

1999 SENATE APPROPRIATIONS

SB 2002

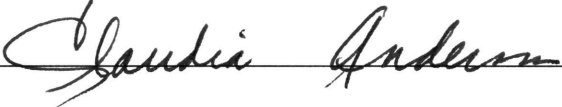
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2002

Senate Appropriations Committee

Conference Committee

Hearing Date 1/14/99; Rehearing 2/11/99

Tape Number	Side A	Side B	Meter #
1	x		736-End
1		x	0-211
2/11/99 1	x		195-516
Committee Clerk Signature 			

Minutes:

SENATOR NETHING: Opened the hearing on SB 2002; A BILL for an Act to provide an appropriation for defraying the expenses of the secretary of state and public printing; and to amend and reenact section 54-09-05 of the North Dakota Century Code, relating to the salary of the secretary of the state.

AL JAEGER: Secretary of State to testify in support of SB 2002 (testimony attached) (tape 736-1175). The Governor requested agencies to submit a 95 percent budget. The Office of Management and Budget includes a list of enhancements; the first since I took office. The Public Printing is not included as part of my budget. It is something I don't have any control over. The amount in the budget for the coming biennium is determined by the Legislative Council.

The Presidential Primary (tape 1400) was to be a one-time event. The February presidential primary did not sunset. How I conducted the primary did sunset. Therefore, the February primary is still on the books. Meanwhile my office submitted SB 2121 to restore the enabling legislation that allowed the primary to be conducted in the most cost efficient manner.

SENATOR NETHING: There is \$250,000 in your budget that assumes there will be a February presidential primary. What if SB 2121 doesn't pass, we still have the law that says we will have a February primary, and if this passes we still have the money.

AL JAEGER: I do not have the means within my budget to conduct the primary. That is the enabling legislation that allowed me some freedom in terms of how the ballots were printed, etc. Our sole purpose in introducing that bill was that I have to go under the assumption that this is the law today and there is a piece missing. I need that piece back. If you as a legislative body decide something different by that date

SENATOR NETHING: If SB 2121 passes, this budget is okay. The reason is it gives you more flexibility. If you had to run a primary without SB 2121 you have to do a whole different mechanical thing. That is why you would need more money?

AL JAEGER: Yes, if the date doesn't change, it is imperative that SB 2121 passes I would need those funds.

SENATOR KRAUTER: You said this past February primary cost \$197,000. What was the voter turnout in this primary?

AL JAEGER: I don't have the numbers here with me; however, I can provide that to you.

SENATOR ST. AUBYN: Did you have those mechanics available to you for reducing the cost during the past primary?

AL JAEGER: Yes, they were in that bill, and that is the part the sunset. It was the date that was supposed to sunset; instead it was the mechanics that sunset instead.

Technology testimony (tape 2082-22395).

Central Indexing System increased \$300,000. A copy of SB 2119 is included and was heard in Industry, Business and Labor, January 13, 1999. OMB has not included that in the revenue projections for the coming biennium. We are currently running about \$120,000 more in costs than the revenue that is returned to the state's general fund. The \$5.00 increase in the filing fee would bring in a little more than \$500,000, so that would cover my current expenses and the so called deficient plus the \$300,000 in line charges. So if you balance out what we think will be the expenditures, in comparison to the revenue, it comes within one percent of break even. If you believe the Central Indexing System should be operated by subscriber fees by those who use it on a break even basis, or if it should be subsidized by people who don't use it.

SENATOR SOLBERG: The increase in line fee basically goes into the 53 counties. They pay none of that line fee?

AL JAEGER: The \$300,000 I will be paying the ISD and that is reflected back into that technology increase. I know I have a \$375,000 ISD bill due July 1.

SENATOR SOLBERG: That is for the line hook up to the counties. They pay nothing on that?

AL JAEGER: No, the Sec. of State is authorized to retain an adequate amount of fees to cover the operations. Right now, the split is that the counties receive the \$5.00 termination fee and \$2.00 of the filing fee. I retail \$3.00 that goes into the state's general fund to offset the cost of the system. When I calculated the cost of operating the system, I took our actual ISD costs, the 4 employees and their benefits, postage, telephone and all of those factors to come up with what I feel it costs us to operate the Central Indexing System.

SENATOR SOLBERG: The counties will be able to receive a total of \$8.00 in filing fees?

AL JAEGER: That is what I'm proposing to do. The \$4.00 of the \$5.00 would cover what I feel is coming out of the general fund in total and since they also have some costs and are a partner with us in the system it would be fair if I returned \$1.00 to them.

SENATOR SOLBERG: If I go into the county office to do a search, they want to charge me \$15. What is their rationale? If they're getting \$8.00 up front, they're not doing too bad.

AL JAEGER: Some of that information is public information that they cannot charge you for. Once you get past a certain level, you have to be charged a search fee that you have to pay for.

SENATOR SOLBERG: If we're going to charge this fee, can't we take this off so people can search this without an additional fee?

AL JAEGER: We do have a different avenue to search livestock and grain searches. There is about an 80/20 split between the state and the county. I get about 20 percent of the business so I also get revenue for searches. None of that has been factored into this because it is covered differently. There are some costs to us in terms of CPU time and things like that. It is a policy decision as to where we go with that.

SENATOR SOLBERG: In the Register of Deeds Office, it is a policy decision there, too?

AL JAEGER: Because the rate is set in law, it is more of a legislative policy decision. I have no control over changing that.

BOB SCHAIBLE: Secretary of State, Deputy. If you were to do a public search that would cost nothing you would get the name of the person, the county they live in, the social security number, and if in fact there is information in the system regarding that person. If you want more information after that, it would cost you additional. money.

SENATOR NETHING: There are no fees in this budget. Those fees are in SB 2119.

AL JAEGER: I want this committee to be aware that if that bill passes there would be a revenue increase.

ALLEN KNUDSON: If that bill passes, we reflect that in the general budget status system under general fund revenues as additional department collections.

SENATOR TOMAC: If that bill passes, would we deduct this budget bill by the amount that OMB has already put in to provide that money that is in the budget?

SENATOR NETHING: I don't think you would deduct it from this bill.

AL JAEGER: I still need it to pay the \$300,000. That is a general fund revenue. All of my revenue under current law goes into the state's general fund.

SENATOR BOWMAN: Are the equipment purchases part of the ISD budget, or is it for technology?

AL JAEGER: The equipment line is for a variety of things, i.e. copier, printer, monitor, computer, etc.

Special Fund (tape 4083) is one of the enhancements requested. It is for retail trade. A special fund would give us flexibility in achieving this. Developing costs for software have to come out of my operating budget. For each subscriber to the Crop and Livestock service, \$20 comes out of my general fund appropriation. The \$25 I receive for this goes into the state's general fund. I had to go to the Emergency Commission to request \$20,000 to offset my costs to my operating budget. My enhancement reflects a large amount, those of you familiar with special accounts know that is spending authority, not necessarily appropriated funds, if the revenue comes in. Many of these things we can develop for \$5-10,000. A customer buys a list from us for \$900 per month. They might want to go once a week. I can't accommodate that unless I do some programming. The difference to the state would be a net to the state of about \$50,000 if I didn't have to worry that I was borrowing from my normal operations to develop this. I know there is a problem calling this a special fund. I need a means to cover these costs, and then to roll it over to the state's general fund periodically.

