

2023 HOUSE APPROPRIATIONS

HB 1008

Department 413 - Department of Financial Institutions
House Bill No. 1008

Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 Executive Budget	\$0	\$10,929,465	\$10,929,465
2023-25 Base Level	0	9,106,507	9,106,507
Increase (Decrease)	\$0	\$1,822,958	\$1,822,958

Selected Budget Changes Recommended in the Executive Budget

	General Fund	Other Funds	Total
1. Adds funding for state employee salary and benefit increases, of which \$554,650 is for salary increases and \$143,118 is for health insurance increases	\$0	\$697,768	\$697,768
2. Adds 3 FTE positions, including large bank examiner, licensing examiner, and nondepository examiner, of which \$626,562 is for salaries and wages and \$92,835 is for ongoing operating expenses	\$0	\$719,397	\$719,397
3. Adds funding for Attorney General fees to provide a total of \$300,000	\$0	\$250,000	\$250,000
4. Adds funding for Dynamics ongoing maintenance agreement	\$0	\$100,000	\$100,000

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

Selected Bill Sections Recommended in the Executive Budget

Line item transfers - Section 3 would authorize the Department of Financial Institutions to transfer between line items during the 2023-25 biennium and requires the department to notify the Office of Management and Budget and the Legislative Council.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

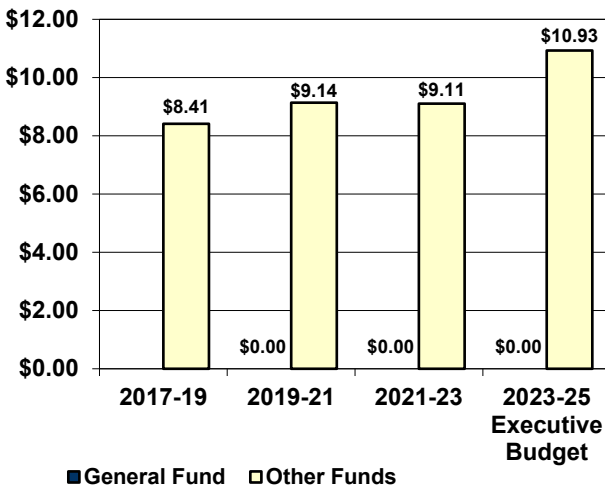
Major Related Legislation

House Bill No. 1068 - Relates to residential mortgage loan servicers.

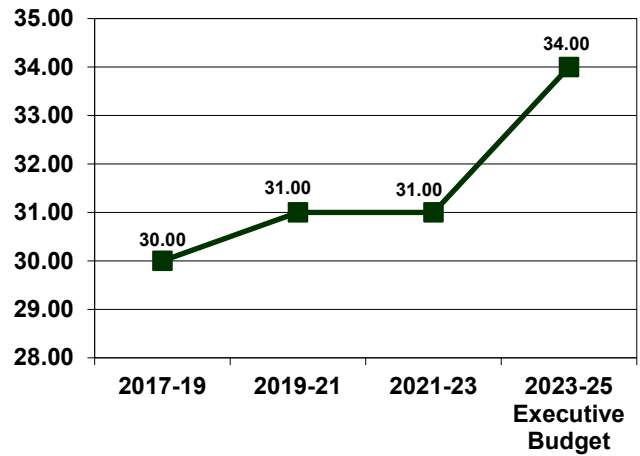
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing other funds appropriations	\$8,389,442	\$8,409,912	\$8,684,567	\$9,106,507	\$10,929,465
Increase (decrease) from previous biennium	N/A	\$20,470	\$274,655	\$421,940	\$1,822,958
Percentage increase (decrease) from previous biennium	N/A	0.2%	3.3%	4.9%	20.0%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	0.2%	3.5%	8.5%	30.3%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2017-19 Biennium

1. Reduced funding for salaries and wages in anticipation of savings from vacant positions and employee turnover (\$185,196)
2. Reduced contingency funding to provide \$20,000 (\$57,000)

2019-21 Biennium

1. Added 1 FTE cybersecurity/money transmitter examiner (\$194,559) and related operating expenses (\$60,000) \$254,559

2021-23 Biennium

1. Increased funding for professional development to provide a total of \$363,059 \$130,280
2. Reduced funding for travel to provide a total of \$547,376 (\$104,024)

2023-25 Biennium (Executive Budget Recommendation)

1. Adds funding for Attorney General fees to provide a total of \$300,000 \$250,000
2. Adds funding for Dynamics ongoing maintenance agreement \$100,000

One-Time Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time other funds appropriations	\$0	\$0	\$451,305	\$0	\$0

Major One-Time Other Funds Appropriations

2017-19 Biennium

1. No one-time other funds appropriations \$0

2019-21 Biennium

1. Information technology project \$451,305

2021-23 Biennium

1. No one-time other funds appropriations \$0

2023-25 Biennium (Executive Budget Recommendation)

