approved funding for the three FTE approved last session along with three of the new FTE recommended by the Governor. In addition, the Senate added funding of \$200,000 for overtime to offset the elimination of the three FTE.
4. The completion of the agency's software project is imperative. The attached documentation includes a detailed time line of the project.
5. The project's Executive Steering Committee voted to use available resources to develop and deploy the Central Indexing System phase of the software project to meet the statutory deadline of August 1, 2015. A contact with a vendor has been executed and that phase of the project is underway and proceeding exceptionally well with a projected completion date prior to August 1. However, if unanticipated circumstances should arise and it is not possible to meet the deadline, HB 1330 was passed by the House 89 to 4 to extend the deadline to 2016. The funding for this phase of the project was secured through an ITD line of credit from the Bank of North Dakota, which is to be repaid with funds appropriated in SB 2023.
6. The project's Executive Steering Committee voted to issue an RFP for Business Process Modeling (BPM) to coincide with the recommendations made by ITD in December 2013 to the Information Technology Committee. The Committee received eleven bids and has issued a notice of intent to award to Verint-Major Oak Consulting. The request for the funding of the BPM contract is contingent on the approval of the funding requested in SB 2023.
7. With a BPM in place, the Governor's recommendation of \$3,050,000 in SB 2002 will be used as a guide to complete the software project based on the recommendations of the BPM consultant.

ALVIN A. JAEGER
SECRETARY OF STATE

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AGENCY OPTIONAL REQUESTS

3 FTE's approved 2013/2015 with limited authorization – request for permanent Governor Recommended	310,451 310,451
6 FTE's Governor Recommended *Senate decreased to 3 FTE's	574,777 574,777
Office Trainer – 1 FTE Governor Recommended	138,979 0
Secretary of State Technology Project Governor Recommended	4,000,000 3,050,000
Overtime Governor Recommended *Senate increased to \$200,000	250,000 0
Annual Leave Pay-outs - Retirement Governor Recommended	9,500 0
Supplemental Appropriation SB 2023	
Bank of North Dakota ITD Loan for software project	950,000
Business Process Modeling contract	400,000

Secretary of State
SB 2002

Secretary of State	Executive Recommendation	Senate Version	Change
Salaries and wages	\$5,320,315	\$5,077,715	(\$242,600)
Accrued Leave Payments	0	0	0
Operating expenses	5,733,295	5,733,295	0
Petition Review	8,000	8,000	0
Election Reform	2,706,651	2,704,287	(2,364)
Total all funds	\$13,768,261	\$13,523,297	(\$244,964)
Less estimated income	3,590,152	3,784,288	194,136
Total general fund	\$10,178,109	\$9,739,009	(\$439,100)
Full-time equivalent positions	37.00	34.00	(3.00)

	Executive Recommendation				Senate Version				Change			
	FTE	General Fund	Other Funds	Total Funds	FTE	General Fund	Other Funds	Total Funds	FTE	General Fund	Other Funds	Total Funds
Ongoing												
Funding for 6 new FTE	6.00	574,777		574,777	3.00	287,389		287,389	(3.00)	(287,388)	0	(287,388)
Compensation package		415,233	11,653	426,886		307,111	9,287	316,398	0.00	(108,122)	(2,366)	(110,488)
Market Increase		43,590	3,498	47,088				0	0.00	(43,590)	(3,498)	(47,088)
Overtime funding				0			200,000	200,000	0.00	0	200,000	200,000
Total Ongoing	6.00	1,033,600	15,151	1,048,751	3.00	594,500	209,287	803,787	(3.00)	(439,100)	194,136	(244,964)
One-Time												
Technology Project		3,050,000	0	3,050,000		3,050,000	0	3,050,000		0	0	0
Total One-Time		3,050,000	0	3,050,000		3,050,000	0	3,050,000		0	0	0
Total Budget Changes		4,083,600	15,151	4,098,751		3,644,500	209,287	3,853,787		(439,100)	194,136	(244,964)

Public Printing	Executive Recommendation	Senate Version	Change
Salaries and wages	320,500	320,500	0
Total all funds	320,500	320,500	0
Less estimated income	0	0	0
Total general fund	320,500	320,500	0
Full-time equivalent positions			0.00



SECRETARY OF STATE
STATE OF NORTH DAKOTA
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AGENCY FUTURE CRITICAL ISSUES

In the historical revenue/expenditure statistical data section of this testimony, the data reveals that since the 1995/1997 biennium and through the 2011/2013 biennium, the agency's revenue has steadily increased. The 2011/2013 biennium revenue increased 36% from the previous biennium. 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.

As is documented in the demand for services statistical data section, the agency is processing 95,144 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 and additional FTE's to handle the increase in workload.

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 a new platform. The enhancement in services to the public and agency productivity will be significant.

Having adequate FTE's and the ability to offer competitive salaries is a huge challenge. The agency needs to have competitive salaries and address compression issues in its employment structure to be competitive and to pay salaries appropriate for agency staff.



SECRETARY OF STATE
STATE OF NORTH DAKOTA
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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 previous bienniums and for which continued funding is being requested in the agency's 2015/2017 budget request.

ALVIN A. JAEGER
SECRETARY OF STATE

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Agency Major Accomplishments

1. Enhanced agency website, which received approximately 524,000 hits over a 12 month period ending June 30, 2014 on its various pages and sections.
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 Management System (EMS) and Election Administration System (EAS), which provide new and expanded election information on the agency's website about elections, candidates, campaign contributions, voter precinct finder, polling location details and the reporting of election night returns. In addition, it assists in the administration of petition review, poll worker tracking, voting statistics reporting, and early and absentee voting. A specific feature already mentioned was launched in October 2008 that allows the voter to find his or her voting precinct using their house number and zip code.
7. Launched the Central Voter File for use by the counties to track absentee ballots, allow for the efficient management of early voting precincts, and to expedite the voting process on election day.
8. Launched the Campaign Finance online system, which allows candidates, committees, political parties, and independent expenditure filers to file campaign disclosure statements online. The system also includes public search tools, including the capability to search by contributors and expenditure recipients, and to search for disclosure statements and contact information for candidates, political committees, political parties and independent expenditure filers registered in the system.



SECRETARY OF STATE
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EXPLANATION OF PROGRAM COSTS

For the 2013-2015 biennium, the appropriated salary line represented approximately 67% of the agency's total general fund spending authority. (This does not include the \$1.35 million of one-time funding appropriated for the technology project)

The appropriated operating line for 2013-2015 represented approximately 33% of the agency's total general fund spending authority. Of that amount, approximately 61% of the operating line was budgeted for payments to the state's Information Technology Division (ITD). The remaining 39% 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.

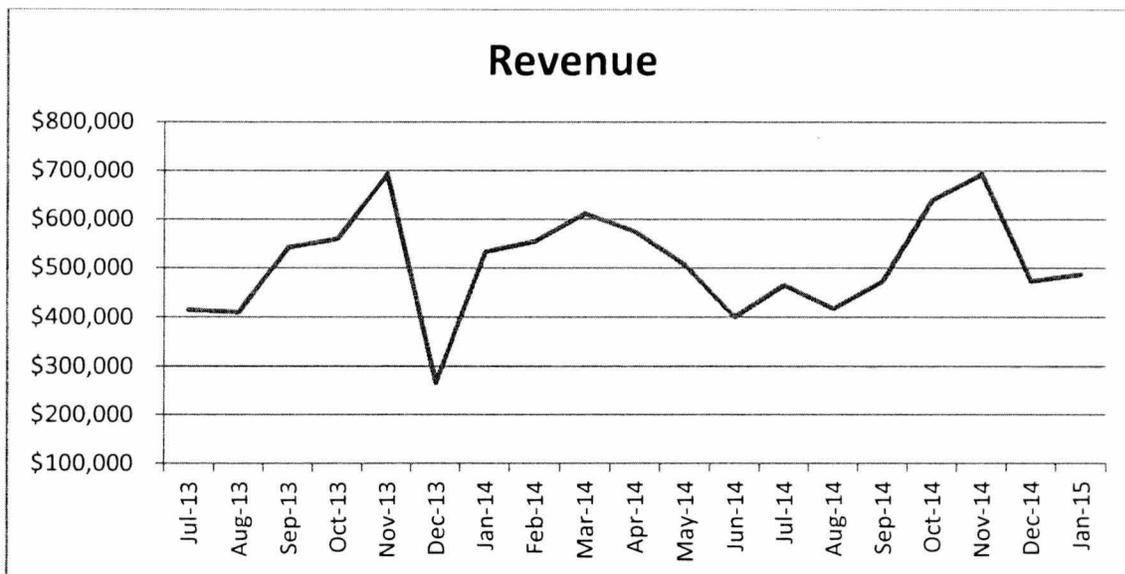
The agency also has a general service fund, which is the retail account for information sold by the agency. Approximately 73% of that budget is to cover expenses related to the technology for providing the requested information.

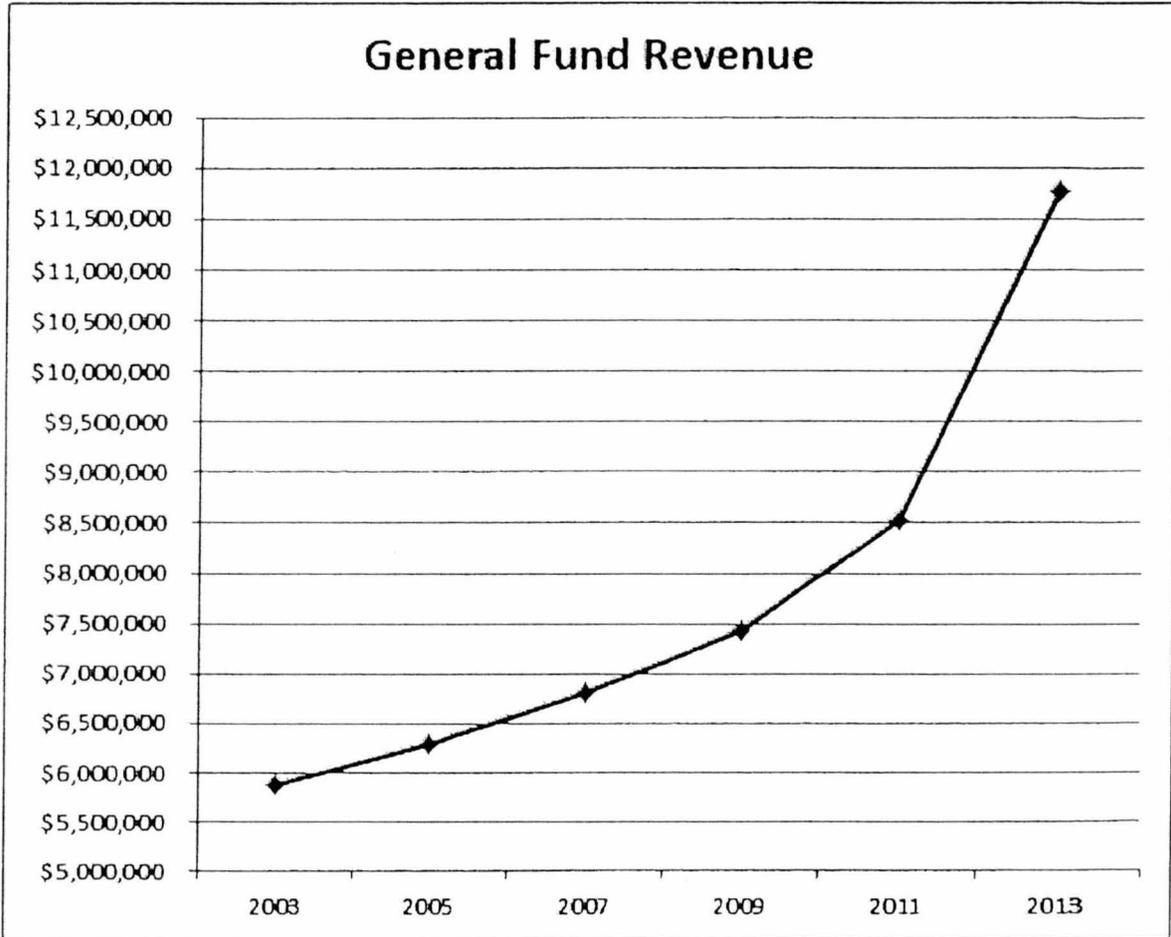
Extensive technology is used by the agency to increase productivity, provide better and faster services for the public, and to maintain many thousands of records associated with approximately 100 diverse and varied categories that relate to the duties of the agency. For example:

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 316,756 active files related to various personal property liens throughout the state.
2. The agency's budget supports a database of approximately 443,500 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 2015-2017, the agency requested additional one-time funding to continue the 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.