SENATOR NETHING: The special fund you are requesting is not in your bill. Let me suggest to you that you prepare those amendments to the bill to create the special fund you want so when we have committee discussion on your bill we will have it before us.

SENATOR BOWMAN: Would it be better rather than have a special fund have a turn-back to the general fund minus expenses. That would eliminate that special fund concept.

AL JAEGER: I think one of the problems we have is that I think there is an accounting procedure where this all can be done whether it is called continuing appropriation, revolving fund. I don't know how that should be structured.

SENATOR NETHING: I think the problem is he needs the money during the biennium not at the end. He doesn't have it unless we set up a mechanism on a revolving basis. He can't wait until the biennium is over and then plug the money back in. The biennium is done. Your numbers would replace it, but he hasn't had the money when he needed it.

SENATOR BOWMAN: I understood you to say that you are using your operating money to develop this. So you are taking the risk of not having enough money so you have to come and ask for money because you've utilized it. But, if you have income coming in every month based upon what you've developed before you turn that back to the general fund, you take out your expenses to keep it in you fund.

SENATOR NETHING: That would work and that is what he's asking for.

SENATOR SOLBERG: In September of 1998, the Secretary of State's office received \$24,000 from the contingency fund. The disk he is talking about that he has developed is head and shoulders above what we used to have.

SENATOR NETHING: That is why he received the money from the contingency fund. If you had an abundance of sales, you could have ended up where you couldn't pay your help. Because the money would all be tied up in the sale of those.

AL JAEGER: In the general fund appropriation you have before you, if nothing changes, I am guessing I will have 150 subscribers projected in technology so that I don't get caught in exactly what the Chairman is talking about. If I didn't have to guess, my budget wouldn't have to be inflated that little bit to cover costs because I'm selling a product people want to buy. I could in effect have a little less general funding if I know that the revenue every month would cover the cost of this disk whether I have 10 subscribers or 10,000.

SENATOR BOWMAN: Call it a development fund rather than a special fund. That sounds better.

AL JAEGER: I will be willing to work together with OMB to develop the amendments.

SENATOR LINDAAS: About how much does your office turn back to the general fund?

AL JAEGER: For this biennium, I was projected to return a little over \$4M to the general fund from the operations of my office. Right now I'm projecting we will return over \$5M. My present budget, excluding printing, is around \$2.88-2.9M so in my narrative my expenses have gone down, but my revenue return has increased by 40 percent.

SENATOR LINDAAS: Does the \$10 assessment of non profits go back into the general fund?

AL JAEGER: Yes. There are certain regulatory functions I have in my office. Those are relatively easy to predict. I think it is very appropriate for general funding. They're not designed to provide funding, but to recover costs. Right now there is a bill coming in from the bankers, I have told them I do not have money in my budget to do the programming for what they want to do. They are willing to pay for the service as well as for our office to recover the cost. However, under the present budget, if that bill passes the way it is being assessed, I am not taking it out of my general budget. I need to operate my office.

SENATOR TOMAC: You said your projected revenue from all of the services you provide is approximately \$5M. Is that a biennium or is that an annual figure?

AL JAEGER: That is a biennial figure.

SENATOR TOMAC: I thought you said the budget for your agency was around \$2M.

AL JAEGER: The general fund appropriation for my agency this time is around \$2.8-2.9M, and then you include in there about a half a million dollars for public printing and in the governor's recommendation those two get merged together. So, you see that big total.

SENATOR TOMAC: My book shows that before public printing your budget is closer to \$4M.

AL JAEGER: I am talking about my current biennium budget. The next biennium budget is greatly up because of the technology and \$300,000 and the ISD billing. My point is I've kept many items the same; the general operations have increased slightly. The big jump is the fee I have to pay to ISD.

SENATOR TOMAC: The only point I was trying to make is that if your agency generates \$5M in the next biennium, it costs us \$4+M, I guess it speaks to the merit of SB 2119 because if you're already putting \$1M over what your cost is, I have a hard time justifying increasing the fees even though you have apparently identified those costs to the particular facet of your office.

AL JAEGER: I understand that because basically I return more money to the state than it costs you in appropriation. I bring the increased fees because I think there is a philosophical question there. I know my office has to subsidize elections. Elections don't bring in revenue. There are things in state government that need to be subsidized. The Central Indexing System is a revenue producing unit that provides a public service. The question becomes should a system like the Central Processing System operate on a break-even basis? From a personal standpoint, I think it should regardless of how it reflects in the Secretary of State's budget.

SENATOR NAADEN: Closed the hearing on SB 2002.

2/11/99 (tape 195-516)

SENATOR NETHING: Reopened the hearing on SB 2002

JIM SMITH: (LC) Presented and explained the amendments to the bill.

SENATOR ROBINSON: Moved do pass amendments to SB 2002

SENATOR NAADEN: Seconded the motion

ROLL CALL: Unanimous voice vote

MOTION CARRIED TO DO PASS AMENDMENTS TO SB 2002

SENATOR NAADEN: Moved do pass SB 2002 as amended.

SENATOR KRINGSTAD: Seconded the motion

ROLL CALL: 12 ayes; 0 nays; 2 absent & not voting

MOTION CARRIED TO DO PASS SB 2002 AS AMENDED

Ayes: Nething; Naaden; Lindaas; Tallackson; Tomac; Robinson; Krauter; Grindberg; Holmberg; Kringstad; Bowman; Andrist

Absent & Not Voting: Solberg; St. Aubyn

CARRIER: SENATOR KRINGSTAD

SENATOR NETHING: Closed the hearing on SB 2002

2-11-99

FISCAL NOTE

(Turn original and 10 copies)

Bill/Resolution No.: SB 2002 Amendment to: 0

Requested by Legislative Council Date of Request: January 4, 1999

- Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

Narrative: Proposed law change in section two is the result of Governor's recommendation for increase in salary for various statewide elected officials and specifically pertains to, in the case of this bill, to the Secretary of State. It is an increase of

- State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	None	None	None	None	None	None
Expenditures	None	None	123,024	None	123,024	None

What, if any, is the effect of this measure on the budget for your agency or department:

- For rest of 1997-99 biennium: None
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- For the 1999-2001 biennium: \$ 123,024
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- For the 2001-03 biennium: \$ 123,024

- County, city, and school district fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
None	None	None	None	None	None	None	None	None

Signed: 

Typed Name: Alvin A. Jaeger
 Department: Secretary of State
 Phone Number: 328-2900
 Date Prepared: January 4, 1999

PROPOSED AMENDMENTS TO SENATE BILL NO. 2002

Page 1, line 2, after the semicolon insert "to create and enact a new section to chapter 54-09 of the North Dakota Century Code, relating to the secretary of state's general services operating fund;" and replace "section" with "sections 41-09-42.1 and"

Page 1, line 3, after "to" insert "fees collected by the secretary of state and"

Page 1, line 7, after "appropriated" insert ", and from special funds derived from other income"

Page 1, line 12, replace "1,868,340" with "1,846,778"

Page 1, after line 16, insert:

"Total all funds	\$3,842,568
Less estimated income	<u>250,000</u> "

Page 1, line 17, replace "3,864,130" with "3,592,568"

Page 1, line 23, replace "Grant" with "Grand" and replace "4,399,330" with "4,127,768"

Page 1, after line 23, insert:

"Grand total special funds appropriation S.B. 2002	\$250,000
Grand total all funds appropriation S.B. 2002	\$4,377,768

SECTION 2. A new section to chapter 54-09 of the North Dakota Century Code is created and enacted as follows:

Secretary of state's general services operating fund. The secretary of state's general services operating fund is a special fund in the state treasury. Moneys in the fund are to be used pursuant to legislative appropriations for the provision of services under subsections 8 and 11 of section 49-09-42 and subsection 10 of section 54-09-04. At the close of each fiscal year, the secretary of state shall transfer any unobligated balance remaining in the fund exceeding seventy-five thousand dollars to the general fund.