1. No one-time other funds appropriations \$0

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	31.00	\$0	\$9,106,507	\$9,106,507
2023-25 Ongoing Funding Changes				
Cost to continue salary increase			\$55,175	\$55,175
Salary increase			554,650	554,650
Health insurance increase			143,118	143,118
Adds 1 FTE large bank examiner position	1.00		257,867	257,867
Adds 1 FTE licensing examiner position	1.00		230,765	230,765
Adds 1 FTE non-depository examiner position	1.00		230,765	230,765
Adds funding for IT rate increase			618	618
Adds funding for Attorney General fees			250,000	250,000
Adds funding for Dynamics ongoing maintenance			100,000	100,000
Total ongoing funding changes	3.00	\$0	\$1,822,958	\$1,822,958
One-time funding items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	3.00	\$0	\$1,822,958	\$1,822,958
2023-25 Total Funding	34.00	\$0	\$10,929,465	\$10,929,465
<i>Federal funds included in other funds</i>			\$0	
<i>Total ongoing changes as a percentage of base level</i>	9.7%		20.0%	20.0%
<i>Total changes as a percentage of base level</i>	9.7%		20.0%	20.0%

Other Sections in Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation			
	Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.		

HOUSE BILL NO. 1008
(Governor's Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of the department of financial institutions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from other income, to the department of financial institutions for the purpose of defraying the expenses of the department of financial institutions, for the biennium beginning July 1, 2023 and ending June 30, 2025 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$7,415,098	\$1,379,505	\$8,794,603
Operating Expenses	1,671,409	443,453	2,114,862
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total Special Funds	\$9,106,507	\$1,822,958	\$10,929,465
Full-time Equivalent Positions	31.00	3.00	34.00

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
	<u>\$0</u>	<u>\$ 0</u>
Total Other Funds	\$0	\$ 0

SECTION 3. LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer between line items within section 1 of this Act during the biennium beginning July 1, 2023 and ending June 30, 2025. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section.

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynild Haugland Room, State Capitol

HB1008
1/6/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions
--

10:10 AM Chairman Monson: Opened the hearing on HB1008.

Members present: Chairman Monson, Vice Chairman Brandenburg, Representatives Bellew, Kempenich, Meier, Pyle.

Members absent: Representative Mock

Discussion Topics

- Overview of Financial Institutions
- Expense/budget

Lise Kruse- Commissioner- ND Dept. of Financial Institutions Testified in favor.
(Testimony #12495 & #12476)

Jeff Olson, Lobbyist, Dakota Credit Union Association; Testified in favor.

Barry Haugen, Independent Community Banks of North Dakota- Testified in favor.

Rick Clayburgh, President/CEO North Dakota Banking Association; Testified in favor.

Additional Testimony- John Ryan, Board of Governors of the Federal Reserve System. (Testimony #17436)

11:30 AM Chairman Monson Closed hearing for HB 1008.

Robyn Engelstad, Committee Clerk by Risa Berube

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB1008
1/17/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions
--

3:10 PM Chairman Monson: Opened the hearing on HB1008.

Members present:

Chairman Monson, Vice Chairman Brandenburg, Representatives Bellew, Kempenich, Meier, Pyle, Mock

Discussion Topics

- Ensuring Resources
- Expense/budget
- Portals for institutions
- Cost sharing of FTE's

Lise Kruse- Commissioner- ND Dept. of Financial Institutions verbal testimony.

3:26 PM Chairman Monson Closed hearing for HB 1008.

Amy Liepke, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB1008
1/27/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions
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9:36 AM Vice Chairman Brandenburg: Opened the hearing on HB1008.

Members present: Chairman Monson, Vice Chairman Brandenburg, Representatives Bellew, Kempenich, Meier, Pyle, Mock.

Discussion Topics

- Pay Package
- FTE
- Retirement
- Attorney General Fees

Lise Kruse- Commissioner- ND Dept. of Financial Institutions verbal testimony.

Additional Testimony- Legislative Council, Testimony #17941

11:00 AM Chairman Monson Closed hearing for HB 1008.

Amy Liepke, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1008
2/2/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Chairman Monson calls meeting to order at 3:57 PM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Meier, Rep. Pyle,

Members Absent: Rep. Kempenich, Rep. Mock

Discussion Topics:

- Addition of FTE's
- Committee action

Representative Meier moved to amend HB 1008 (23.0237.01001) (#18897)

Representative Brandenburg seconded motion

Roll call Vote:

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	N
Representative Keith Kempenich	AB
Representative Lisa Meier	Y
Representative Corey Mock	AB
Representative Brandy Pyle	Y

Motion carries 4-1-2

Representative Meier Moved a do pass as amended.