Secretary of State
General Fund Revenue Chart

2013/2015 Biennium - General Fund Revenue					
January 31, 2015 -21% Biennium Remaining					
	Revenue	Monthly Average Revenue Per Budget	Monthly Accumulative Revenue Total	Accumulative Monthly Budget	(Under) Over Budget
		\$ 11,000,000			
Jul-13	\$ 414,577	\$ 458,333	\$ 414,577	\$ 458,333	\$ (43,757)
Aug-13	\$ 409,970	\$ 458,333	\$ 824,546	\$ 916,667	\$ (92,120)
Sep-13	\$ 541,945	\$ 458,333	\$ 1,366,492	\$ 1,375,000	\$ (8,509)
Oct-13	\$ 559,626	\$ 458,333	\$ 1,926,117	\$ 1,833,333	\$ 92,784
Nov-13	\$ 692,334	\$ 458,333	\$ 2,618,451	\$ 2,291,667	\$ 326,785
Dec-13	\$ 266,723	\$ 458,333	\$ 2,885,174	\$ 2,750,000	\$ 135,174
Jan-14	\$ 532,628	\$ 458,333	\$ 3,417,802	\$ 3,208,333	\$ 209,468
Feb-14	\$ 554,356	\$ 458,333	\$ 3,972,157	\$ 3,666,667	\$ 305,491
Mar-14	\$ 611,585	\$ 458,333	\$ 4,583,742	\$ 4,125,000	\$ 458,742
Apr-14	\$ 574,109	\$ 458,333	\$ 5,157,851	\$ 4,583,333	\$ 574,518
May-14	\$ 505,839	\$ 458,333	\$ 5,663,690	\$ 5,041,667	\$ 622,023
Jun-14	\$ 399,851	\$ 458,333	\$ 6,063,541	\$ 5,500,000	\$ 563,541
Jul-14	\$ 464,871	\$ 458,333	\$ 6,528,412	\$ 5,958,333	\$ 570,079
Aug-14	\$ 417,442	\$ 458,333	\$ 6,945,853	\$ 6,416,667	\$ 529,187
Sep-14	\$ 472,988	\$ 458,333	\$ 7,418,842	\$ 6,875,000	\$ 543,842
Oct-14	\$ 639,301	\$ 458,333	\$ 8,058,143	\$ 7,333,333	\$ 724,810
Nov-14	\$ 692,556	\$ 458,333	\$ 8,750,699	\$ 7,791,667	\$ 959,032
Dec-14	\$ 472,727	\$ 458,333	\$ 9,223,425	\$ 8,250,000	\$ 973,425
Jan-15	\$ 486,999	\$ 458,333	\$ 9,710,424	\$ 8,708,333	\$ 1,002,091



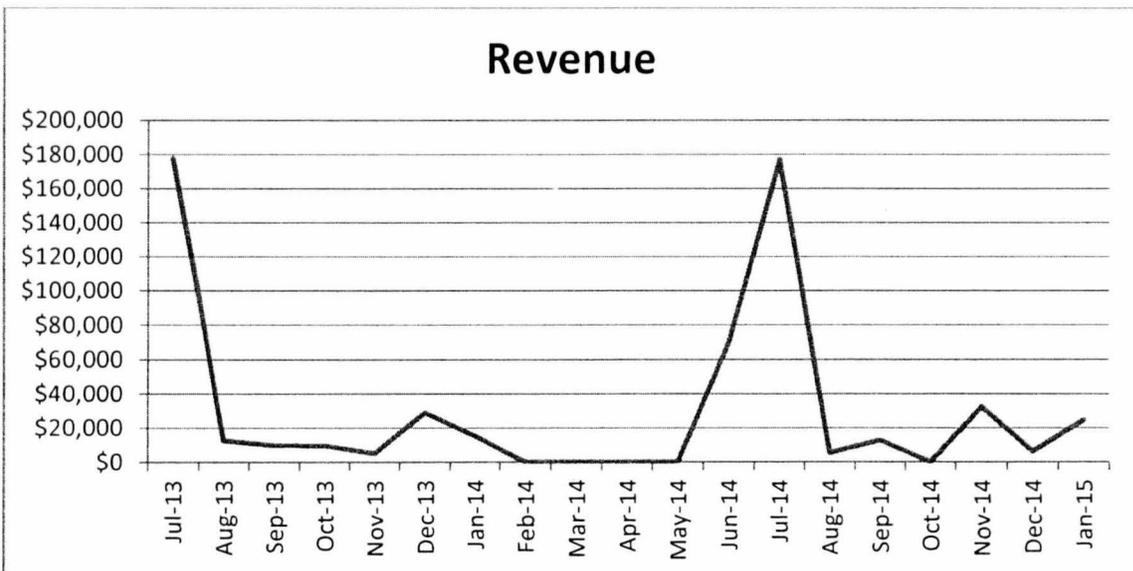


Summary

- From June 30, 2011 to June 30, 2013, the general fund revenue increased by \$3,294,673 or 38.0%
- From June 30, 2009 to June 30, 2011, the general fund revenue increased by \$1,097,317 or 14.8%
- Combined increase from June 30, 2009 to June 30, 2013 was \$4,341,990 or 58.4%

Secretary of State
Special Fund Revenue Chart

2013/2015 Biennium – Special Fund Revenue					
January 31, 2015 -21% Biennium Remaining					
	Revenue	Monthly Average Revenue Per Budget	Monthly Accumulative Revenue Total	Accumulative Monthly Budget	(Under) Over Budget
		\$ 695,107			
Jul-13	\$ 177,770	\$ 28,963	\$ 177,770	\$ 29,221	\$ 148,549
Aug-13	\$ 12,580	\$ 28,963	\$ 190,350	\$ 58,442	\$ 131,908
Sep-13	\$ 9,861	\$ 28,963	\$ 200,211	\$ 87,663	\$ 112,548
Oct-13	\$ 9,721	\$ 28,963	\$ 209,932	\$ 116,884	\$ 93,048
Nov-13	\$ 5,219	\$ 28,963	\$ 215,151	\$ 146,105	\$ 69,046
Dec-13	\$ 29,051	\$ 28,963	\$ 244,202	\$ 175,326	\$ 68,876
Jan-14	\$ 15,299	\$ 28,963	\$ 259,500	\$ 204,546	\$ 54,954
Feb-14	\$ 0	\$ 28,963	\$ 259,500	\$ 233,767	\$ 25,733
Mar-14	\$ 0	\$ 28,963	\$ 259,500	\$ 262,988	\$ (3,488)
Apr-14	\$ 0	\$ 28,963	\$ 259,500	\$ 292,209	\$ (32,709)
May-14	\$ 0	\$ 28,963	\$ 259,500	\$ 321,430	\$ (61,930)
Jun-14	\$ 69,949	\$ 28,963	\$ 329,450	\$ 350,651	\$ (21,201)
Jul-14	\$ 177,080	\$ 28,963	\$ 506,530	\$ 379,872	\$ 126,658
Aug-14	\$ 5,286	\$ 28,963	\$ 511,815	\$ 409,093	\$ 102,722
Sep-14	\$ 12,818	\$ 28,963	\$ 524,633	\$ 438,314	\$ 86,319
Oct-14	\$ 0	\$ 28,963	\$ 524,633	\$ 438,314	\$ 57,098
Nov-14	\$ 32,415	\$ 28,963	\$ 557,047	\$ 496,756	\$ 60,292
Dec-14	\$ 6,231	\$ 28,963	\$ 563,278	\$ 525,977	\$ 37,301
Jan-15	\$ 24,674	\$ 28,963	\$ 587,952	\$ 555,197	\$ 32,754





SECRETARY OF STATE
STATE OF NORTH DAKOTA
600 EAST BOULEVARD AVENUE DEPT 108
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PROGRAM STATISTICAL DATA

History of Revenue and Expenditures for the past seven budget cycles

Revenue

1999/2001 – \$ 5,953,504 (general \$5,555,610 – special \$333,036) plus 21.2% over previous biennium

2001/2003 – \$ 6,277,698 (general \$5,869,160 – special \$371,868) plus 5.5%

2003/2005 – \$ 6,716,245 (general \$6,289,108 – special \$401,305) plus 7.0%

2005/2007 – \$ 7,289,015 (general \$6,815,185 – special \$454,445) plus 8.5%

2007/2009 – \$ 7,949,077 (general \$7,432,582 – special \$516,495) plus 9.1%

2009/2011 – \$ 9,058,760 (general \$8,543,052 – special \$515,708) plus 14.0%

2011/2013 – \$ 12,376,388 (general \$11,744,573 – special \$601,815) plus 36.0%

2013/2015 – estimated

\$ 11,701,302 (general \$11,000,000 – special \$701,302)

Expenditures

1999/2001 – \$ 3,545,065 plus 24.8% over previous biennium (see note # 1)

2001/2003 – \$ 3,961,253 plus 11.7% (see note # 2)

2003/2005 – \$ 4,146,332 plus 4.7%

2005/2007 – \$ 4,536,178 plus 9.4% (see note # 3)

2007/2009 – \$5,666,247 plus 24.9% (see note #4)

2009/2011 – \$6,168,973 plus 8.9% (see note #5)

2011/2013 – \$8,383,125 plus 35.9% (see note #6)

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.

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.

Note # 5: The expenditures included a one-time amount of \$702,000 for migration of database (One time funding was \$780,000 total, we requested \$78,000 in carryover to 2011-2013 biennium)

Note #6: The expenditures included one-time amounts of \$3,500,000 for migration of database and \$43,039 for online public meeting system. In addition, one-time funding carryover of \$78,000 for migration of database was approved. (agency requested \$1,351,035 in carryover to 2013-2015 for migration of database)

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

PROGRAM STATISTICAL DATA

Demand for Services

The demand for the agency's services has grown steadily during the period beginning June 30, 1995, and ending June 30, 2014. This is in direct relationship to the net increase in filings and registrations as listed below.