SECTION 3. AMENDMENT. Section 41-09-42.1 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

41-09-42.1. Fees collected by secretary of state. Any fees collected by the secretary of state pursuant to section 41-09-42, except for fees collected under subsections 8 and 11, must be deposited in the general fund in the state treasury. Fees collected pursuant to subsections 8 and 11 of section 41-09-42 must be deposited in the secretary of state's general services operating fund.

Page 2, line 4, replace "sixty" with "fifty-eight", replace "six" with "two", after "~~sixty-four~~" insert "sixty-two", and after "2000" insert ", fifty-nine thousand four hundred twenty-eight dollars through December 31, 2000"

Page 2, line 5, replace "sixty-two" with "sixty-one", remove the overstrike over "~~one~~", remove "four", and replace "twenty-four" with "forty-two"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 108 - SECRETARY OF STATE

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$1,868,340	(\$21,562)	\$1,846,778
Operating expenses	1,673,790		1,673,790
Equipment	60,000		60,000
Petition review	12,000		12,000
Presidential preference contest	<u>250,000</u>		<u>250,000</u>
Total all funds	\$3,864,130	(\$21,562)	\$3,842,568
Less special funds		<u>250,000</u>	<u>250,000</u>
General fund	\$3,864,130	(\$271,562)	\$3,592,568
FTE	26.00	0.00	26.00

Detail of Senate changes to the executive budget include:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	DELAY MARKET SALARY ADJUSTMENTS TO 1/1/2001	ESTABLISH SPECIAL FUND	TOTAL SENATE CHANGES
Salaries and wages	(\$23,011)	\$7,413	(\$5,964) ^{1,2}		(\$21,562)
Operating expenses					
Equipment					
Petition review					
Presidential preference contest					
Total all funds	(\$23,011)	\$7,413	(\$5,964)	\$0	(\$21,562)
Less special funds				<u>250,000</u> ³	<u>250,000</u>
General fund	(\$23,011)	\$7,413	(\$5,964)	(\$250,000) ³	(\$271,562)
FTE	0.00	0.00	0.00	0.00	0.00

Senate changes narrative:

¹ In addition to the two percent annual salary increases, funding is included to provide the Secretary of State a market equity salary increase of \$142.83 per month for the final six months of the biennium. The statutory annual salary for the Secretary of State will be:

Current salary	\$57,120
July 1, 1999	\$58,262
July 1, 2000	\$59,428
January 1, 2001	\$61,142

² In addition to the two percent annual salary increases, funding is included to provide the Deputy Secretary of State a market equity salary increase of \$129.92 per month for the final six months of the biennium.

³ A special fund is established for the Secretary of State to deposit and spend funds relating to the selling of information. A \$250,000 special fund appropriation is provided and the general fund appropriation is reduced by \$250,000. Any amounts remaining in the special fund in excess of \$75,000 at the end of each fiscal year will be transferred to the general fund. For the 1999-2001 biennium, it is anticipated that no amounts will be transferred to the general fund from this fund. As a result of establishing this fund, general fund revenues for the 1999-2001 biennium will be reduced by \$216,840 because these funds will be deposited in the special fund rather than the general fund.

2/12/99

PROPOSED AMENDMENTS TO SENATE BILL NO. 2002

SENATE AMENDMENTS TO SENATE BILL NO. 2002 APPROP.

2/12/99

Page 1, line 2, after the semicolon insert "to create and enact a new section to chapter 54-09 of the North Dakota Century Code, relating to the secretary of state's general services operating fund;" and replace "section" with "sections 41-09-42.1 and"

Page 1, line 3, after "to" insert "fees collected by the secretary of state and"

Page 1, line 7, after "appropriated" insert ", and from special funds derived from other income"

Page 1, line 12, replace "1,868,340" with "1,846,778"

Page 1, line 15, replace "12,000" with "12,000"

Page 1, replace line 16 with:

"Total all funds	\$3,592,568
Less estimated income	<u>250,000</u> "

Page 1, line 17, replace "3,864,130" with "3,342,568"

Page 1, line 23, replace "Grant" with "Grand" and replace "4,399,330" with "3,877,768"

Page 1, after line 23, insert:

"Grand total special funds appropriation S.B. 2002	\$250,000
Grand total all funds appropriation S.B. 2002	\$4,127,768

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SECTION 3. A new section to chapter 54-09 of the North Dakota Century Code is created and enacted as follows:

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SENATE AMENDMENTS TO SB 2002 APPROP. 2/12/99

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Less special funds		<u>250,000</u>	<u>250,000</u>
General fund	\$3,864,130	(\$521,562)	\$3,342,568
FTE	26.00	0.00	26.00

Detail of Senate changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	DELAY MARKET SALARY ADJUSTMENTS TO 1/1/01	ESTABLISH SPECIAL FUND	REMOVE PRESIDENTIAL PRIMARY FUNDING	TOTAL SENATE CHANGES
Salaries and wages	(\$23,011)	\$7,413	(\$5,964) ^{1,2}			(\$21,562)
Operating expenses						
Equipment						
Petition review						
Presidential preference contest					<u>(\$250,000)</u> ⁴	<u>(250,000)</u>
Total all funds	(\$23,011)	\$7,413	(\$5,964)	\$0	(\$250,000)	(\$271,562)
Less special funds				<u>250,000</u> ³		<u>250,000</u>
General fund	(\$23,011)	\$7,413	(\$5,964)	(\$250,000) ³	(\$250,000)	(\$521,562)

Senate changes narrative:

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⁴ Removes funding added in the executive budget for a February 2000 presidential primary election.

Date: 2-11-99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2002

Senate APPROPRIATIONS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 98024.0104

Action Taken NO PASS

Motion Made By SENATOR ROBINSON Seconded By SENATOR NAADEN

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman					
Senator Naaden, Vice Chairman					
Senator Solberg					
Senator Lindaas					
Senator Tallackson					
Senator Tomac					
Senator Robinson					
Senator Krauter					
Senator St. Aubyn					
Senator Grindberg					
Senator Holmberg					
Senator Kringstad					
Senator Bowman					
Senator Andrist					

Total (Yes) UNANIMOUS No _____

Absent _____

Floor Assignment _____

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

Date: 2-11-99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2002

Senate APPROPRIATIONS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 98024.0104

Action Taken DO PASS AS AMENDED

Motion Made By SENATOR NAADEN Seconded By SENATOR KRINGSTAD

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg					
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn					
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) 12 No 0

Absent 2

Floor Assignment SENATOR KRINGSTAD

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

REPORT OF STANDING COMMITTEE

SB 2002: Appropriations Committee (Sen. Nething, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2002 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "to create and enact a new section to chapter 54-09 of the North Dakota Century Code, relating to the secretary of state's general services operating fund;" and replace "section" with "sections 41-09-42.1 and"