Representative Brandenburg seconded

Roll call vote:

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	N
Representative Keith Kempenich	AB
Representative Lisa Meier	Y
Representative Corey Mock	AB
Representative Brandy Pyle	Y

Motion carried: 4-1-2

House Appropriations - Government Operations Division
HB 1008
02-02-23
Page 2

Bill carrier: Representative Meier

Additional Written Testimony: Representative Meier (#18887) (#18878)

Chairman Monson closes meeting at 4:08 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1008
2/8/2023

BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

2:55 PM Chairman Vigesaa- Meeting was called to order and roll call was taken:

Members present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Bellew, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Monson, Representative Nathe, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative G. Stemen and Representative Swiontek.

Members not Present Representative Mock, Representative Strinden and Representative J. Nelson

Discussion Topics:

- Amendment

Representative Meier -Introduces the budget and the proposed amendment 23.0237.01001 (Testimony #19964)

Representative Meier -Move to adopt the amendment 23.0237.01001.

Representative Monson Seconds the motion.

Roll call Vote.

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	N
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	A
Representative David Monson	Y
Representative Mike Nathe	Y

Representative Jon O. Nelson	A
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	A
Representative Steve Swiontek	Y

Motion Carries 18-2-3

Representative Meier – Move for a Do Pass as Amended

Representative Monson Seconds the Motion

Roll Call Vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	N
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	A
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	A
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	A
Representative Steve Swiontek	Y

Motion Carries 18-2-3 Representative Meier will carry the bill

Chairman Vigesaa Closed the meeting for HB 1008 at 3:08 PM

Risa Berube, Committee Clerk

JA
2-9-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1008

Page 1, line 2 after "institutions" insert "; and to provide an exemption"

Page 1, replace lines 9 through 15 with:

"		<u>Adjustments or</u>	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,415,098	\$1,042,458	\$8,457,556
Operating expenses	1,671,409	412,508	2,083,917
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$1,454,966	\$10,561,473
Full-time equivalent positions	31.00	2.00	33.00

SECTION 2. EXEMPTION - LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer funds between line items within section 1 of this Act during the biennium beginning July 1, 2023, and ending June 30, 2025. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$7,415,098	\$1,042,458	\$8,457,556
Operating expenses	1,671,409	412,508	2,083,917
Contingency	<u>20,000</u>		<u>20,000</u>
Total all funds	\$9,106,507	\$1,454,966	\$10,561,473
Less estimated income	<u>9,106,507</u>	<u>1,454,966</u>	<u>10,561,473</u>
General fund	\$0	\$0	\$0
FTE	31.00	2.00	33.00

Department 413 - Department of Financial Institutions - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adds Large Bank Examiner FTE Position ³	Adds Licensing or Non- depository Examiner FTE Position ⁴	Adds Funding for ITD Increases ⁵	Adds Funding for Attorney General Fees ⁶
Salaries and wages	\$55,175	\$560,541	\$226,922	\$199,820		
Operating expenses			30,945	30,945	\$618	\$250,000
Contingency						
Total all funds	\$55,175	\$560,541	\$257,867	\$230,765	\$618	\$250,000
Less estimated income	<u>55,175</u>	<u>560,541</u>	<u>257,867</u>	<u>230,765</u>	<u>618</u>	<u>250,000</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	1.00	1.00	0.00	0.00

JA
2-8-23

	Adds Funding for Dynamics Ongoing Maintenance Expenses ⁷	Total House Changes
Salaries and wages		\$1,042,458
Operating expenses	\$100,000	412,508
Contingency		
Total all funds	\$100,000	\$1,454,966
Less estimated income	100,000	1,454,966
General fund	\$0	\$0
FTE	0.00	2.00

¹ Funding is added for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

	<u>Other Funds</u>
Salary increase	\$414,131
Health insurance increase	<u>146,410</u>
Total	\$560,541

³ Funding of \$257,867 is added for 1 FTE large bank examiner position (\$226,922) and related and operating expenses (\$30,945).

⁴ Funding of \$230,765 is added for 1 FTE licensing or non-depository examiner position (\$199,820) and related operating expenses (\$30,945).

⁵ Funding is added for Information Technology Department rate increases.

⁶ Funding is added for operating expenses for additional legal costs paid to the Attorney General.

⁷ Adds funding for a Dynamics ongoing system maintenance agreement.

This amendment also authorizes the Department of Financial Institutions to transfer appropriation authority between line items.

2

REPORT OF STANDING COMMITTEE

HB 1008: Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (18 YEAS, 2 NAYS, 3 ABSENT AND NOT VOTING). HB 1008 was placed on the Sixth order on the calendar.