	June 30, 1995	June 30, 2014	Percentage Increase/decrease
Contractors	4,701	12,009	+155%
Charitable Solicitation	559	3,101	+455%
Notary Publics	10,419	14,796	+38%
ND For-profit corporations	10,734	13,796	+29%
ND Cooperatives	434	273	-37%
ND Professional corporation	552	975	+77%
Foreign For-profit corporations	7,307	16,672	+128%
Foreign cooperatives	45	72	+60%
Limited Liability Companies (all)	441	27,333	+3098%
Limited Liability partnerships (all)	13	3,341	+25600%
Limited Partnerships (all)	864	1,676	+94%
Limited Liability Limited Partnerships	0	1,124	+1124%
Partnership Fictitious Names	1,362	2,039	+50%
Trademarks	1,286	1,488	+16%
Trade names	3,565	28,620	+703%
ND non-profit corporations *	0	7,672	+7672%
Foreign non-profit corporations *	0	2,883	+2883%
Total	42,282	137,426	+225%

*Prior to 1997, non-profit corporations were not required to file an annual corporate report. Therefore, the agency is processing an additional 10,555 filings that it did not process seventeen years ago.

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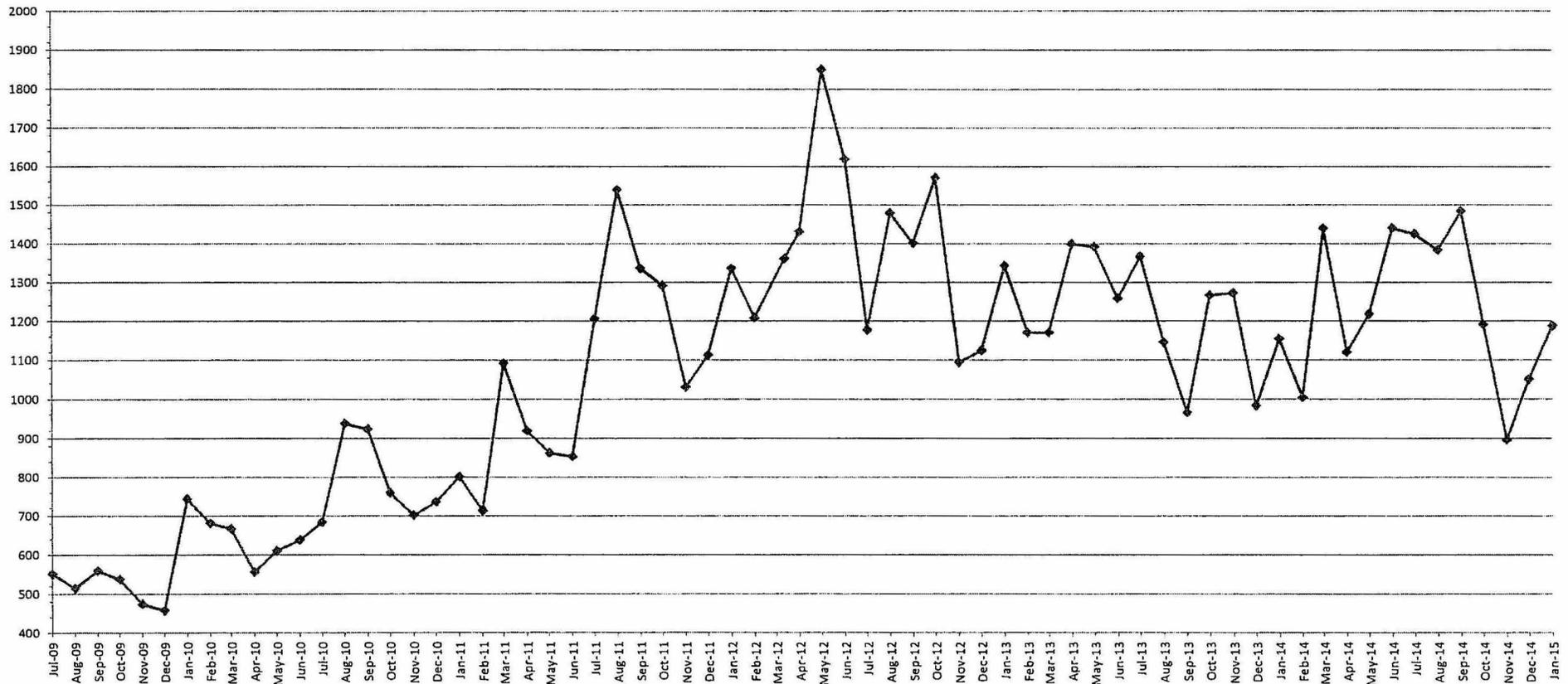
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PROGRAM STATISTICAL DATA

JULY 2009 THROUGH JANUARY 31, 2015

One of the more significant statistics in the information of the following pages is related to Limited Liability Companies. On June 30, 2010, the Secretary of State's office had 12,524 Limited Liability Companies registered. As of January 31, 2015, there were 30,783 registered. That is 18,259 more registrations in approximately four and one-half years, or 246% of the number registered four and one-half years ago at an average of approximately 332 new filings a month.

Secretary of State - # of New Filings per Month



	January	February	March	April	May	June	July	August	September	October	November	December
2009	N/A	N/A	N/A	N/A	N/A	N/A	551	514	559	537	474	457
2010	744	681	667	555	610	638	683	937	923	759	701	736
2011	801	713	1092	919	862	853	1206	1539	1336	1291	1030	1113
2012	1336	1208	1361	1431	1851	1619	1177	1479	1401	1571	1094	1124
2013	1343	1170	1170	1399	1392	1258	1367	1145	965	1266	1272	982
2014	1154	1004	1439	1120	1218	1440	1425	1383	1483	1191	896	1050
2015	1187											

State of North Dakota - Secretary of State - Business Registrations - July 1, 2013 through June 30, 2014

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total Active end of 6/30/2013	Total Active end of 6/30/2014*	Increase (decrease)	Percentage Versus Previous Year as of 6/30/2013
Monthly New Registrations																
Business Corporations	61	52	63	81	70	58	98	69	81	51	54	96	13,783	13,796	13	0.1%
Limited Liability Companies	369	282	299	342	361	307	348	269	409	307	347	413	15,723	17,877	2,154	13.7%
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	1	0	0	1	1	0	0	0	0	0	0	2	276	273	-3	-1.1%
Farm Corporations	2	1	0	3	1	7	5	1	6	0	0	0	794	812	18	2.3%
Farm Limited Liability Companies	3	0	1	2	0	1	5	12	7	8	7	2	263	304	41	15.6%
Professional Corporations	2	3	2	3	1	1	8	5	3	2	2	2	983	975	-8	-0.8%
Professional Limited Liability Co	6	6	4	3	4	4	3	3	3	3	3	11	208	251	43	20.7%
Foreign Corporations	172	166	98	139	137	95	111	114	165	112	135	181	16,483	16,672	189	1.1%
Foreign Professional Corporations	6	6	4	7	2	0	6	4	4	4	6	2	301	335	34	11.3%
Foreign Limited Liability Companies	164	158	117	173	165	142	122	109	170	159	136	192	8,077	8,886	809	10.0%
Foreign Coops	0	0	0	1	1	0	0	0	0	0	0	0	72	72	0	0.0%
Limited Partnerships	12	27	4	6	7	8	5	6	15	16	20	28	1,690	1,676	-14	-0.8%
Limited Liability Partnerships	34	31	19	24	36	19	32	19	25	27	23	37	3,219	3,341	122	3.8%
Limited Liability Limited Partnerships	15	9	6	10	17	11	15	12	10	10	13	11	1,017	1,124	107	10.5%
Church/Nonprofit Corporations/Certified NP Development Corps	19	21	19	27	48	35	36	25	25	18	22	38	7,589	7,672	83	1.1%
Foreign Nonprofit Corporations	34	31	15	29	30	16	21	19	30	18	22	26	2,737	2,883	146	5.3%
Nonprofit LLC	0	0	0	0	0	1	0	1	1	1	1	0	15	15	0	0.0%
Foreign Nonprofit LLC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	#DIV/0!
Trade Names	421	316	293	387	355	239	297	304	430	354	404	355	26,851	28,620	1,769	6.6%
Trademarks	13	10	4	14	10	16	17	9	18	8	2	8	1,460	1,488	28	1.9%
Partnerships Fictitious Names	33	26	17	14	26	22	25	23	37	22	21	36	1,945	2,039	94	4.8%
Total New Filings/Month	1,367	1,145	965	1,266	1,272	982	1,154	1,004	1,439	1,120	1,218	1,440	103,486	109,111	5,625	5.4%
<p>*During the course of the year, entities are dissolved, withdrawn, cancelled, converted to an alternate entity, or merged out of existence. Therefore, this column represents the</p>																

State of North Dakota - Secretary of State - Business Registrations - July 1, 2013 through June 30, 2014

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total Active end of 6/30/2013	Total Active end of 4/30/2014*	Increase (decrease)	Percentage Versus Previous Year as of 6/30/2013
Monthly New Registrations																
Business Corporations	61	52	63	81	70	58	98	69	81	51			13,783	13,663	-120	-0.9%
Limited Liability Companies	369	282	299	342	361	307	348	269	409	307			15,723	18,840	3,117	19.8%
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	1	0	0	1	1	0	0	0	0	0			276	274	-2	-0.7%
Farm Corporations	2	1	0	3	1	7	5	1	6	0			794	810	16	2.0%
Farm Limited Liability Companies	3	0	1	2	0	1	5	12	7	8			263	297	34	12.9%
Professional Corporations	2	3	2	3	1	1	8	5	3	2			983	971	-12	-1.2%
Professional Limited Liability Co	6	6	4	3	4	4	3	3	3	3			208	246	38	18.3%
Foreign Corporations	172	166	98	139	137	95	111	114	165	112			16,483	17,307	824	5.0%
Foreign Professional Corporations	6	6	4	7	2	0	6	4	4	4			301	330	29	9.6%
Foreign Limited Liability Companies	164	158	117	173	165	142	122	109	170	159			8,077	9,274	1,197	14.8%
Foreign Coops	0	0	0	1	1	0	0	0	0	0			72	72	0	0.0%
Limited Partnerships	12	27	4	6	7	8	5	6	15	16			1,690	1,644	-46	-2.7%
Limited Liability Partnerships	34	31	19	24	36	19	32	19	25	27			3,219	3,283	64	2.0%
Limited Liability Limited Partnerships	15	9	6	10	17	11	15	12	10	10			1,017	1,002	-15	-1.5%
Church/Nonprofit Corporations/Certified NP Development Corps	19	21	19	27	48	35	36	25	25	18			7,589	7,614	25	0.3%
Foreign Nonprofit Corporations	34	31	15	29	30	16	21	19	30	18			2,737	2,840	103	3.8%
Nonprofit LLC	0	0	0	0	0	1	0	1	1	1			15	14	-1	-6.7%
Foreign Nonprofit LLC	0	0	0	0	0	0	0	0	0	0			0	0	0	#DIV/0!
Trade Names	421	316	293	387	355	239	297	304	430	354			26,851	28,240	1,389	5.2%
Trademarks	13	10	4	14	10	16	17	9	18	8			1,460	1,488	28	1.9%
Partnerships Fictitious Names	33	26	17	14	26	22	25	23	37	22			1,945	2,026	81	4.2%
Total New Filings/Month	1,367	1,145	965	1,266	1,272	982	1,154	1,004	1,439	1,120			103,486	110,235	6,749	6.5%
<p>*During the course of the year, entities are dissolved, withdrawn, cancelled, converted to an alternate entity, or merged out of existence. Therefore, this column represents the</p>																