Page 1, line 3, after "to" insert "fees collected by the secretary of state and"

Page 1, line 7, after "appropriated" insert ", and from special funds derived from other income"

Page 1, line 12, replace "1,868,340" with "1,846,778"

Page 1, line 15, replace "12,000" with "12,000"

Page 1, replace line 16 with:

"Total all funds	\$3,592,568
Less estimated income	<u>250,000</u>

Page 1, line 17, replace "3,864,130" with "3,342,568"

Page 1, line 23, replace "Grant" with "Grand" and replace "4,399,330" with "3,877,768"

Page 1, after line 23, insert:

"Grand total special funds appropriation S.B. 2002	\$250,000
Grand total all funds appropriation S.B. 2002	\$4,127,768

SECTION 2. AMENDMENT. Section 41-09-42.1 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

41-09-42.1. Fees collected by secretary of state. Any fees collected by the secretary of state pursuant to section 41-09-42, except for fees collected under subsections 8 and 11, must be deposited in the general fund in the state treasury. Fees collected pursuant to subsections 8 and 11 of section 41-09-42 must be deposited in the secretary of state's general services operating fund.

SECTION 3. A new section to chapter 54-09 of the North Dakota Century Code is created and enacted as follows:

Secretary of state's general services operating fund. The secretary of state's general services operating fund is a special fund in the state treasury. Moneys in the fund are to be used pursuant to legislative appropriations for the provision of services under subsections 8 and 11 of section 41-09-42 and subsection 10 of section 54-09-04. At the close of each fiscal year, the secretary of state shall transfer any unobligated balance remaining in the fund exceeding seventy-five thousand dollars to the general fund.

Page 2, line 4, replace "sixty" with "fifty-eight", replace "six" with "two", after "~~sixty-four~~" insert "sixty-two", and after "2000" insert ", fifty-nine thousand four hundred twenty-eight dollars through December 31, 2000"

Page 2, line 5, replace "sixty-two" with "sixty-one", remove the overstrike over "one", remove "four", and replace "twenty-four" with "forty-two"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 108 - SECRETARY OF STATE

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$1,868,340	(\$21,562)	\$1,846,778
Operating expenses	1,673,790		1,673,790
Equipment	60,000		60,000
Petition review	12,000		12,000
Presidential preference contest	<u>250,000</u>	<u>(250,000)</u>	
Total all funds	\$3,864,130	(\$271,562)	\$3,592,568
Less special funds		<u>250,000</u>	<u>250,000</u>
General fund	\$3,864,130	(\$521,562)	\$3,342,568
FTE	26.00	0.00	26.00

Detail of Senate changes to the executive budget includes:

	REDUCE COMPENSATION PACKAGE TO 2/2	ADJUST HEALTH INSURANCE COST	DELAY MARKET SALARY ADJUSTMENTS TO 1/1/01	ESTABLISH SPECIAL FUND	REMOVE PRESIDENTIAL PRIMARY FUNDING	TOTAL SENATE CHANGES
Salaries and wages	(\$23,011)	\$7,413	(\$5,964) ^{1,2}			(\$21,562)
Operating expenses						
Equipment						
Petition review						
Presidential preference contest					<u>(\$250,000)</u> ⁴	<u>(250,000)</u>
Total all funds	(\$23,011)	\$7,413	(\$5,964)	\$0	(\$250,000)	(\$271,562)
Less special funds				<u>250,000</u> ³		<u>250,000</u>
General fund	(\$23,011)	\$7,413	(\$5,964)	(\$250,000) ³	(\$250,000)	(\$521,562)

Senate changes narrative:

¹ In addition to the two percent annual salary increases, funding is included to provide the Secretary of State a market equity salary increase of \$142.83 per month for the final six months of the biennium. The statutory annual salary for the Secretary of State will be:

Current salary	\$57,120
July 1, 1999	\$58,262
July 1, 2000	\$59,428
January 1, 2001	\$61,142

² In addition to the two percent annual salary increases, funding is included to provide the deputy secretary of state a market equity salary increase of \$129.92 per month for the final six months of the biennium.

³ A special fund is established for the Secretary of State to deposit and spend funds relating to the selling of information. A \$250,000 special fund appropriation is provided and the general fund appropriation is reduced by \$250,000. Any amounts remaining in the special fund in excess of \$75,000 at the end of each fiscal year will be transferred to the general fund. For the 1999-2001 biennium it is anticipated that no amounts will be transferred to the general fund from this fund. As a result of establishing this fund, general fund revenues for the 1999-2001 biennium will be reduced by \$216,840 because these funds will be deposited in the special fund rather than the general fund.

⁴ Removes funding added in the executive budget for a February 2000 presidential primary election.

1999 HOUSE APPROPRIATIONS

SB 2002.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2002

House Appropriations Government Operations Committee

Conference Committee

Hearing Date March 3, 1999

Tape Number	Side A	Side B	Meter #
1		x	0-19.9
Committee Clerk Signature <i>Roxanne Kone</i>			

Minutes:

A Bill for an Act to provide an appropriation for defraying the expenses of the secretary of state and public printing; to create and enact a new section to chapter 54-09 of the North Dakota Century Code, relating to the secretary of state's general services operating fund; and to amend and reenact sections 41-09-42.1 and 54-09-05 of the North Dakota Century Code, relating to fees collected by the secretary of state and the salary of the secretary of state.

1B: Al Jaeger, Secretary of State Testified in favor of bill (See attached written testimony).

1B: 3.6 Rep. Byerly asked how many new legislators opted for books over CDs. Al Jaeger replied he didn't have an exact count.

1B: 16.7 Rep. Carlisle asked about SB 2119: fees going from \$5 to \$10. Al Jaeger replied it was a recognition of increased operational costs: Central Indexing System network.

Chairman Byerly closed the hearing of Senate Bill 2002. There was no opposition to the bill.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 17, 1999			
Tape Number	Side A	B Side	Meter #
1	x		11.0-18.5
Committee Clerk Signature <i>Roxanne Kone</i>			

Minutes:

Chairman Byerly opened the discussion on Senate Bill 2002.

1A: 13.1 Rep. Carlisle presented amendment to committee. Explained Senate Bill 2119 passed and pays for the increase, central indexing regarding the Secretary of State.

1A: 14.0 Rep. Gulleason commented there wasn't any changes to operating/expenses, that is unusual. Rep. Carlisle replied that after 7 years the budget has stayed the same. They account for every dollar.

1A: 15.0 Rep. Huether commented on increase to budget in 93 regarding computer updating costs: \$625,000. OMB commented the main cost of the \$625,000 is due to ISD charges. The only other increase is postage. OMB will provide information to committee regarding ISD charges.

No action was taken on the bill.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 17, 1999			
Tape Number	Side A	B Side	Meter #
1	x		0-4.9
Committee Clerk Signature <i>Roxanne Kohl</i>			

Minutes:

Chairman Byerly opened the discussion on Senate Bill 2002.

1A: .8 Rep. Carlisle briefly discussed amendment 98024.0201: remove half time employee funding. Rep. Carlisle moved a DO PASS AS AMENDED. Rep. Tollefson 2nd the motion. On a Roll Call Vote the motion passed.