Page 1, line 2 after "institutions" insert "; and to provide an exemption"

Page 1, replace lines 9 through 15 with:

"		<u>Adjustments or</u>	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,415,098	\$1,042,458	\$8,457,556
Operating expenses	1,671,409	412,508	2,083,917
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$1,454,966	\$10,561,473
Full-time equivalent positions	31.00	2.00	33.00

SECTION 2. EXEMPTION - LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer funds between line items within section 1 of this Act during the biennium beginning July 1, 2023, and ending June 30, 2025. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - House Action

	Base Budget	House Changes	House Version
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Operating expenses	1,671,409	412,508	2,083,917
Contingency	<u>20,000</u>		<u>20,000</u>
Total all funds	\$9,106,507	\$1,454,966	\$10,561,473
Less estimated income	<u>9,106,507</u>	<u>1,454,966</u>	<u>10,561,473</u>
General fund	\$0	\$0	\$0
FTE	31.00	2.00	33.00

Department 413 - Department of Financial Institutions - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adds Large Bank Examiner FTE Position ³	Adds Licensing or Non- depository Examiner FTE Position ⁴	Adds Funding for ITD Increases ⁵	Adds Funding for Attorney General Fees ⁶
Salaries and wages	\$55,175	\$560,541	\$226,922	\$199,820		
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Total all funds	\$55,175	\$560,541	\$257,867	\$230,765	\$618	\$250,000
Less estimated income	<u>55,175</u>	<u>560,541</u>	<u>257,867</u>	<u>230,765</u>	<u>618</u>	<u>250,000</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	1.00	1.00	0.00	0.00

	Adds Funding for Dynamics Ongoing Maintenance Expenses ¹	Total House Changes
Salaries and wages		\$1,042,458
Operating expenses	\$100,000	412,508
Contingency		
<hr/>		
Total all funds	\$100,000	\$1,454,966
Less estimated income	100,000	1,454,966
General fund	\$0	\$0
<hr/>		
FTE	0.00	2.00

¹ Funding is added for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

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This amendment also authorizes the Department of Financial Institutions to transfer appropriation authority between line items.

2023 SENATE APPROPRIATIONS

HB 1008

**Department 413 - Department of Financial Institutions
House Bill No. 1008**

First Chamber Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 First Chamber Version	\$0	\$10,561,473	\$10,561,473
2023-25 Base Level	0	9,106,507	9,106,507
Increase (Decrease)	\$0	\$1,454,966	\$1,454,966

First Chamber Changes

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

Selected Bill Sections Included in the First Chamber Version

Line item transfers - Section 3 authorizes the Department of Financial Institutions to transfer between line items during the 2023-25 biennium and requires the department to notify the Office of Management and Budget and the Legislative Council.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant findings for this agency.

Major Related Legislation

House Bill No. 1068 - Authorizes 1 FTE position and \$225,000 from special funds derived from licensing and examination fees to the Department of Financial Institutions for the purpose of administering and enforcing laws, rules, and regulations relating to residential mortgage loan servicers.

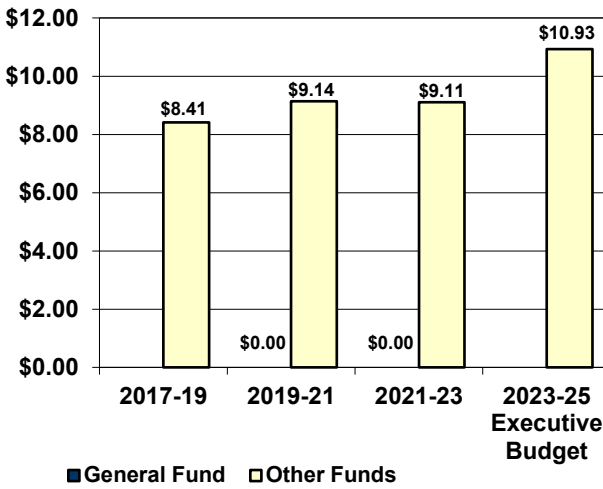
Senate Bill No. 2090 - Creates a separate chapter in North Dakota Century Code relating to residential mortgage lending.

Senate Bill No. 2119 - Provides for the regulation of money transmitters by the Department of Financial Institutions.

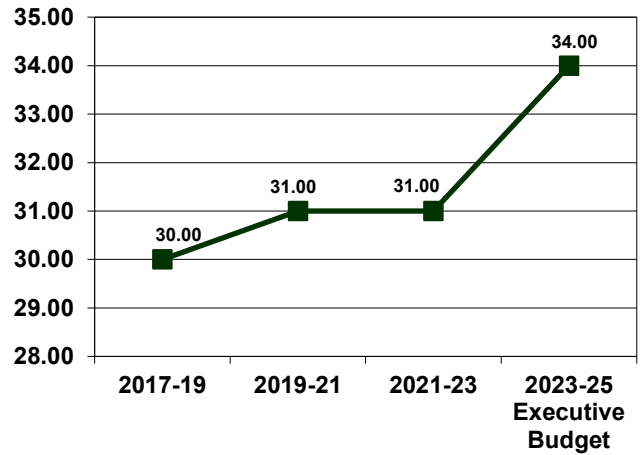
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing Other Funds Appropriations

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Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	0.2%	3.5%	8.5%	30.3%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2017-19 Biennium

1. Reduced funding for salaries and wages in anticipation of savings from vacant positions and employee turnover (\$185,196)
2. Reduced contingency funding to provide \$20,000 (\$57,000)