State of North Dakota - Secretary of State - Business Registrations - July 1, 2012 through June 30, 2013

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	3/1/2012	Apr-13	May-13	Jun-13	Total Active end of 6/30/2012	Total Active end of 06/30/2013*	Increase (decrease)	Percentage Versus Previous Year as of 10/31/2012
Monthly New Registrations																
Business Corporations	79	80	80	82	66	64	107	66	78	88	64	64	13,661	13,783	122	0.9%
Limited Liability Companies	313	385	345	435	271	348	380	339	331	386	377	323	12,853	15,723	2,870	22.3%
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	0	0	0	0	0	0	0	0	0	0	0	0	286	276	-10	-3.5%
Farm Corporations	0	1	2	4	0	11	14	5	2	1	3	5	753	794	41	5.4%
Farm Limited Liability Companies	2	3	0	3	6	13	6	6	4	11	12	3	203	263	60	29.6%
Professional Corporations	3	3	5	2	2	7	12	4	3	2	0	4	993	983	-10	-1.0%
Professional Limited Liability Co	1	5	5	9	2	4	6	3	3	2	4	3	167	208	41	24.6%
Foreign Corporations	198	238	191	193	134	131	157	167	148	155	208	170	15,737	16,483	746	4.7%
Foreign Professional Corporations	5	10	9	9	4	6	6	8	4	11	2	4	232	301	69	29.7%
Foreign Limited Liability Companies	180	193	192	188	143	130	144	132	121	149	149	172	6,934	8,077	1,143	16.5%
Foreign Coops	0	1	0	0	0	0	0	0	0	0	1	0	73	72	-1	-1.4%
Limited Partnerships	10	10	12	8	16	13	6	10	20	32	16	23	1,609	1,690	81	5.0%
Limited Liability Partnerships	35	38	38	36	28	39	29	33	27	24	32	26	3,021	3,219	198	6.6%
Limited Liability Limited Partnerships	6	16	15	20	27	33	26	10	14	10	11	16	850	1,017	167	19.6%
Church/Nonprofit Corporations/Certified NP Development Corps	20	20	25	30	26	21	20	21	16	21	37	25	7,502	7,589	87	1.2%
Foreign Nonprofit Corporations	27	26	39	32	31	25	30	21	19	27	34	19	2,514	2,737	223	8.9%
Nonprofit LLC	1	1	0	0	2	0	0	1	0	0	1	1	8	15	7	87.5%
Foreign Nonprofit LLC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	#DIV/0!
Trade Names	274	411	414	487	306	259	368	312	353	428	408	367	24,932	26,851	45	0.2%
Trademarks	4	11	10	6	10	4	11	8	2	7	8	5	1,450	1,460	10	0.7%
Partnerships Fictitious Names	19	27	19	27	20	16	21	24	25	45	25	28	1,871	1,945	74	4.0%
Total New Filings/Month	1,177	1,479	1,401	1,571	1,094	1,124	1,343	1,170	1,170	1,399	1,392	1,258	95,649	103,486	7,837	8.2%
													*During the course of the year, entities are dissolved, withdrawn, cancelled, converted to an alternate entity, or merged out of existence. Therefore, this column represents the			

State of North Dakota - Secretary of State - Business Registrations - July 1, 2009 through June 30, 2010																		
	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total Active end of 6/30/2009	Total Active end of 6/30/2010*	Increase (decrease)	Percentage Versus Previous Year		
Monthly New Registrations																		
Business Corporations	44	41	56	51	46	49	85	49	71	31	47	75	13,283	13,253	(30)	-0.23%		
Limited Liability Companies	137	113	139	139	119	114	191	155	167	122	166	145	6,818	7,851	1,033	15.15%		
Coops/Electric Coops/Mutual Aid Coops/Grazing Assns	0	0	0	0	0	0	0	0	0	0	0	3	318	305	(13)	-4.09%		
Farm Corporations	1	0	1	3	0	1	3	2	2	0	1	3	712	739	27	3.79%		
Farm Limited Liability Companies	7	2	0	0	3	2	4	9	6	3	1	3	131	165	34	25.95%		
Professional Corporations	3	2	2	3	2	5	10	2	3	3	2	2	945	945	0	0.00%		
Professional Limited Liability Co	1	1	1	1	1	2	3	1	0	1	1	1	98	107	9	9.18%		
Foreign Corporations	117	128	119	141	161	114	148	165	138	128	145	200	11,815	13,206	1,391	11.77%		
Foreign Professional Corporations		1	1	3	1	1	0	0	0	0	3	1	124	128	4	3.23%		
Foreign Limited Liability Companies	59	67	68	64	63	40	84	90	87	69	83	111	3,917	4,401	484	12.36%		
Foreign Coops	0	0	1	1	0	0	1	0	0	0	0	0	75	75	0	0.00%		
Limited Partnerships	10	6	6	1	7	8	13	18	8	6	11	11	1,580	1,576	(4)	-0.25%		
Limited Liability Partnerships	26	19	20	16	24	29	20	33	21	21	19	18	2,648	2,675	27	1.02%		
Limited Liability Limited Partnerships	3	7	4	2	9	4	14	7	8	5	5	7	672	675	3	0.45%		
Church/Nonprofit Corporations/Certified NP Development Corps	17	22	20	14	22	21	14	24	19	11	16	24	7,286	7,331	45	0.62%		
Foreign Nonprofit Corporations	27	28	25	20	30	14	16	22	17	8	17	28	2,005	2,125	120	5.99%		
Trade Names	234	234	231	229	181	186	293	287	266	270	248	246	20,797	21,503	706	3.39%		
Trademarks	11	9	7	16	10	2	8	14	5	3	5	5	1,505	1,471	(34)	-2.26%		
Partnerships Fictitious Names	23	14	23	11	11	17	22	25	31	24	20	16	1,774	1,768	(6)	-0.34%		
New Filings/Month	720	694	724	715	690	609	929	903	849	705	790	899	76,503	80,299	3,796	4.96%		
State of North Dakota - Secretary of State - Business Registrations - July 1, 2010 through June 30, 2011																		
	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total Active end of 6/30/2010	Total Active end of 6/30/2011*	Increase (decrease)	Percentage Versus Previous Year	Increase (decrease) over Biennium	Percentage Versus Previous Biennium
Monthly New Registrations																		
Business Corporations	62	170	64	62	48	79	111	66	72	102	91	63	13,253	13,330	77	0.58%	47	0.35%
Limited Liability Companies	159	204	206	207	168	227	253	173	279	257	228	228	7,851	9,732	1881	23.96%	2,914	42.74%
Coops/Electric Coops/Mutual Aid Coops/Grazing Assns	0	0	0	0	0	0	0	0	1	1	0	1	305	292	(13)	-4.26%	(26)	-8.18%
Farm Corporations	2	1	2	1	1	5	7	4	4	0	1	0	739	756	17	2.30%	44	6.18%
Farm Limited Liability Companies	5	4	4	2	1	1	6	2	3	7	0	1	165	190	25	15.15%	59	45.04%
Professional Corporations	4	4	5	6	6	7	7	5	5	1	3	10	945	971	26	2.75%	26	2.75%
Professional Limited Liability Co	2	3	8	3	4	1	6	2	5	0	2	0	107	138	31	28.97%	40	40.82%
Foreign Corporations	156	179	186	164	141	113	114	99	167	169	195	172	13,206	14,072	866	6.56%	2,257	19.10%
Foreign Professional Corporations	1	3	4	5	4	4	2	2	8	4	1	6	128	166	38	29.69%	42	33.87%
Foreign Limited Liability Companies	103	91	123	89	82	88	77	92	129	107	153	162	4,401	5,288	887	20.15%	1,371	35.00%
Foreign Coops	0	0	0	1	0	0	0	0	0	0	0	1	75	73	(2)	-2.67%	(2)	-2.67%
Limited Partnerships	8	13	5	9	4	8	9	16	47	17	7	14	1,576	1,602	26	1.65%	22	1.39%
Limited Liability Partnerships	28	36	26	32	22	26	27	26	65	23	30	26	2,675	2,874	199	7.44%	226	8.53%
Limited Liability Limited Partnerships	9	13	12	10	12	14	14	4	14	12	4	8	675	774	99	14.67%	102	15.18%
Church/Nonprofit Corporations/Certified NP Development Corps	23	16	30	22	20	14	23	15	33	29	24	13	7,331	7,432	101	1.38%	146	2.00%
Foreign Nonprofit Corporations	27	23	31	13	22	22	25	18	26	30	16	34	2,125	2,309	184	8.66%	304	15.16%
Trade Names	270	350	433	296	300	263	274	289	432	357	308	301	21,503	22,749	1246	5.79%	1,952	9.39%
Trademarks	16	9	12	13	8	4	0	16	10	15	6	13	1,471	1,458	(13)	-0.88%	(47)	-3.12%
Partnerships Fictitious Names	21	38	25	25	42	15	21	22	26	24	29	21	1,768	1,777	9	0.51%	3	0.17%
New Filings/Month	896	1,157	1,176	960	885	891	976	851	1,326	1,155	1,098	1,074	80,299	85,983	5,684	7.08%	9,480	12.39%

Chapter One

Constitutional, Statutory, and Legislative Authority

The origin of the Secretary of State's office begins prior to North Dakota's admittance to the union as a state on November 2, 1889. On March 2, 1861, the Congress of the United States adopted The Organic Law, which established the Territory of Dakota. Section three of that law prescribed there would be a secretary of the territory. The term of office was four years, unless sooner removed by the President of the United States. The duties of the secretary were to record and preserve all the laws and proceedings of the legislative assembly, the acts and proceedings of the Governor, and many other duties, which are very similar to those mandated in present day law to the Secretary of State.

The office, as known today, was established in Article V, Section 12, of the Constitution of North Dakota when the state's citizens adopted it on October 1, 1889. In that election, 35,548 electors cast their ballot, with 27,441 voters (77%) voting in favor of its adoption and 8,107 voters (23%) opposed.

Presently, the office of Secretary of State is authorized in Article V, Section 2, of the North Dakota Constitution (as amended by the voters June 11, 1996, and as amended by the voters June 13, 2000). The duties of the Secretary of State are defined in various parts of the state's constitution, in numerous state statutes, and within the agency's administrative rules.

In the state's constitution, the duties of the Secretary of State appear in Article III, related to the initiative and referral powers of the people; Article IV, Section 12, related to selecting the elected person by a toss of a coin if two or more legislative candidates have an equal and highest number of votes; Article IV, Section 13, related to the filing of legislative bills; Article V, Section 5, related to the term of office for the Secretary of State; Article V, Section 11, related to succession in the event of a vacancy in the office of Governor and Lieutenant Governor; Article IX, Section 3, related to membership on the Board of University and School Lands; and Article X, Section 17, related to the certificates regarding bonds or evidence of indebtedness on the part of the state.