4 voting Yes

1 voting No

1 voting Absent

Rep. Carlisle will carry the bill to the full committee.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 19, 1999			
Tape Number	Side A	B Side	Meter #
1	x		32.2-56.0
Committee Clerk Signature	<i>Roxanne Kone</i>		

Minutes:

Chairman Byerly opened the discussion on Senate Bill 2002.

1A: 32.9 Rep. Carlisle presented the amendment 98024.0201 to the committee. The amendment removes on half time employee (\$19,000). Explained increase in ISD charges and increase in postage and mailings. Regarding ISD: split costs between Human Services (60/40). Used to pay only 10% of charges. Secretary of States offices is currently working on an informational CD to the public that generates \$400,000 to general funds. Through changes to the bill there will now be a special fund set up for the revenue from CD. Commented on Senate Bill 2119 regarding central indexing system. Costs \$895,000 to operate central indexing system.

1A: 38.5 Rep. Delzer asked about data processing/ISD charges. Rep. Byerly replied Secretary of State and Human Services share same line. ISD recalculated line usage to 60/40. That is the reason of increase.

1A: 41.3 Rep. Delzer asked if this is required due to legislation passed for central indexing system. Rep. Byerly replied yes, in 1991.

1A: 44.9 Rep. Kerzman asked about information disc having a potential of \$4 million income. OMB replied there is a new bill in to increase the central filing charges that will generate \$400,000. As a result of a Senate change the money generated will be put in a special fund. There has been a large increase in requests for information that the office cannot afford to handle. Rep. Byerly replied it could have a potential of \$4 million.

1A: 51.2 Rep. Delzer commented he isn't convinced Secretary of State should be doing this. Rep. Byerly replied it is public information and they are obligated to make it available. It can either cost the state to furnish it or the state can recoup its costs.

1A: 53.3 on a voice vote the motion to amend carried. Rep. Carlisle moved for a DO PASS AS AMENDED. Rep. Byerly 2nd the motion.

15 voting Yes

3 voting No

2 voting Absent

Carrier: Rep. Carlisle

Date: 3.18.99
 Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2002

House APPROPRIATIONS - Government Operations Committee

Subcommittee on gov't operations
 or
 Conference Committee

Legislative Council Amendment Number 98024.0201

Action Taken DO PASS AS AMENDED

Motion Made By MR CARLISLE Seconded By TOLLEFSON

Representatives	Yes	No	Representatives	Yes	No
Rex R. Byerly	✓				
Ron Carlisle	✓				
Ben Tollefson	✓				
Robert Huether					
Pam Guleson	✓				
Jim Poolman		✓			

Total (Yes) 4 No 1

Absent 1

Floor Assignment Rep. Carlisle

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

Date: 3/19/99
 Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2002

House APPROPS Committee _____

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number 98024.0201

Action Taken DO PASS AS AMENDED

Motion Made By Carlisle Seconded By Byeny

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	✓		Nichols		
Vice-Chairman Byerly	✓		Poolman		
Aarsvold	✓		Svedjan	✓	
Bernstein	✓		Timm	✓	
Boehm	✓		Tollefson	✓	
Carlson	✓		Wentz	✓	
Carlisle	✓				
Delzer		✓			
Gulleson	✓				
Hoffner		✓			
Huether	✓				
Kerzman		✓			
Lloyd	✓				
Monson	✓				

Total (Yes) 15 No 3

Absent 2

Floor Assignment Rep. Carlisle

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

REPORT OF STANDING COMMITTEE

SB 2002, as engrossed: Appropriations Committee (Rep. Dalrymple, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2002 was placed on the Sixth order on the calendar.

Page 1, line 15, replace "1,846,778" with "1,827,218"

Page 1, line 19, replace "3,592,568" with "3,573,008"

Page 1, line 21, replace "3,342,568" with "3,323,008"

Page 2, line 3, replace "3,877,768" with "3,858,208"

Page 2, line 5, replace "4,127,768" with "4,108,208"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 108 - SECRETARY OF STATE

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$1,868,340	\$1,846,778	(\$19,560)	\$1,827,218
Operating expenses	1,673,790	1,673,790		1,673,790
Equipment	60,000	60,000		60,000
Petition review	12,000	12,000		12,000
Presidential preference contest	<u>250,000</u>			
Total all funds	\$3,864,130	\$3,592,568	(\$19,560)	\$3,573,008
Less special funds		<u>250,000</u>		<u>250,000</u>
General fund	\$3,864,130	\$3,342,568	(\$19,560)	\$3,323,008
FTE	26.00	26.00	(0.50)	25.50

Detail of House changes to the Senate version includes:

	REMOVE UNDESIGNATED POSITION	TOTAL HOUSE CHANGES
Salaries and wages	(\$19,560) ¹	(\$19,560)
Operating expenses		
Equipment		
Petition review		
Presidential preference contest		
Total all funds	(\$19,560)	(\$19,560)
Less special funds		
General fund	(\$19,560)	(\$19,560)
FTE	(0.50)	(0.50)

House changes narrative:

¹ Removes a .5 FTE undesignated position.

**1999 SENATE APPROPRIATIONS
CONFERENCE COMMITTEE**

SB 2002

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2002C

Senate Appropriations Committee

Conference Committee

Hearing Date 3/30/99

Tape Number	Side A	Side B	Meter #
2	x		29-306
Committee Clerk Signature <i>Gaudia Anderson</i>			

Minutes:

SENATOR KRINGSTAD: Opened the conference committee hearing on engrossed SB 2002.

CONFERENCE COMMITTEE MEMBERS: Senator Kringstad, Chair; Senator Andrist; Senator Tomac; Representative Carlisle; Representative Tollefson; Representative Gulleason.

SENATOR KRINGSTAD: Explained that the Senate did concur with the amendment placed on the bill by the House. He also explained the Senate's proposed amendment.

SENATOR KRINGSTAD: Called for a motion.

SENATOR ANDRIST: Moved to accede to the House amendment and to further amend, #98024.02023.

REPRESENTATIVE CARLISLE: Seconded the motion.

ROLL CALL: 6 yeas; 0 nays; 0 absent & not voting.

MOTION CARRIED TO ACCEDE TO THE HOUSE AMENDMENT AND TO FURTHER AMEND #98024.0203.

SENATOR KRINGSTAD: Closed the conference committee hearing on SB 2002.

(Bill Number) SB 2002 (, as (re)engrossed):

Your Conference Committee

For the Senate:

P - Kringstad ✓ Y
P - Andrist ✓ Y
P - Tomac ✓ Y

For the House:

P - Carlisle - Y
P - Tollefson - Y
P - Gullerson - Y

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
723/724 725/726 S724/H726 S723/H725
the (Senate/House) amendments on (S/J/HJ) page(s) 813 - 814

and place _____ on the Seventh order.
727

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

having been unable to agree, recommends that the committee be discharged
and a new committee be appointed. 690/515

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

=====
DATE: 3 130 199

CARRIER: _____

LC NO. _____ of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____
=====

(1) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2002, as engrossed: Your conference committee (Sens. Kringstad, Andrist, Tomac and Reps. Carlisle, Tollefson, Gulleson) recommends that the **SENATE ACCEDE** to the House amendments on SJ pages 813-814, adopt further amendments as follows, and place SB 2002 on the Seventh order:

That the Senate accede to the House amendments as printed on pages 813 and 814 of the Senate Journal and page 891 of the House Journal, and that Engrossed Senate Bill No. 2002 be further amended as follows:

Page 1, line 2, after the semicolon insert "to provide for line item transfers for the 1997-99 biennium;"

Page 1, line 3, remove "and"

Page 1, line 5, after the second "state" insert "; and to declare an emergency"

Page 2, after line 5, insert:

"SECTION 2. LINE ITEM TRANSFERS - 1997-99 BIENNIUM.