2019-21 Biennium

1. Added 1 FTE cybersecurity/money transmitter examiner (\$194,559) and related operating expenses (\$60,000) \$254,559

2021-23 Biennium

1. Increased funding for professional development to provide a total of \$363,059 \$130,280
2. Reduced funding for travel to provide a total of \$547,376 (\$104,024)

2023-25 Biennium (Executive Budget Recommendation)

1. Adds funding for Attorney General fees to provide a total of \$300,000 \$250,000
2. Adds funding for Dynamics ongoing maintenance agreement \$100,000

One-Time Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time other funds appropriations	\$0	\$0	\$451,305	\$0	\$0

Major One-Time Other Funds Appropriations

2017-19 Biennium					
None					\$0
2019-21 Biennium					
Information technology (IT) project					\$451,305
2021-23 Biennium					
None					\$0
2023-25 Biennium (Executive Budget Recommendation)					
None					\$0

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	31.00	\$0	\$9,106,507	\$9,106,507	31.00	\$0	\$9,106,507	\$9,106,507
2023-25 Ongoing Funding Changes								
Cost to continue salary increase			\$55,175	\$55,175			\$55,175	\$55,175
Salary increase			554,650	554,650			414,131	414,131
Health insurance increase			143,118	143,118			146,410	146,410
Adds 1 FTE large bank examiner position	1.00		257,867	257,867	1.00		257,867	257,867
Adds 1 FTE licensing examiner position	1.00		230,765	230,765				0
Adds 1 FTE non-depository examiner position	1.00		230,765	230,765				0
Adds 1 FTE licensing or non-depository examiner position				0	1.00		230,765	230,765
Adds funding for IT rate increase			618	618			618	618
Adds funding for Attorney General fees			250,000	250,000			250,000	250,000
Adds funding for Dynamics ongoing maintenance			100,000	100,000			100,000	100,000
Total ongoing funding changes	3.00	\$0	\$1,822,958	\$1,822,958	2.00	\$0	\$1,454,966	\$1,454,966
One-Time Funding Items								
No one-time funding items				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	3.00	\$0	\$1,822,958	\$1,822,958	2.00	\$0	\$1,454,966	\$1,454,966
2023-25 Total Funding	34.00	\$0	\$10,929,465	\$10,929,465	33.00	\$0	\$10,561,473	\$10,561,473
<i>Federal funds included in other funds</i>			\$0				\$0	
<i>Total ongoing changes as a percentage of base level</i>	9.7%		20.0%	20.0%	6.5%		16.0%	16.0%
<i>Total changes as a percentage of base level</i>	9.7%		20.0%	20.0%	6.5%		16.0%	16.0%

Other Sections in Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation	House Version
Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.	Section 2 authorizes the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1008
3/9/2023

A bill for an act to provide an appropriation for defraying the expenses of the Department of Financial Institutions; and to provide an exemption.

2:30 PM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa were present.

Discussion Topics:

- Statutory responsibilities
- State chartered banks/credit unions
- Trust companies/bank trust depts
- Consumer licenses
- Consumer protection
- Agency accomplishments
- Accreditation
- Federal oversight
- Fraud mitigation
- Agency challenges
- Qualified workforce
- State charter model
- Cybersecurity
- Employee retention
- Competitive compensation
- FTE requests
- Line-item transfer flexibility
- Salaries
- FTE operating costs
- IT Dynamics maintenance
- Travel expenses
- Professional development
- One-time funding
- Money laundering
- Agency collections
- Federal rates and inflation
- Effects of other bills
- Non-bank mortgage servicers
- Credit unions

2:35 PM Lise Kruse, ND Commissioner of Financial Institutions, testified. Testimony #23341, #23506

4:05 PM Jeff Olson, President and CEO of ND Credit Unions, testified. (No written testimony)

Additional written testimony:

Toby Mertz, #23505

4:10 PM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1008
3/15/2023

A bill for an act to provide an appropriation for defraying the expenses of the Department of Financial Institutions; and to provide an exemption.

2:57 PM Chairman Wanzek called the meeting to order.

Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Full time employees (FTEs) request
- Mortgage servicer/mortgage examiner functions
- Finance audit
- Study
- Attorney services/costs
- Line-item transfer
- Regulator duties

2:59 PM Lise Kruse, ND Commissioner Financial Institutions, testified. Testimony #23341, #23506

3:30 PM Toby Mertz, LC Fiscal Analyst, testified. Testimony #25172

3:46 Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1008
3/21/2023 10:08 AM

A bill for an act to provide an appropriation for defraying the expenses of the Department of Financial Institutions; and to provide an exemption.
--

10:08 AM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa were present.

Discussion Topics:

- Amendments
- Studies: “shall study” or “shall consider”
- Methodology
- HB 1008 and HB 1068 synergy

10:08 AM Adam Mathiak, Legislative Council Senior Fiscal Analyst, testified. Testimony #26115

10:37 AM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB1008
3/27/2023

A bill for an act to provide an appropriation for defraying the expenses of the Department of Financial Institutions; and to provide an exemption.