In the North Dakota Century Code (state law), the general duties of the Secretary of State are established in Chapter 54-09; in Title 10 as they pertain to various business structures, e.g., registered agents, corporate and limited liability company farming, electric cooperative corporations, cooperative associations, business corporations, development corporations, venture capital corporations, community development corporations, professional organizations, limited liability companies, nonprofit corporations, real estate investment trusts, and publicly traded corporations; in Title 16.1 as they relate to elections; in Title 35 as they relate to liens, e.g., agister's, agricultural processor's, and agricultural supplier's; in Title 41 as they relate to the uniform commercial code; in Chapter 43-07 related to contractors; in Chapter 43-54 related to home inspectors; in Chapter 43-55 related to professional employer organizations; in Title 45 as they pertain to general partnerships, limited partnerships, limited liability partnerships, and limited liability limited partnerships; in Chapter 50-22 related to charitable solicitation; in Chapter 53-01 related to commissioner of combative sports, i.e., boxing and mixed fighting styles; in Chapter 54-02-01 related to the state's Great Seal; in Chapter 54-05.1 related to lobbying of the legislature and Governor; and in various other sections related to miscellaneous duties.

Under both the provisions of the Constitution and the North Dakota Century Code, the Secretary of State serves on the following boards, commissions, and advisory committees:

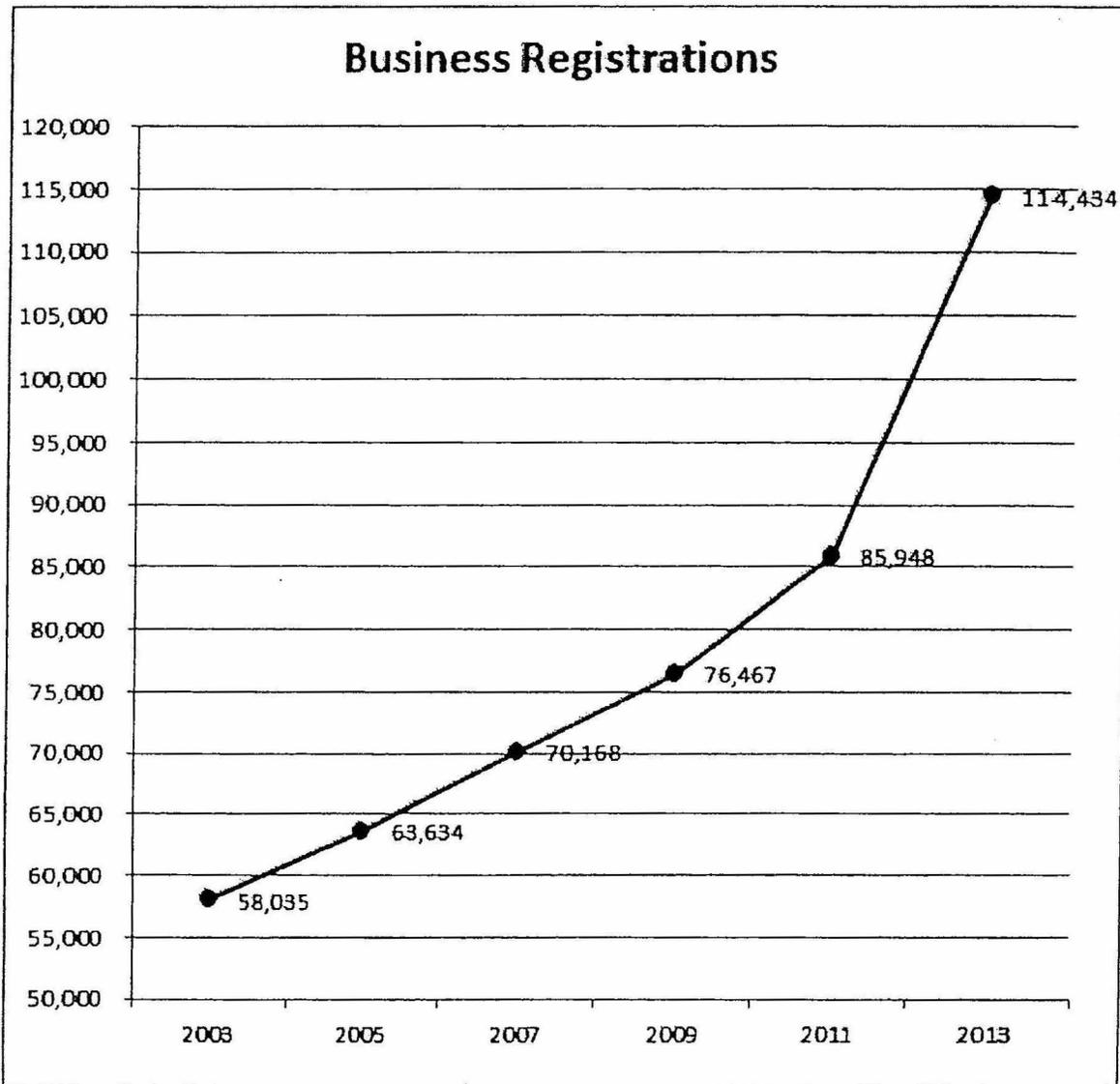
Board of University and School Lands (North Dakota Constitution, Article IX, Section 3)

Emergency Commission (also serves as secretary of the commission) (N.D.C.C. § 54-16-01)

State Historical Board (N.D.C.C. § 55-01-01)

State Canvassing Board (N.D.C.C. § 16.1-15-33)

Theodore Roosevelt Rough Rider Award (N.D.C.C. § 54-02-07)



Summary

- From June 30, 2011 to June 30, 2013, business registrations increased by 28,486 or 33.1%
- From June 30, 2009 to June 30, 2011, business registrations increased by 9,481 or 12.4%
- Combined increase from June 30, 2009 to June 30, 2013 was 37,967 or 44.0%

Business Registrations

	<u>2003</u>	<u>2005</u>	<u>2007</u>	<u>2009</u>	<u>2011</u>	<u>2013</u>
Domestic Churches	1,419	1,388	1,372	1,361	1,356	1,435
Domestic Cooperatives	376	354	325	318	261	399
Domestic Credit Unions	40	39	36	34	29	26
Domestic Farm	665	688	703	712	756	837
Domestic Farm LLC	60	76	94	131	190	270
Domestic For Profit Corporations	12,284	12,849	13,211	13,283	13,330	13,785
Domestic LLC*	2,220	3,362	4,833	6,818	9,732	16,783
Domestic LLP	1,416	1,767	2,092	2,536	2,764	3,097
Domestic Nonprofit Corporations	5,610	5,721	5,795	5,925	6,072	6,297
Domestic Professional Corporations	756	825	876	945	971	1,169
Domestic Professional LLC	19	35	65	98	138	221
Domestic Professional LLP	20	20	25	26	22	19
Domestic State Banks	89	84	82	79	77	75
Foreign Cooperatives	73	71	70	75	73	95
Foreign For Profit Corporations*	10,764	11,304	11,903	11,815	14,072	23,694
Foreign LLC*	1,497	2,049	2,975	3,917	5,311	10,010
Foreign LLP	49	42	44	22	76	94
Foreign Nonprofit Corporations	1,145	1,371	1,716	2,005	2,310	3,070
Foreign Professional LLC	4	9	10	25	33	81
Foreign Professional LLP	9	9	9	14	15	14
Limited Liability Limited Partnerships	309	384	452	672	774	1,017
Limited Partnerships	1,528	1,374	1,332	1,580	1,602	1,690
Partnership Fictitious Names	1,543	1,654	1,760	1,774	1,777	1,945
Trade Names	14,686	16,666	18,877	20,797	22,749	26,851
Trademarks	1,454	1,493	1,511	1,505	1,458	1,460
Business Registration/Information Totals:	58,035	63,634	70,168	76,467	85,948	114,434

*Summary of Notable Increases

Domestic LLC

- From June 30, 2011 to June 30, 2013, registrations increased by 7,051 or 72.5%
- From June 30, 2009 to June 30, 2011, registrations increased by 2,914 or 42.7%
- Combined increase from June 30, 2009 to June 30, 2013 increased by 9,965 or 146.2%

Foreign LLC

- From June 30, 2011 to June 30, 2013, registrations increased by 4,699 or 88.5%
- From June 30, 2009 to June 30, 2011, registrations increased by 1,394 or 35.5%
- Combined increase from June 30, 2009 to June 30, 2013 increased by 6,093 or 155.6%

Foreign For Profit Corporations

- From June 30, 2011 to June 30, 2013, registrations increased by 9,622 or 68.4%
- From June 30, 2009 to June 30, 2011, registrations increased by 2,257 or 19.1%
- Combined increase from June 30, 2009 to June 30, 2013 increased by 11,879 or 100.5%



Summary

- From June 30, 2011 to June 30, 2013, the number of contractors licensed increased by 2,877 or 32.6%
- From June 30, 2009 to June 30, 2011, the number of contractors licensed increased by 1,458 or 19.8%
- Combined increase from June 30, 2009 to June 30, 2013 was 4,335 or 58.9%

LEGACY AND BUDGET STABILIZATION FUNDS

Advisory Board Report

The Budget Section received reports from the Legacy and Budget Stabilization Fund Advisory Board regarding the development of investment policies for the legacy fund and budget stabilization fund pursuant to Section 21-10-11. Section 21-10-11 requires the advisory board to provide at least semiannual reports to the Budget Section regarding asset allocation and investment policies developed for the legacy fund and budget stabilization fund as well as recommendations presented to the State Investment Board regarding investment of funds in the legacy fund and budget stabilization fund. The market value of the legacy fund was \$2,455 million as of August 31, 2014. The market value of the budget stabilization fund as of August 31, 2014, was \$587.7 million. The advisory board reported assets had been held in 100 percent fixed income-type investments, and the advisory board revised the investment policy and recommended the following asset allocation mix for the legacy fund--30 percent broad US equity securities, 20 percent broad international equity securities, 35 percent fixed income assets, 5 percent core real estate, and 10 percent diversified real assets. The Budget Section learned the transition is to be completed in January 2015. The advisory board has not made any changes to the budget stabilization fund investment policy.

STATE TREASURER

Outstanding Warrants and Checks

The Budget Section received a report from the State Treasurer regarding warrants and checks outstanding for more than 90 days and less than three years pursuant to Section 54-11-01. Section 54-11-01 provides the State Treasurer report to the Budget Section, within 90 days of the beginning of each fiscal year, all warrants and checks outstanding for more than 90 days and less than three years. The State Treasurer provided reports to the Budget Section in September 2013 and September 2014. The Budget Section learned items reported may be the result of money which has not been received by the proper recipient or checks that have not been cashed. Annually, checks more than three years old are transferred to the Department of Trust Lands as unclaimed property.

The State Treasurer reported in September 2013 the number of checks outstanding increased by 13 percent from state fiscal year 2012 and a total of \$5.2 million in outstanding checks existed for fiscal years 2011, 2012, and 2013. The State Treasurer provided a listing of 2,440 outstanding checks which were sent to the Unclaimed Property Division of the Department of Trust Lands in October 2013 totaling \$386,297.

The State Treasurer reported as of September 2014, 14,237 checks totaling \$3.9 million were outstanding for fiscal years 2012, 2013, and 2014. The State Treasurer provided a listing of 2,344 outstanding checks to be sent to the Unclaimed Property Division of the Department of Trust Lands in October 2014, which total \$376,689.