Notwithstanding section 54-16-04, the director of the office of management and budget and the state treasurer, at the request of the secretary of state, shall transfer \$7,000 from the operating expenses line item contained in subdivision 1 of section 1 of chapter 2 of the 1997 Session Laws to the equipment line item contained in subdivision 1 of section 1 of chapter 2 of the 1997 Session Laws. The authority to make this transfer begins with the effective date of this Act and ends on June 30, 1999."

Page 2, after line 26, insert:

"SECTION 6. EMERGENCY. Section 2 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 108 - SECRETARY OF STATE

CONFERENCE COMMITTEE - This amendment adds a section as an emergency clause authorizing a line item transfer of \$7,000 from operating expenses to equipment within the Secretary of State's 1997-99 appropriation to allow the Secretary of State to replace five personal computers.

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

1999 TESTIMONY

SB 2002

SECRETARY OF STATE
ALVIN A. JAEGER

HOME PAGE <http://www.state.nd.us/sec>



SECRETARY OF STATE

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

January 14, 1999

SB 2002
1/14/99

(1)

PHONE (701) 328-2900
FAX (701) 328-2992

E-MAIL sos@state.nd.us

TO: Senator Nething and Members – Senate Appropriations Committee

FR: Al Jaeger, Secretary of State

RE: SB 2002 – Appropriation for Secretary of State

It is my understanding that the committee has available to it the Secretary of State's budget request that was prepared and submitted on SIBR to the Office of Management and Budget. Therefore, since that information was prepared in great detail and is readily available to the committee, I will not repeat that information for the purpose of this hearing this morning. Rather, I will address several specific areas that I believe need to be brought to the attention of the committee and which were not addressed in the budget request that was submitted.

However, before I do that, I do want to make a couple of comments. As you know, the Governor asked agencies to submit a 95% budget. In complying with that request, the budget submitted by my office represented 77% of the budget that I inherited when I first became Secretary of State on January 1, 1993. Naturally, there comes a time when it is not possible to continue to decrease budget requests. Therefore, this is the first budget that included requests for enhancements.

During the past four budget cycles (including this one) the expenditures for my office have decreased by 21.48% and the revenue returned to the state's general fund has increased by approximately 40%. This increase in revenue is due in large part to the demand for services provided by the office and more filings related to the various business entities and licensing functions of my office.

Therefore, I am appreciative of the Governor's recommendation that you have before you. It provides for the same funding levels that are currently in effect for this biennium and also includes several of the enhancements that were requested.

There are four areas that are related to the budget that I will now address.

Public Printing

As many of you know, subdivision 2 of this bill pertains to an area over which I have no direct control even though it is in the Secretary of State's budget. My office is only the distributor of the publication and the payer of the bills. The buying decisions are made by the Legislative Council and are dependent on many factors. I only want to report that there is approximately \$19,000 remaining in this appropriation for the current biennium. My office is watching it very closely and, as of right now, think it might be enough. If it isn't, I will request the Emergency Commission for funds from their contingency appropriation.

Presidential Primary

During the 1995 session, there was a bill passed that provided for a Presidential Primary Contest in February of 1996. It was understood by all parties at that time, that was to be a one time event and that the bill included a sunset clause. However, it was discovered well into the 1997 session that the February date of that primary did not sunset. Rather, it was the provisions that allowed the Secretary of State to conduct the event. Therefore, because the law still mandates a February Presidential Primary Contest, the budget before you includes an amount of \$250,000. At the same time, my office introduced SB 2121 to restore the enabling legislation that allowed the primary to be conducted in the most cost efficient manner. I bring this to your attention, not to debate the merits of such a primary, rather to make you aware that SB 2121 must be passed if the February date remains in law. Otherwise, the amount included in this budget will not be adequate.

Technology

My office has been very fortunate in this area and I am very grateful to ISD, Jim Heck in particular, for the opportunities that have been provided to us. Prior to the 1997 session, my office was one of the case study agencies that was used for planning purposes in preparation for the technology legislation that was passed in that session. As a result, we were able to work with the Inteliant firm (formerly Wolfe and Associates) in long range IT planning. We then had the opportunity to work with them in the area of office re-engineering. Unfortunately, because of some funding concerns, we have not been able to implement all of the recommendations resulting from that effort. Then, ISD choose the Secretary of State's office for the purpose of preparing a "sample" IT report that was required by the present IT legislation.

I provide that background because, while the budget before you appears to include a significant amount in our operating line for technology, approximately 52% of the operating line is to cover ISD services. In the preparation of our budget request, a detailed analysis was made by ISD of the Secretary of State's technology usage based on their proposed rates for next biennium. The Governor's recommended budget has factored in this analysis. While it appears that budget in the operating line has increased greatly, it is not due to the nuts and bolts expenditures in operating the office. Those expenses have only been adjusted moderately to reflect increases in postage and similar operational expenses.

As to Y2K issues, I believe our office is on top of the issue. To the best of my knowledge, we have only one area that needs to be addressed. And, for that, we are under contract with a programmer who has extensive experience with AS/400 computers. It is anticipated he will complete his work by the end of this biennium.

Central Indexing System

One area of operational costs that will take a significant jump for the next biennium is the line charges for the operation of the Central Indexing System network. While the Governor's recommendation includes general funds to cover these additional costs (which are reflected in the increase in technology just discussed), my office has introduced SB 2219. Attached to this testimony is a copy of my testimony and fiscal note for that bill.

Special Fund

One of the budget enhancements requested by my office was a request to have a special fund. While the idea had initial support, there were too many unanswered questions still remaining at the time the Governor's statewide budget recommendations went to press. However, it is my understanding that those questions have been answered and that OMB now supports my request for a special fund.

The special fund, which is discussed in detail in my SIBR budget request, would be for the Secretary of State's retail trade. This is very unpredictable and it is difficult to predict as to customer demand. As an office of record, my office has information and there are those who want to buy it. Unfortunately, because of the limitations under a general fund appropriation, it is sometimes very difficult to sell. Even though the buyers are willing to pay the price, the cost of doing the necessary programming and development reduces the amount of funding that I have available to cover the cost of "regular" office operations.

I believe, with having the flexibility offered by a special account, that my office could actually provide the state with a greater "net" return than under the present system.

I also understand that there are some concerns about special funds. Particularly, with the perception of unspent revenue rolling over from biennium to biennium resulting in big reserves.

That is not what I want or visualize with my request for a special fund. I just want a base for development and continuing costs, a means by which revenue can be used to cover those costs, the net profit forwarded to the state's general fund on a periodic basis, and I want it to have a trail of accountability.



SECRETARY OF STATE

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

January 13, 1999

TO: Senator Mutch and Members - Senate Industry, Business and Labor Committee

FR: Al Jaeger, Secretary of State

RE: SB 2119 – Central Indexing System Filing fees

The Central Indexing System (CIS) is a network between the Secretary of State's office and the offices of the state's fifty-three county Register of Deeds. It allows for the filing of lien documents from fifty-four locations into a central database located on the state's mainframe computer.