4:37 PM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Salary increase
- New full-time employees (FTEs)
- Formula for calculating new and vacant FTEs
- Committee action

4:36 PM LC Fiscal Analyst Toby Mertz testified. Testimony #27249

4:50 PM Senator Roers moved to adopt Amendment LC 23.0237.02002.
Senator Dwyer seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jim P. Roers	Y
Senator Shawn Vedaa	Y

Motion passed 5-0-0

4:51 PM Senator Roers moved a Do Pass as Amended recommendation for HB 1008.
Senator Dwyer seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jim P. Roers	Y
Senator Shawn Vedaa	y

Motion passed 5-0-0

Senator Roers will carry the bill.

4:52 PM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1008
3/31/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions; and to provide an exemption.

8:40 AM Chairman Bekkedahl opened the hearing on HB 1008.

Members present: Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Sorvaag, Vedaa, Wanzek, Rust, and Mathern.

Discussion Topics:

- Financial institutions
- Self-funding
- Committee action

8:41 AM Senator Roers introduced amendment LC 23.0237.02002, testimony #27136

8:44 AM Senator Roers moved to adopt amendment. LC 23.0237.02002
Senator Wanzek seconded.

8:45 AM Becky Deichert, Office of Management and Budget, answered questions from the committee, no written testimony.

Roll call vote.

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator David S. Rust	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y

Motion passed. 16-0-0

8:46 AM Alex Cronquist, Legislative Council, answered questions from the committee, no written testimony

8:49 AM Senator Roers moved DO PASS as Amended.
Senator Dwyer seconded.

Roll call vote.

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator David S. Rust	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y

Motion passed. 16-0-0

Senator Roers will carry the bill.

8:50 AM Chairman Bekkedahl closed the hearing.

Justin Boone on behalf of Kathleen Hall, Committee Clerk

AG
3-31-23
(1-2)

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1008

Page 1, line 2, remove "and"

Page 1, line 2, after "exemption" insert "; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$7,415,098	\$312,742	\$7,727,840
Operating expenses	1,671,409	481,453	2,152,862
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$794,195	\$9,900,702
Full-time equivalent positions	31.00	4.00	35.00"

Page 1, after line 20, insert:

"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - APPROPRIATION AND MANAGEMENT PROCEDURES. During the 2023-24 interim, the legislative management shall consider studying the appropriation procedures for the department of financial institutions. The study must include an analysis of the feasibility and desirability of alternative appropriation methods, management structures employed, oversight and reporting to the executive and legislative branches of government, staff classification structures tied to federal or market compensation indexes, and staffing structures which allow for adjustments to market conditions. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,415,098	\$8,457,556	(\$729,716)	\$7,727,840
Operating expenses	1,671,409	2,083,917	68,945	2,152,862
Contingency	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
Total all funds	\$9,106,507	\$10,561,473	(\$660,771)	\$9,900,702
Less estimated income	<u>9,106,507</u>	<u>10,561,473</u>	<u>(660,771)</u>	<u>9,900,702</u>
General fund	\$0	\$0	\$0	\$0
FTE	31.00	33.00	2.00	35.00

Department 413 - Department of Financial Institutions - Detail of Senate Changes

AG
3-31-23
(22)

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for FTE Positions ²	Removes Salary Funding for Funding Pool ³	Total Senate Changes
Salaries and wages	\$137,227	\$399,820	(\$1,266,763)	(\$729,716)
Operating expenses		68,945		68,945
Contingency				
Total all funds	\$137,227	\$468,765	(\$1,266,763)	(\$660,771)
Less estimated income	137,227	468,765	(1,266,763)	(660,771)
General fund	\$0	\$0	\$0	\$0
FTE	0.00	2.00	0.00	2.00

¹ Salaries and wages funding is adjusted to provide for the 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	<u>Other Funds</u>
Salary increase	\$140,519
Health insurance adjustment	<u>(3,292)</u>
Total	\$137,227

The House provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding of \$468,765 from other funds is adjusted to the salaries and wages and operating expenses line items as follows:

	<u>FTE</u>	<u>Salaries and Wages</u>	<u>Operating Expenses</u>	<u>Total</u>
Adds 1 FTE licensing examiner position	1.00	\$199,820	\$30,945	\$230,765
Adds 1 FTE non-depository examiner position	1.00	199,820	30,945	230,765
Adds 1 FTE mortgage servicer examiner position	1.00	200,000	38,000	238,000
Removes 1 FTE licensing or non-depository examiner position	<u>(1.00)</u>	<u>(199,820)</u>	<u>(30,945)</u>	<u>(230,765)</u>
Total	2.00	\$399,820	\$68,945	\$468,765

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<u>Other Funds</u>
New FTE positions	(\$1,026,562)
Vacant FTE positions	<u>(240,201)</u>
Total	(\$1,266,763)

This amendment adds a section to provide for a Legislative Management study of the appropriation and management procedures for the Department of Financial Institutions.