SECRETARY OF STATE

Credit Card Usage and Fees

Pursuant to Section 7 of 2013 House Bill No. 1002, the Budget Section received semiannual reports on credit card usage rates and credit card fees paid by the Secretary of State. The Secretary of State reported in September 2013 that contractor licensing has increased by 97 percent in the past four years and collectability of fees has increased significantly since the office began accepting credit cards. The Secretary of State reported in September 2014 that while fees expended to date for the 2013-15 biennium are less than budgeted, the usage of credit cards is anticipated to increase significantly when the agency's new software system is deployed.

HOUSING FINANCE AGENCY

Flood-Impacted Housing Assistance

The 2013 Legislative Assembly appropriated, out of the state disaster relief fund, the sum of \$1.5 million to the Housing Finance Agency for the purpose of providing grants for flood-impacted housing assistance. Pursuant to Section 4 of 2013 House Bill No. 1016, the Budget Section received a report regarding the status of grants awarded for flood-impacted housing assistance. The Housing Finance Agency reported that initially \$1.5 million was awarded to the Minot Housing Authority. However, residents were relocated more rapidly than anticipated; therefore, the Minot Housing Authority reduced its request to \$20,000.

Housing Units Owned or Master Leased for Essential Service Workers

The 2013 Legislative Assembly appropriated \$15.4 million from the general fund to the housing incentive fund and provided an aggregate tax credit of \$20 million for the purpose of assisting developing communities to address an unmet housing need or alleviate a housing shortage. Pursuant to Section 54-17-40, the Budget Section received a report regarding an update on progress being made to reduce the overall number of housing units owned, master leased, or subsidized by cities, school districts, or other employers of essential service workers. In September 2013, the Housing Finance Agency reported 18 projects have been awarded approximately \$20.4 million from the housing incentive fund, and none of the projects reduce the number of existing housing units owned by political subdivisions, but the projects will help prevent the need for political subdivisions to create additional housing units. In December

ND Legislative Management Report - Budget Section

Comparison of Eligibles	Medicaid Eligibles		
	July 2013	June 2014	Variance
Under age 21	36,918	37,769	851
Over age 65 (aged)	7,815	7,828	13
Disabled	10,404	10,340	(64)
Adults	10,817	12,483	1,666
Medicaid Expansion		10,611	10,611
Total	65,954	79,031	13,077

- North Dakota Hospital Association - Information on the effectiveness of the program to assist hospitals verify personal and health insurance information of patients. The Budget Section learned of the \$700,000 grant provided for the program in 2013 House Bill No. 1015, expenditures to date total \$153,570 and the North Dakota Hospital Association entered an agreement with Emdeon Business Services, LLC, for a software program to provide hospitals with a source to verify personal data and health insurance data (September 2014).
- Department of Public Instruction - Information on the purpose and status of federal grant applications. The Department of Public Instruction provided information on three federal grant opportunities which would promote school and student safety and mental health (September 2014).
- Information Technology Department - Information regarding the Secretary of State's data processing system project. They reported that the Secretary of State's appropriation is not sufficient to complete the project and that ITD plans to borrow between \$850,000 and \$950,000 for the project to allow continued project development for the remainder of the 2013-15 biennium.

**AGENCY REQUESTS CONSIDERED
BY THE BUDGET SECTION**

Pursuant to Sections 54-16-04, 54-16-04.1, 54-16-04.2, 54-16-04.3, and 54-16-09, the Budget Section considered 24 agency requests that were authorized by the Emergency Commission. All requests were approved. Approved requests increased spending authority by \$47,326,725, made line item transfers of \$1,050,000, authorized expenditures from the state contingencies appropriation of \$152,500, and added 6.5 FTE positions. The following is a list of agency requests approved from June 18, 2013, through September 24, 2014:

Adjutant General

- June 18, 2013, to authorize the expenditure of \$13,903,595 from the state disaster relief fund for expenses associated with the 2009 flood disaster. To use a portion of the funding for volunteer disaster response coordination (\$400,000) and a disaster coordination contract (\$1,500,000).
- June 18, 2013, to continue the authorization to expend \$6,277,000 from the state disaster relief fund for flood relief, disaster mitigation assistance, and road grade raising grants to political subdivisions and to continue the authorization to expend \$6,238,000 from the state disaster relief fund for flood-impacted housing rehabilitation.
- June 18, 2013, to increase federal funds spending authority by \$4,493,625 from the Federal Emergency Management Agency (FEMA) relating to the 2013 Red River flood preparation activities. To expend \$400,000 during the 2011-13 biennium and to expend \$4,093,625 during the 2013-15 biennium.
- June 18, 2013, to increase federal funds spending authority by \$6,641,250 from FEMA and to accept and expend loan proceeds of \$914,375 from the Bank of North Dakota for disaster expenses related to the state receiving above normal precipitation during spring 2013. To expend \$397,500 of federal funds during the 2011-13 biennium and to expend \$6,243,750 of federal funds during the 2013-15 biennium. To expend \$132,500 of Bank funds during the 2011-13 biennium and to expend \$781,875 of Bank funds during the 2013-15 biennium.

Aeronautics Commission

- June 25, 2014, to transfer \$300,000 from the grants line item to the operating expenses line item to update the commission's economic impact aviation study.

Department of Agriculture

- June 25, 2014, to increase federal funds spending authority by \$400,000 in the grants line item. The funding is for the United States Department of Agriculture specialty crop block grant program, which promotes specialty crops in the state.

Attorney General

- September 25, 2013, to transfer \$200,000 from the operating expenses line item to the salaries and wages line item for temporary salary increases for employees impacted by energy development.

Medicare and Medicaid Services provides enhanced federal financial participation of 90 percent for the Medicaid requirements of the system, and the enhanced federal financial participation is available through December 31, 2015. As a result, DHS issued a request for proposal for additional project assistance in order to accelerate the project's schedule and maximize the availability of federal funds for the project.

Workforce Safety and Insurance - Information Technology Transformation Program Project

The committee received information from representatives of Workforce Safety and Insurance regarding the termination of the information technology transformation program project. The project began in 2007 to replace an existing claims and policy software system. Workforce Safety and Insurance began withholding payments to Aon plc in September 2011 when software tests indicated only 30 percent completion. The contract with Aon plc was not renewed in December 2012 after Aon plc failed to provide adequate evidence that the project could be completed. Lessons learned from the project included holding vendors responsible, requiring full-time onsite resources from the vendor, investing in workflow maps for business processes, and avoiding project solutions that require significant modifications to commercial off-the-shelf software. Workforce Safety and Insurance filed a lawsuit against Aon plc in March 2014 related to the project. The trial is scheduled to begin in the fall of 2016.

Secretary of State - Data Processing System Project

The committee learned the Secretary of State's data processing system project began in 2010, experienced project delays, and needed additional funding for the 2013-15 biennium. The delays and funding shortages were related to the agency's small staff with limited information technology expertise, the complexity of the agency's responsibilities, and the rapid economic growth in recent years. The project's revised budget of \$5.5 million is approximately \$2 million more than the original project budget of \$3.7 million. Pursuant to Section 54-59-05(4), ITD borrowed \$950,000 from the Bank of North Dakota at an interest rate of 1.75 percent. The \$950,000 that was borrowed is anticipated to be sufficient to continue work on the project for the remainder of the 2013-15 biennium. The project budget for the 2015-17 biennium is anticipated to include funding to repay the loan as well as the additional funding needed to complete the project. The project is anticipated to be completed in the 2015-17 biennium.

PRIORITIZATION OF PROPOSED MAJOR COMPUTER SOFTWARE PROJECTS

Section 54-59-02.1 requires the State Information Technology Advisory Committee to prioritize major computer software projects. The Chief Information Officer is to submit recommendations of the State Information Technology Advisory Committee regarding major computer software projects to the Information Technology Committee, OMB, and Appropriations Committees of the Legislative Assembly.

The committee received information from ITD regarding the prioritization of proposed major computer software projects for the 2015-17 biennium and learned executive branch agencies developed and internally prioritized information technology projects and submitted their information technology plans to the department. The Information Technology Department compiled the information technology projects over \$500,000 by funding source. State agencies self-scored the projects based on return on investment, customer service benefits, internal efficiency benefits, operational necessity, and project risk. The Information Technology Department presented the self-scoring to the State Information Technology Advisory Committee for the committee's prioritization.

The State Information Technology Advisory Committee met on September 24, 2014, and prioritized major executive branch computer software projects proposed for the 2015-17 biennium as follows:

General Fund Projects				
Rank	Project	Agency	Preliminary Project Budget	
			General Fund	Total Funds
1	DOCSTARS to Elite upgrade	Department of Corrections and Rehabilitation	\$1,100,000	\$1,100,000
2	Workforce software	Department of Corrections and Rehabilitation	618,136	618,136
	Total		\$1,178,136	\$1,718,136

INFORMATION TECHNOLOGY DEPARTMENT COORDINATION OF SERVICES

Section 54-59-12 provides for the review and coordination of information technology between ITD, higher education, and political subdivisions. In addition, Sections 15-10-44 and 54-35-15.2 provide that the Information Technology Committee receive information from the State Board of Higher Education regarding higher education information technology planning, services, and major projects. Pursuant to these directives, the committee received information from representatives of higher education, elementary and secondary education, and political subdivisions regarding information technology activities.

Highway Patrol - Electronic Permitting Project

Ms. Carrie Oswald, Information Technology Manager, Highway Patrol, presented information ([Appendix L](#)) regarding a project closeout report for an electronic permitting project. She said the project met or exceeded all of the objectives and was 29 percent under budget. She said the system was implemented in June 2013, and within four months of operation, 95 percent of all permits were obtained online. She said some of the lessons learned included using a request for information, having the vendor onsite for implementation, and providing more internal training to help users understand the software.

In response to a question from Representative Weisz regarding the purpose of a request for information, Ms. Oswald said the request for information may have provided the project managers with information about industry standards and best practices to help them make better decisions.

Secretary of State - Data Processing System Project

Mr. Alvin A. Jaeger, Secretary of State, presented information ([Appendix M](#)) regarding the status of the agency's data processing system project. He said the project began in 2010 and is currently behind schedule and in need of additional funding. He said the three contributing factors to the current situation include a small staff with minimal information technology expertise, the complexity of the agency's responsibilities, and the rapid economic growth in the past few years. He said the project is essential and involves transferring over 300,000 records from the mainframe to a new system.

Mr. Ressler presented information ([Appendix N](#)) regarding the status of the Secretary of State's data processing system project. He said the Information Technology Department anticipates borrowing between \$850,000 and \$950,000 pursuant to North Dakota Century Code Section 54-59-05(4) to continue the project through the biennium. He said additional funding for the project will be requested from the 2015 Legislative Assembly. He said the original project plan did not include certain costs such as training costs, and the plan underestimated the complexity of some of the components. He said the Information Technology Department may implement business analysis when planning multiyear, multimillion dollar projects and may take extra time to plan the project before starting development. He said a business analysis may provide better cost and time estimates for future projects.

Senator Robinson said it appears the lessons learned from this project include the effects of rapidly changing technology and price changes, the timing delay between budgeting and development, the lack of understanding between agencies, and the limited resources of the Information Technology Department.

In response to a question from Representative Weisz, Mr. Ressler said the original estimated cost of the project was approximately \$4 million, and the revised estimated cost of the project may be approximately \$8 million.