During the next biennium, the state's share of operating the CIS is estimated at \$895,000. This is somewhat more than the operational cost for the current biennium. The major share of the higher cost for the next biennium is due to an increase in the line charges for the network because the Information Services Division (ISD) has redistributed its network costs to state agencies. For the Secretary of State's office, the line charges will increase from approximately \$75,000 to \$375,000. The Governor's recommended budget for the Secretary of State's office includes general funds to cover the cost of these increased line charges.

However, under the present fee structure provided in state law, the projected general fund revenue of \$465,000 from filing fees will not cover the general funds appropriated for operating the CIS. The Secretary of State's office believes the CIS should be a break-even operation. As it is now, under the current fee structure, the cost of operating the CIS is approximately \$130,000 more than the revenue that is received.

Therefore, in order to cover the current deficit and the increased line charges, this bill increases the filing fee for lien documents from \$5 to \$10. The termination fee (paid at the time of filing) would remain at \$5. The increase of \$5 is projected to produce an additional \$528,000 in revenue. Of this amount, \$422,400 (\$4 of the increase per filing) would go to the state's general fund. Combined with the current revenue, the total projected revenue for next biennium would be \$887,400. This would result in less than a one percent difference between the gross revenue to the state and the estimated operating costs for the next biennium.

The balance of \$105,600 (\$1 of the increase per filing) would be disbursed to the counties. The counties currently receive the entire \$5 termination fee and \$2 of each filing fee for all filings made at the county for a total of \$7. As proposed under this bill, the counties would receive a total of \$8.

The \$15 gross fee (filing and termination) proposed in this bill is below the national filing fee average of \$18.56.

The deadline for the filing of agency bills was December 10. Unfortunately, when it was filed, the bill did not include references for all of the various liens that are filed into the CIS. I apologize for that. Nevertheless, it is important for the fees to be the same for all filings. Therefore, attached to this testimony are amendments to the SB 2119 that will establish the same filing fee for liens that were inadvertently not included in the initial draft of the bill.

SECRETARY OF STATE
ALVIN A. JAEGER

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SECRETARY OF STATE

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

March 3, 1999

TO: Rep. Byerly and Members – Government Operations - House Appropriations Committee

FR: Al Jaeger, Secretary of State

RE: SB 2002 – Appropriation for Secretary of State

It is my understanding that the committee has available to it the Secretary of State's budget request that was prepared and submitted on SIBR to the Office of Management and Budget. Therefore, since that information was prepared in great detail and is readily available to the committee, I will not repeat that information for the purpose of this hearing this morning other than to highlight a few portions from the narrative that was submitted with that budget request. Then, I will address several specific topics related to Secretary of State's budget.

As you know, the Governor asked agencies to submit a 95% budget request for the 1999/2001 biennium. In complying with that request, I submitted a budget that was 77% of the budget that I inherited when I first became Secretary of State on January 1, 1993. Naturally, there comes a time when it is not possible to continue such dramatic decreases. Therefore, the budget submitted to the Governor included, for the first time, requests for enhancements.

During the past four budget cycles (including this one) the expenditures for my office have decreased by 21.48% and the revenue returned to the state's general fund has increased by approximately 40%. This increase in revenue is due in large part to an increased demand for services provided by the office and the result of more filings related to the various long-time and newly created business entities as well with the several of the licensing functions of my office.

For example, the number of annual reports filed with the Secretary of State has increased in three years from 20,000 to 31,000, an increase of 55%. Trade name registrations have increased from 5,000 to 11,000, an increase of 122%. Other increases are cited in the budget narrative.

Consequently, it has been a challenge to meet these demands with the funding for the current biennium. Therefore, I am appreciative of the Governor's budget recommendation he submitted for the consideration of the legislature. While the Senate made several amendments to it, which I will explain in a few moments, the budget before you is essentially the same as the one recommended by the Governor.

I will now address several specific topics related to the budget.

Public Printing

As many of you know, subdivision 2 of this bill pertains to an area over which I have no direct control or decision making power even though it is in the Secretary of State's budget. My office is only the distributor of the publications and the payer of the bills. The buying decisions and contracts with publishers are made by the Legislative Council and are dependent on many factors. These include the number of bills that are passed by the legislature and the number of new administrative rules that are adopted by agencies. The Legislative Council provides my office with a cost estimate and we only add to it to cover mailing and handling expenses.

At the end of February, approximately \$15,800 remained in the appropriation for the current biennium. Therefore, we are watching it very closely. As of right now, we think there will be enough money available to cover the expenses for the remainder of the biennium. If not, I will request the Emergency Commission for funds from their contingency appropriation to cover any deficiency.

Presidential Primary

During the 1995 session, a bill was passed that provided for a Presidential Primary Contest in February of 1996. When passed, it was to be a one-time event having a sunset clause. However, well into the 1997 session it was discovered that the February date of that Presidential Primary Contest did not sunset. Rather, it was the provisions that allowed the Secretary of State to conduct the Contest with different rules and procedures that inadvertently sunset. Therefore, because current law still mandates a February Presidential Primary Contest, our original budget included an amount of \$250,000. However, that amount has been eliminated by the Senate and with their passage of SB 2121. SB 2121 allows for a Presidential caucuses at no cost to the state or counties. I bring this to your attention, not to debate the merits of such a primary or caucuses. Rather, just to make you aware that SB 2121 must be passed to change the current date in the law for the year 2000. Otherwise, the \$250,000 will need to be restored and added to because the contest would then need to be conducted under "normal" election procedures.

Technology

My office has been very fortunate in this area and I am very grateful to ISD (Jim Heck in particular) for the opportunities that have been provided to my office. Prior to the 1997 session, my office was one of the case study agencies that was used for planning purposes in preparation for the technology legislation that was passed in that session. As a result, we were able to work with the Inteliant firm (formerly Wolfe and Associates) in long range IT planning. We then had the opportunity to work with them in the area of office re-engineering. Unfortunately, because of some funding concerns during the present biennium, we have not been able to implement all of the recommendations resulting from that effort. Then, ISD choose the Secretary of State's office for the purpose of preparing a "sample" IT report that was required by the present IT legislation.

I provide that background because, while the budget before you appears to include a significant amount in our operating line for technology, most of it (52% of the operating line) is to cover payments for ISD services. When preparing our budget request for the Governor, a detailed analysis was made by ISD of the Secretary of State's technology usage based on the ISD rate structure for next biennium. The Governor's recommended budget has factored in this analysis.

Therefore, while it appears that the budget in the operating line has increased greatly, it is not due to the nuts and bolts everyday expenditures in operating the office. Those expenses have only been adjusted moderately to reflect increases in postage and similar operational expenses.

As to Y2K issues, I believe our office is on top of the issue. To the best of my knowledge, we have only one area that needs to be addressed. And, for that, we are under contract with a programmer who has extensive experience with AS/400 computers. It is anticipated he will complete his work by the end of this biennium.

Central Indexing System

One area of operational costs that will take a significant jump for the next biennium is the line charges for the operation of the Central Indexing System network. While the Governor's recommendation includes general funds to cover these additional costs (which are reflected in the increase in technology fees paid to ISD and just discussed), my office introduced SB ~~2219~~ ²¹¹⁹. This bill was passed by the Senate and is currently before the House Finance and Tax Committee. Attached to this testimony is a copy of my testimony and fiscal note for that bill.