HIGHER EDUCATION TECHNOLOGY INITIATIVES

Dr. Lisa Feldner, Vice Chancellor, Information Technology and Institutional Research, North Dakota University System, presented information ([Appendix O](#)) regarding higher education information technology projects and the status of the consolidation of the University System's information technology services. She said the new information technology office and data center building was dedicated on November 22, 2013. She said the North Dakota University System System Information Technology Services was renamed the North Dakota University System Core Technology Services. She said 101 technology staff are located in the new building.

In response to a question from Representative Streyle, Dr. Feldner said three campuses currently have their own email exchange servers, which are in the process of being consolidated.

Dr. Feldner said the use of lecture capture software on a systemwide basis has increased significantly. She said new multiple-license software contracts will create cost-savings for all campuses. She said a top priority for future projects is better project management on a systemwide basis.

Mr. Murray G. Sagsveen, Chief of Staff and Director of Legal Services, North Dakota University System, presented information ([Appendix P](#)) regarding an overview of the University System's policies and procedures relating to open records and email accounts. He said the State Board of Higher Education and the University System has not adopted a separate policy to implement open records laws. He said the University System relies on current open records laws, the Attorney General's *Open Records Manual*, and Attorney General opinions.

In response to a question from Representative Streyle regarding the consolidation of attorneys, Mr. Sagsveen said the functions and the responsibilities of the attorneys have been consolidated to serve the University System as a whole, but the attorneys will not be consolidated into one location.

Business Analysis

- The practice of enabling change in an organizational context, by defining needs and recommending solutions that deliver value to stakeholders.
- Disciplined approach for introducing and managing change to organizations.
 - it is a structured way of recognizing, formalizing and implementing change
- Used to identify and articulate the need for change in how organizations work, and to facilitate that change.

Process

- Complete prior to budget request / cost estimating / RFP
- Business Analysis used to document
 - Business requirements
 - Business processes
 - Business needs, issues, and goals
 - Business process improvements
- Stakeholders better understand the business processes

Benefits

- Validate / verify that business needs are met to ensure agencies get what they need, not just what they want
- Better understanding of an agency business to assist in strategic planning
- Identifying business changes / improvements within a state agency
- Ensuring changes to the business are implemented effectively and efficiently
- Better process for identifying and managing business requirements
- Improve accuracy of budget estimate and schedule



SECRETARY OF STATE
STATE OF NORTH DAKOTA
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**Time Line for Technology Project - Secretary of State
Through February 2015**

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. CCIS projects completion of Central Indexing module by September 2011 and Business Services by June 2015
39. November 2010 – ITD provided timeline and budget estimate to continue work on project

2011

40. Spring 2011 – 2011 Legislative Assembly approves \$3,500,000 for continuation of project with ITD
41. May 2011 – December 2011 – SOS and ITD began gathering and writing requirements
42. June 2011 – CCIS, ITD and SOS sign amended contract
43. August 2011 – Carryover of \$105,526 approved for the project

2012

44. March 2012 – Project close-out report and post implementation for CCIS project completed
45. June 2012 – Project renamed File 2.0
46. August 2012 – ITD began showing SOS prototype pages for File 2.0
47. November 2012 – CCIS developers provided to ITD released by ITD
48. December 2012 – Beverley Maitland announces retirement. GAP analysis began being performed on cGov360.

2013

49. February 2013 – Aaron Kielhack replaced Beverly Maitland as project manager
50. May 2013 – SOS team began initial testing of File 2.0
51. August 2013 – Carryover of \$1,351,035 approved for the project
52. September 2013 – SOS team is still unable to complete testing on even one of the 350 filings
53. October 2013 – Ravi Venkat (Ajay), the most reliable developer, announced he is leaving ITD
54. November 2013 – Project team paused project work and met to redefine phase 1

2014

55. January 2014 – BPro began work on Campaign Finance
56. March 2014 – ESC approved motion to adopt new budget and schedule as new baseline
57. June 2014 – Re-baseline of File 2.0 approved. Re-baseline moved Phase 1 from June 2013 to April 2015, Phase 2 from August 2013 to September 2015, removed Phases 3 and 5 completely and Phase 4 completed by different vendor.
58. July 2014 – ITD secured a line of credit with BND for \$950,000
59. September 2014 – ESC voted to work on Central Indexing RFP
60. October 2014 – Issued RFP for Central Indexing portion of the project
61. November 2014 – ESC voted to pause all work on Phase 1 and 2A and procure a vendor to conduct Business Process Modeling (BPM).
62. December 2014 – Issued intent to award the Central Indexing RFP. Issued RFP for BPM.

2015

63. January 2015 – Signed contract for the Central Indexing system with PCC Technology Group, LLC.
64. February 2015 – Issued intent to award the Business Process Modeling RFP.



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ELECTION REFORM HISTORY Help America Vote Act (HAVA)

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

In 2004, the agency received \$4,150,000, which required a 5% state match. According to the State Plan, one-half share of the 5% was provided by the state and the other one-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 and 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% match. The 5% 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 was achieved when the Emergency Commission on March 4, 2010 authorized the amount of \$18,421 from state contingency fund to be used for this purpose.

In 2011, Congress appropriated an additional amount in the 2011 Requirements Payments under Section 251 of the Help America Vote Act, which resulted in North Dakota receiving an additional \$6,454 for the HAVA election fund. In order to secure it, the state was required to provide a 5% match. This was achieved using current appropriation in the State's election fund in the amount of \$340.

During the 2015-2017 biennium, it is estimated the state's federal election fund will be depleted. The remaining funds of approximately \$2,925,000 as of January 31, 2015, will be used to:

- 1) Fund the authorized FTE who is the manager of the Election Administration System
- 2) Fund the agreement with NDACo for two individuals to serve as the statewide HAVA coordinator and Central Voter File coordinator
- 3) Implement and maintain a new Central Voter File
- 4) Fund general activities to ensure the state meets the requirements of Title III

3/24/2015

1

Prepared by the Office of Management and Budget
March 20, 2015

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL 2002

Page 3, after line 3, insert:

"SECTION 4. EXEMPTION. The amounts appropriated to the Secretary of State in section 1, subdivision 2 of Engrossed Senate Bill 2023 of the sixty-fourth legislative assembly, are not subject to the provisions of section 54-44.1-11. Any unexpended funds from these appropriations are available for completing the central indexing computer project and the business process modeling services contract during the biennium beginning July 1, 2015, and ending June 30, 2017."

Page 3, after line 10, insert:

"SECTION 6. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Renumber accordingly

15.8135.02001
Title.

3/24/2015
Prepared by the Legislative Council staff for
Representative Beadle
March 9, 2015

2

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2002

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

Page 1, line 4, after "state" insert "; and to provide for a legislative management study"

Page 3, after line 10, insert:

"SECTION 5. LEGISLATIVE MANAGEMENT STUDY. During the 2015-16 interim, the legislative management shall consider studying the feasibility and desirability of the secretary of state's office utilizing software which would allow employees of the office to monitor and report billable hours in order to improve efficiency and productivity within the secretary of state's office."

Re-number accordingly

SB 2002
4-15-15 #1

Secretary of State - Budget No. 108
Senate Bill No. 2002
Base Level Funding Changes

	Senate Version				House Version				House Changes To Senate Version			
	FTE Position	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	28.00	\$6,043,495	\$5,844,417	\$11,887,912	28.00	\$6,043,495	\$5,844,417	\$11,887,912	0.00	\$0	\$0	\$0
2015-17 Ongoing Funding Changes												
Base payroll changes		\$61,063	(\$11,418)	\$49,645		\$61,063	(\$11,418)	\$49,645				\$0
Salary increase - Performance		164,625	4,970	169,595		164,625	4,970	169,595				0
Health insurance increase		142,486	4,317	146,803		117,644	3,565	121,209		(24,842)	(752)	(25,594)
Add funding for FTE positions provided as one-time during the 2013-15 biennium	3.00	310,451		310,451	3.00	310,451		310,451				0
Add funding for office assistant positions	3.00	287,389		287,389	3.00	287,389		287,389				0
Decrease Help America Vote Act funding			(2,436,696)	(2,436,696)			(2,436,696)	(2,436,696)				0
Increase overtime and operating expenses			299,359	299,359			0	0			(299,359)	(299,359)
General services operation fund carryover			75,000	75,000			75,000	75,000				0
Technology carryover			4,339	4,339			4,339	4,339				0
Add one-time funding				0				0				0
Total ongoing funding changes	6.00	\$966,014	(\$2,060,129)	(\$1,094,115)	6.00	\$941,172	(\$2,360,240)	(\$1,419,068)	0.00	(\$24,842)	(\$300,111)	(\$324,953)
One-time funding items												
Funding to complete software project started during the 2011-13 biennium		\$3,050,000		\$3,050,000		\$2,100,000		\$2,100,000		(\$950,000)		(\$950,000)
Total one-time funding changes	0.00	\$3,050,000	\$0	\$3,050,000	0.00	\$2,100,000	\$0	\$2,100,000	0.00	(\$950,000)	\$0	(\$950,000)
Total Changes to Base Level Funding	6.00	\$4,016,014	(\$2,060,129)	\$1,955,885	6.00	\$3,041,172	(\$2,360,240)	\$680,932	0.00	(\$974,842)	(\$300,111)	(\$1,274,953)
2015-17 Total Funding	34.00	\$10,059,509	\$3,784,288	\$13,843,797	34.00	\$9,084,667	\$3,484,177	\$12,568,844	0.00	(\$974,842)	(\$300,111)	(\$1,274,953)

Other Sections in Senate Bill No. 2002

	Senate Version	House Version
Exemption	Section 3 provides that any unobligated balance remaining in the Secretary of State's general services operating fund on June 30, 2015, is not subject to the provisions of North Dakota Century Code Section 54-09-08, and any unexpended funds are available and may be spent by the Secretary of State during the 2015-17 biennium for the database and processing platform migration project.	No change

1.1

	<u>Senate Version</u>	<u>House Version</u>
Exemption		Section 4 provides the amounts appropriated to the Secretary of State in subdivision 2 of section 1 of Engrossed Senate Bill 2023 of the Sixty-fourth Legislative Assembly, are not subject to the provisions of section 54-44.1-1-11 and any unexpended funds from these appropriations are available for completing the central indexing computer project and the business process modeling services contract during the biennium beginning July 1, 2015, and ending June 30, 2017.
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 \$99,698 to \$102,689, effective July 1, 2015, and to \$105,770, effective July 1, 2016, to reflect the 3 percent and 3 percent recommended salary increase.	Section 5 - No Change
Legislative Management Study - Software		Section 6 provides during the 2015-16 interim, the Legislative Management shall consider studying the feasibility and desirability of the Secretary of State's office utilizing software which would allow employees to monitor and report billable hours in order to improve efficiency and productivity within the Secretary of State's office.
Legislative Management Study - Elections		Section 7 provides during the 2015-16 interim, the Legislative Management shall consider studying the feasibility and desirability of consolidating all political subdivision and school district elections with the statewide primary election and the holding of all special elections on other specified dates during any year
Emergency		Section 7 declares section 4 related to unexpended deficiency funding an emergency measure.

1.2

ALVIN A. JAEGER
SECRETARY OF STATE

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April 16, 2015

SB 2002
4-16-15 #1

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TO: Conference Committee for SB 2002

FR: Al Jaeger, Secretary of State

The attached graph indicates the number of new filings processed each month through March 2015 based on the attached spreadsheets dating back to the beginning of 2010. Currently, the agency has approximately 1,800 new registrations and pending files to be processed.

However, the number of new registrations processed each month is only one statistical indicator of the agency's workload. After the new businesses are registered, they then have a requirement under state law to file an annual report.

For example, compared to June 30, 2010 and based on the most current numbers, the agency is processing 25,996 more annual reports, which is at 147% compared to five years ago. In one business entity category, limited liability companies, the agency is processing 19,074 more annual reports, which is 252% of what it was in 2010.

All of these annual reports are now manually processed, which is very labor intensive especially since a significant number of the annual reports contain errors that require additional follow up by staff.

Every day we are asked by our customers if they are able to register businesses and file annual reports online. When deployed in a few years, it is expected that a high percentage of annual reports will be completed online. However, we first have to get there and allow time for our customers to change along with us.

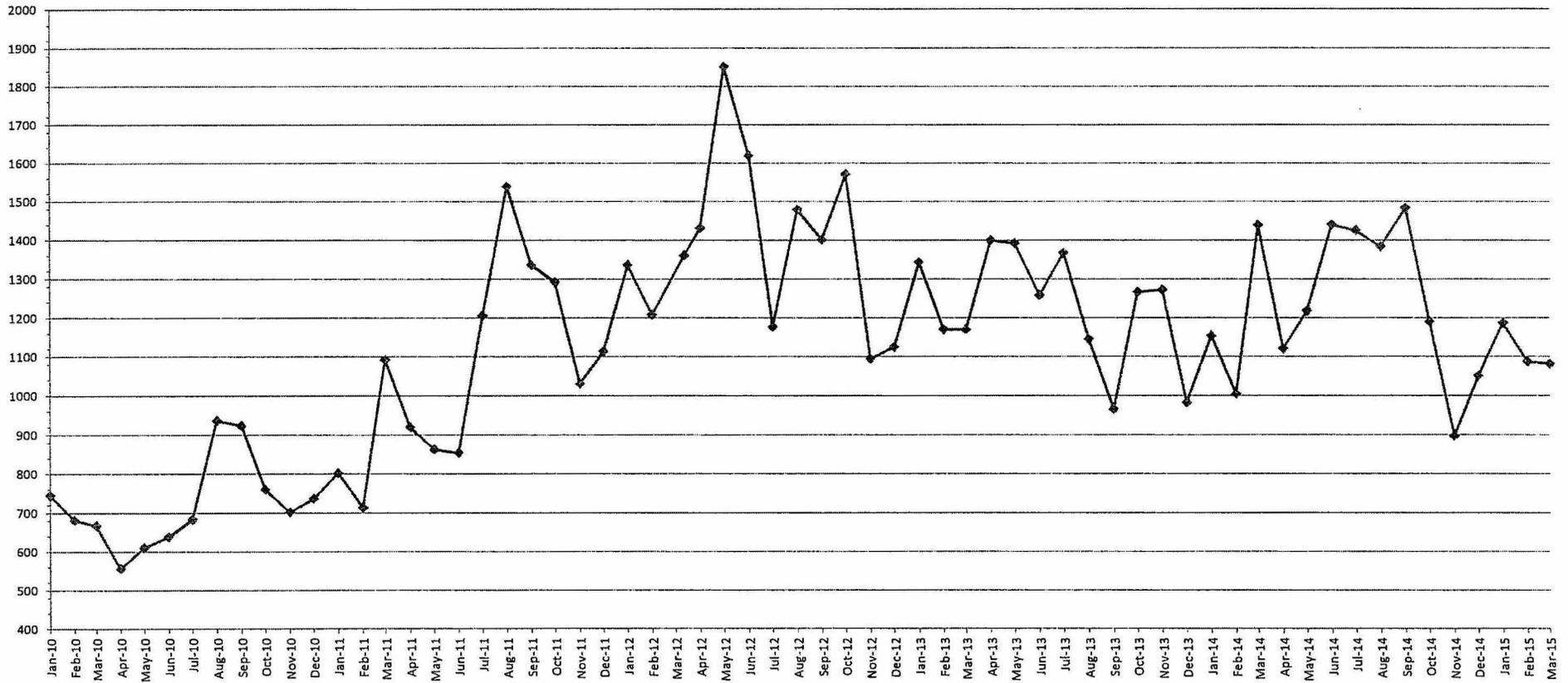
Therefore, full funding of the agency's requested funding of \$3,050,000 for its technology project is critical so that the agency and the steering committee can develop a complete software platform to handle all of the agency's functions.

And, until we have it in place, it is essential to have the full funding of the overtime approved by the Senate.

The above summary only relates to business registrations and does not take into account the fact the number of active contractor licenses is double from five years ago and that many other numbers are up such as notaries, charitable registrations, etc., which represent only a small number of the fifty different filings submitted to the Secretary of State's office.

1.)

Secretary of State - # of New Filings per Month



	January	February	March	April	May	June	July	August	September	October	November	December
2010	744	681	667	555	610	638	683	937	923	759	701	736
2011	801	713	1092	919	862	853	1206	1539	1336	1291	1030	1113
2012	1336	1208	1361	1431	1851	1619	1177	1479	1401	1571	1094	1124
2013	1343	1170	1170	1399	1392	1258	1367	1145	965	1266	1272	982
2014	1154	1004	1439	1120	1218	1440	1425	1383	1483	1191	896	1050
2015	1187	1087	1081									

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State of North Dakota - Secretary of State - Business Registrations - July 1, 2009 through June 30, 2010																		
	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total Active end of 6/30/2009	Total Active end of 6/30/2010*	Increase (decrease)	Percentage Versus Previous Year		
Monthly New Registrations																		
Business Corporations	44	41	56	51	46	49	85	49	71	31	47	75	13,283	13,253	(30)	-0.23%		
Limited Liability Companies	137	113	139	139	119	114	191	155	167	122	166	145	6,818	7,851	1,033	15.15%		
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	0	0	0	0	0	0	0	0	0	0	0	3	318	305	(13)	-4.09%		
Farm Corporations	1	0	1	3	0	1	3	2	2	0	1	3	712	739	27	3.79%		
Farm Limited Liability Companies	7	2	0	0	3	2	4	9	6	3	1	3	131	165	34	25.95%		
Professional Corporations	3	2	2	3	2	5	10	2	3	3	2	2	945	945	0	0.00%		
Professional Limited Liability Co	1	1	1	1	1	2	3	1	0	1	1	1	98	107	9	9.18%		
Foreign Corporations	117	128	119	141	161	114	148	165	138	128	145	200	11,815	13,206	1,391	11.77%		
Foreign Professional Corporations		1	1	3	1	1	0	0	0	0	3	1	124	128	4	3.23%		
Foreign Limited Liability Companies	59	67	68	64	63	40	84	90	87	69	83	111	3,917	4,401	484	12.36%		
Foreign Coops	0	0	1	1	0	0	1	0	0	0	0	0	75	75	0	0.00%		
Limited Partnerships	10	6	6	1	7	8	13	18	8	6	11	11	1,580	1,576	(4)	-0.25%		
Limited Liability Partnerships	26	19	20	16	24	29	20	33	21	21	19	18	2,648	2,675	27	1.02%		
Limited Liability Limited Partnerships	3	7	4	2	9	4	14	7	8	5	5	7	672	675	3	0.45%		
Church/Nonprofit Corporations/Certified NP Development Corps	17	22	20	14	22	21	14	24	19	11	16	24	7,286	7,331	45	0.62%		
Foreign Nonprofit Corporations	27	28	25	20	30	14	16	22	17	8	17	28	2,005	2,125	120	5.99%		
Trade Names	234	234	231	229	181	186	293	287	266	270	248	246	20,797	21,503	706	3.39%		
Trademarks	11	9	7	16	10	2	8	14	5	3	5	5	1,505	1,471	(34)	-2.26%		
Partnerships Fictitious Names	23	14	23	11	11	17	22	25	31	24	20	16	1,774	1,768	(6)	-0.34%		
New Filings/Month	720	694	724	715	690	609	929	903	849	705	790	899	76,503	80,299	3,796	4.96%		
State of North Dakota - Secretary of State - Business Registrations - July 1, 2010 through June 30, 2011																		
	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total Active end of 6/30/2010	Total Active end of 6/30/2011*	Increase (decrease)	Percentage Versus Previous Year	Increase (decrease) over Biennium	Percentage Versus Previous Biennium
Monthly New Registrations																		
Business Corporations	62	170	64	62	48	79	111	66	72	102	91	63	13,253	13,330	77	0.58%	47	0.35%
Limited Liability Companies	159	204	206	207	168	227	253	173	279	257	228	228	7,851	9,732	1,881	23.96%	2,914	42.74%
Coops/Electric Coops/Mutual Aid Corps/Grazing Assns	0	0	0	0	0	0	0	0	1	1	0	1	305	292	(13)	-4.26%	(26)	-8.18%
Farm Corporations	2	1	2	1	1	5	7	4	4	0	1	0	739	756	17	2.30%	44	6.18%
Farm Limited Liability Companies	5	4	4	2	1	1	6	2	3	7	0	1	165	190	25	15.15%	59	45.04%
Professional Corporations	4	4	5	6	6	7	7	5	5	1	3	10	945	971	26	2.75%	26	2.75%
Professional Limited Liability Co	2	3	8	3	4	1	6	2	5	0	2	0	107	138	31	28.97%	40	40.82%
Foreign Corporations	156	179	186	164	141	113	114	99	167	169	195	172	13,206	14,072	866	6.56%	2,257	19.10%
Foreign Professional Corporations	1	3	4	5	4	4	2	2	8	4	1	6	128	166	38	29.69%	42	33.87%
Foreign Limited Liability Companies	103	91	123	89	82	88	77	92	129	107	153	162	4,401	5,288	887	20.15%	1,371	35.00%
Foreign Coops	0	0	0	0	0	0	0	0	0	0	0	1	75	73	(2)	-2.67%	(2)	-2.67%
Limited Partnerships	8	13	5	9	4	8	9	16	47	17	7	14	1,576	1,602	26	1.65%	22	1.39%
Limited Liability Partnerships	28	36	26	32	22	26	27	26	65	23	30	26	2,675	2,874	199	7.44%	226	8.53%
Limited Liability Limited Partnerships	9	13	12	10	12	14	14	4	14	12	4	8	675	774	99	14.67%	102	15.18%
Church/Nonprofit Corporations/Certified NP Development Corps	23	16	30	22	20	14	23	15	33	29	24	13	7,331	7,432	101	1.38%	146	2.00%
Foreign Nonprofit Corporations	27	23	31	13	22	22	25	18	26	30	16	34	2,125	2,309	184	8.66%	304	15.16%
Trade Names	270	350	433	296	300	263	274	289	432	357	308	301	21,503	22,749	1,246	5.79%	1,952	9.39%
Trademarks	16	9	12	13	8	4	0	16	10	15	6	13	1,471	1,458	(13)	-0.88%	(47)	-3.12%
Partnerships Fictitious Names	21	38	25	25	42	15	21	22	26	24	29	21	1,768	1,777	9	0.51%	3	0.17%
New Filings/Month	896	1,157	1,176	960	885	891	976	851	1,326	1,155	1,098	1,074	80,299	85,983	5,684	7.08%	9,480	12.39%

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