Special Fund

One of the budget enhancements requested by my office was a request to have a special fund. While the idea had initial support of the Governor, there were too many unanswered questions still remaining at the time the Governor's agency budget recommendations went to press. However, by the time the Senate hearing was held regarding my budget, those questions were answered. Therefore, OMB supported my request for a special fund and the Senate concurred. The bill before you reflects those changes to the budget and the other changes that were needed in state law.

The special fund, which is discussed in detail in my SIBR budget request, is for the Secretary of State's retail trade. That is, those services that are demanded by the public and which are not related to any regulatory function. This is very unpredictable and it is difficult to predict as to when customer demand. As an office of record, my office has information and there are those who want to buy it. Unfortunately, because of the limitations under a general fund appropriation, it is sometimes very difficult to sell. Even though the buyers are willing to pay the price, the cost of doing the necessary programming and cover development costs reduces the amount of funding that I have available to cover the cost of "regular" office operations.

I also understand that there are some concerns about special funds. Particularly, with the perception of agencies having unspent revenue rolling over from biennium to biennium resulting in big reserves. That is not what I want or visualize with my request for a special fund. I just want a means by which to cover development and continuing costs, a means by which revenue can be used to cover those costs, the net profit forwarded to the state's general fund on a periodic basis, and for it to have a trail of accountability. Therefore, the bill before you requires that all revenues in excess of \$75,000 be transferred to the general fund at the end of each fiscal year.

I believe, with having the flexibility offered by a special account, that my office could actually provide the state with a greater "net" return than under the present system.



SECRETARY OF STATE

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

March 1, 1999

TO: Rep. Belter and Members – House Finance and Taxation Committee

FR: Al Jaeger, Secretary of State

RE: SB 2119 – Central Indexing System Filing fees

The Central Indexing System (CIS) is a network between the Secretary of State's office and the offices of the state's fifty-three county Register of Deeds. It allows for the filing of lien documents from fifty-four locations into a central database located on the state's mainframe computer.

During the next biennium, the state's share of operating the CIS is estimated at \$895,000. This is somewhat more than the operational cost for the current biennium. The major share of the increased cost is due to an increase in the line charges to operate the network as the result of a redistribution of costs to state agencies by the Information Services Division (ISD). For the Secretary of State's office, the 1999/2001 distribution formula will increase the line charges for the CIS from approximately \$75,000 to \$375,000. The Governor's recommended budget, and the budget passed by the Senate, for the Secretary of State's office includes a general fund appropriation to cover the cost of these increased line charges.

However, under the CIS fee structure currently in state law, the projected filing fee revenue to the general fund of \$465,000 will not cover the general funds of \$895,000 appropriated for operating the CIS. Even without the increase in line charges, the present cost to the state of operating the CIS is approximately \$130,000 more than the revenue that is received.

Therefore, in order to cover that deficiency and the increased line charges, SB 2119 would increase the filing fee for filing lien documents in the CIS from \$5 to \$10. The termination fee (paid at the time of filing) would remain at \$5. The increase of \$5 is projected to produce an additional \$528,000 in revenue. Of this amount, \$422,400 (\$4 of the increase per filing) would go to the state's general fund. When added to the current revenue received by the state from the filing fees, the total projected revenue to the state for next biennium would be \$887,400. That would result in less than a 1 % difference between the gross revenue received by the state and the estimated cost to the state of operating the CIS during the next biennium.

The balance of \$105,600 (\$1 of the increase per filing) would be disbursed to the counties. Counties currently receive the entire \$5 termination fee and \$2 of each filing fee for all filings made in the county for a total of \$7. As proposed under this bill, the counties would receive a total of \$8. The \$15 gross fee (filing and termination) as proposed in this bill is below the national filing fee average of \$18.56.

Without a doubt, this bill raises a philosophical question. Should the CIS operate as a break-even operation because it is a user-specific service? Or, should those who do not use the CIS subsidize the cost of its operation?

FISCAL NOTE

Bill/Resolution No.: _____ Amendment to: SB 2119

Requested by Legislative Council Date of Request: January 27, 1999

Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

Narrative: Philosophically, the Secretary of State (SOS) believes the revenue the state receives from the Central Indexing System (CIS) should cover the general fund appropriation for the operation of the CIS.

For the 1999-2001 biennium, the line charges for the connection between the SOS office and the County Register of Deeds will be increased by \$300,000 to approximately \$375,000. This is an increase of 500% over the current biennium. This increased expense is reflected in the Governor's general fund budget recommendation to the legislature for the SOS office.

However, with these increased line charges, the appropriated general funds to cover the expense of operating the CIS will substantially exceed the revenue that is received into the state's general fund. As it is now, the expense of operating the CIS exceeds revenue by approximately \$130,000 and this will continue into the next biennium. Therefore, the increase in filing fees from \$5 to \$10 (as proposed in this bill) is intended to offset both the deficit and the increased line charges for the next biennium. Also, the SOS office would increase by \$1 the share of each filing fee returned to the counties (the counties now receive \$2 of each \$5 filing fee).

Based on average monthly filings of 4,400 since July of 1993, the increase of \$5 is projected to generate \$528,000 (\$422,400 for the state and \$105,600 for the counties) during the next biennium.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	None	None	422,400	None	422,400	None
Expenditures	None	None	430,000	None	430,000	None

3. What, if any, is the effect of this measure on the budget for your agency or department:

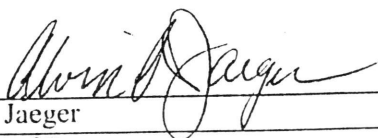
a. For rest of 1997-99 biennium: None
(Indicate the portion of this amount included in the 1999-2001 executive budget:)

b. For the 1999-2001 biennium: \$430,000
(Indicate the portion of this amount included in the 1999-2001 executive budget:)

c. For the 2001-03 biennium: \$430,000

4. County, city, and school district fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
None	None	None	\$ 105,600	None	None	\$ 105,600	None	None

Signed: 
 Typed Name: Alvin A. Jaeger
 Department: Secretary of State
 Phone Number: 328-2900
 Date Prepared: January 27, 1999

Secretary of State

Increases to 97-99 Appropriation

Presidential Primary	250,000.00
Data Processing	625,200.00
Public Printing	94,200.00
3% & 3% Compenstation Adj	68,580.00
Health Insurance Increase	23,150.00
Additional FTE	44,847.00
Misc Increases	2,356.00
	<u>1,108,333.00</u>

Legislative Changes to Executive Recommendation

Eliminate Presidential Primary	(250,000.00)
Creation of Special Fund	(250,000.00)
2% & 2% Compenstation Adj	(23,011.00)
Delay Equity Adjustment	(5,964.00)
Health Insurance	7,413.00
	<u>(521,562.00)</u>

SB 2119 - Central Indexing System Filing Fees - Bill increases the filing fee for filing lien documents in the central indexing system from \$5 to \$10. The increase is projected to produce an additional \$422,400 in general fund revenues. Adding this amount to the current amount received for filing fees, the total projected revenue is \$887,400. The projected expense for operating the central indexing system for the 99-01 biennium is \$895,000.