REPORT OF STANDING COMMITTEE

HB 1008, as engrossed: Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1008 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 2, remove "and"

Page 1, line 2, after "exemption" insert "; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$7,415,098	\$312,742	\$7,727,840
Operating expenses	1,671,409	481,453	2,152,862
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$794,195	\$9,900,702
Full-time equivalent positions	31.00	4.00	35.00"

Page 1, after line 20, insert:

"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - APPROPRIATION AND MANAGEMENT PROCEDURES. During the 2023-24 interim, the legislative management shall consider studying the appropriation procedures for the department of financial institutions. The study must include an analysis of the feasibility and desirability of alternative appropriation methods, management structures employed, oversight and reporting to the executive and legislative branches of government, staff classification structures tied to federal or market compensation indexes, and staffing structures which allow for adjustments to market conditions. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,415,098	\$8,457,556	(\$729,716)	\$7,727,840
Operating expenses	1,671,409	2,083,917	68,945	2,152,862
Contingency	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
Total all funds	\$9,106,507	\$10,561,473	(\$660,771)	\$9,900,702
Less estimated income	<u>9,106,507</u>	<u>10,561,473</u>	<u>(660,771)</u>	<u>9,900,702</u>
General fund	\$0	\$0	\$0	\$0
FTE	31.00	33.00	2.00	35.00

Department 413 - Department of Financial Institutions - Detail of Senate Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for FTE Positions ²	Removes Salary Funding for Funding Pool ³	Total Senate Changes
Salaries and wages	\$137,227	\$399,820	(\$1,266,763)	(\$729,716)
Operating expenses		68,945		68,945
Contingency				
Total all funds	\$137,227	\$468,765	(\$1,266,763)	(\$660,771)
Less estimated income	<u>137,227</u>	<u>468,765</u>	<u>(1,266,763)</u>	<u>(660,771)</u>
General fund	\$0	\$0	\$0	\$0
FTE	0.00	2.00	0.00	2.00

¹ Salaries and wages funding is adjusted to provide for the 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	<u>Other Funds</u>
Salary increase	\$140,519
Health insurance adjustment	(3,292)
Total	\$137,227

The House provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding of \$468,765 from other funds is adjusted to the salaries and wages and operating expenses line items as follows:

	<u>FTE</u>	<u>Salaries and Wages</u>	<u>Operating Expenses</u>	<u>Total</u>
Adds 1 FTE licensing examiner position	1.00	\$199,820	\$30,945	\$230,765
Adds 1 FTE non-depository examiner position	1.00	199,820	30,945	230,765
Adds 1 FTE mortgage servicer examiner position	1.00	200,000	38,000	238,000
Removes 1 FTE licensing or non-depository examiner position	(1.00)	(199,820)	(30,945)	(230,765)
Total	2.00	\$399,820	\$68,945	\$468,765

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<u>Other Funds</u>
New FTE positions	(\$1,026,562)
Vacant FTE positions	(240,201)
Total	(\$1,266,763)

This amendment adds a section to provide for a Legislative Management study of the appropriation and management procedures for the Department of Financial Institutions.

2023 CONFERENCE COMMITTEE

HB 1008

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1008
4/17/2023
Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Chairman Meier calls meeting to order at 10:02 AM

Representatives: Meier (Chair), Pyle, Monson

Senators: Roers, Erbele, Vedaa,

Discussion Topics:

- Proposed study
- Additional FTE's

Senator Roers goes over changes made by the Senate. #27605

Chairman Meier closes the hearing on HB 1008 at 10:13 AM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1008
4/19/2023
Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the department of financial institutions.

Chairman Meier calls meeting to order at 4:35 PM

Representatives: Meier (Chair), Pyle, Monson

Senators: Roers, Erbele, Vedaa,

Discussion Topics:

- Additional FTE's

Chairman Meier goes over the changes and the agreements made by the two chambers.

Representative Monson Moves that the Senate recedes their amendments and amend as follows, adding the one FTE position, and addition of study language, two FTE mortgager positions.

Seconded by: Senator Vedaa

Motion carries: 6-0-0

House carrier: Chairman Meier

Senate carrier: Senator Roers

Chairman Meier closes the hearing on HB 1008 at 4:42 PM

Leah Kuball, Committee Clerk

DR
172
4-21-23

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1008

That the Senate recede from its amendments as printed on pages 1608-1610 of the House Journal and pages 1348-1350 of the Senate Journal and that Engrossed House Bill No. 1008 be amended as follows:

Page 1, line 2, remove "and"

Page 1, line 2, after "exemption" insert "; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$7,415,098	\$299,364	\$7,714,462
Operating expenses	1,671,409	450,508	2,121,917
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$749,872	\$9,856,379
Full-time equivalent positions	31.00	3.00	34.00"

Page 1, after line 20, insert:

"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - APPROPRIATION AND MANAGEMENT PROCEDURES. During the 2023-24 interim, the legislative management shall consider studying the appropriation procedures for the department of financial institutions. The study must include an analysis of the feasibility and desirability of alternative appropriation methods, management structures employed, oversight and reporting to the executive and legislative branches of government, staff classifications structures tied to federal or market compensation indexes, and staffing structures which allow for adjustments to market conditions. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$7,415,098	\$8,457,556	(\$743,094)	\$7,714,462	\$7,727,840	(\$13,378)
Operating expenses	1,671,409	2,083,917	38,000	2,121,917	2,152,862	(30,945)
Contingency	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>	<u>20,000</u>	
Total all funds	\$9,106,507	\$10,561,473	(\$705,094)	\$9,856,379	\$9,900,702	(\$44,323)
Less estimated income	<u>9,106,507</u>	<u>10,561,473</u>	<u>(705,094)</u>	<u>9,856,379</u>	<u>9,900,702</u>	<u>(44,323)</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	31.00	33.00	1.00	34.00	35.00	(1.00)

Department 413 - Department of Financial Institutions - Detail of Conference Committee Changes

PK
2/2
4-21-23

	Adjusts Funding for Salary and Benefit Increases ¹	Adds Funding for Mortgage Servicer Examiner Position ²	Removes Salary Funding for Funding Pool ³	Total Conference Committee Changes
Salaries and wages	\$123,849	\$200,000	(\$1,066,943)	(\$743,094)
Operating expenses		38,000		38,000
Contingency				
Total all funds	\$123,849	\$238,000	(\$1,066,943)	(\$705,094)
Less estimated income	123,849	238,000	(1,066,943)	(705,094)
General fund	\$0	\$0	\$0	\$0
FTE	0.00	1.00	0.00	1.00

¹ Salaries and wages funding is adjusted to provide for the 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates, the same as the Senate, as follows:

	<u>Other Funds</u>
Salary increase	\$127,141
Health insurance adjustment	(3,292)
Total	\$123,849

The House provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding of \$238,000 from other funds is added for 1 FTE mortgage servicer examiner position (\$200,000) and related operating expenses (\$38,000). The Senate also added funding for this position. The House and Senate added a second mortgage servicer examiner position in House Bill No. 1068.

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<u>Other Funds</u>
New FTE positions	(\$826,742)
Vacant FTE positions	(240,201)
Total	(\$1,066,943)

The Senate also removed this funding.

This amendment adds a section to provide for a Legislative Management study of the appropriation and management procedures for the Department of Financial Institutions, the same as the Senate. The Conference Committee did not include 1 FTE position added by the Senate.

**2023 HOUSE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL NO. 1008 as engrossed

House Government opps. Appropriations- Government Ops Committee

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

Motion Made by: Representative Monson Seconded by: Senator Vedaa

Representatives			Yes	No		Senators			Yes	No
	4/17	4/19					4/17	4/19		
Chairman Meier	x	x	x			Senator J. Roers	x	x	x	
Representative Monson	x	x	x			Senator Erbele	x	x	x	
Representative Pyle	x	x	x			Senator Vedaa	x	x	x	
Total Rep. Vote			3	0		Total Senate Vote			3	0

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Meier Senate Carrier J. Roers

LC Number 23.0237 . 02003 of amendment

LC Number 23.0237 . 04000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

HB 1008, as engrossed: Your conference committee (Sens. K. Roers, Erbele, Vedaa and Reps. Meier, Monson, Pyle) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1608-1610, adopt amendments as follows, and place HB 1008 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1608-1610 of the House Journal and pages 1348-1350 of the Senate Journal and that Engrossed House Bill No. 1008 be amended as follows:

Page 1, line 2, remove "and"

Page 1, line 2, after "exemption" insert "; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$7,415,098	\$299,364	\$7,714,462
Operating expenses	1,671,409	450,508	2,121,917
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$749,872	\$9,856,379
Full-time equivalent positions	31.00	3.00	34.00"

Page 1, after line 20, insert:

"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - APPROPRIATION AND MANAGEMENT PROCEDURES. During the 2023-24 interim, the legislative management shall consider studying the appropriation procedures for the department of financial institutions. The study must include an analysis of the feasibility and desirability of alternative appropriation methods, management structures employed, oversight and reporting to the executive and legislative branches of government, staff classifications structures tied to federal or market compensation indexes, and staffing structures which allow for adjustments to market conditions. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$7,415,098	\$8,457,556	(\$743,094)	\$7,714,462	\$7,727,840	(\$13,378)
Operating expenses	1,671,409	2,083,917	38,000	2,121,917	2,152,862	(30,945)
Contingency	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>	<u>20,000</u>	
Total all funds	\$9,106,507	\$10,561,473	(\$705,094)	\$9,856,379	\$9,900,702	(\$44,323)
Less estimated income	<u>9,106,507</u>	<u>10,561,473</u>	<u>(705,094)</u>	<u>9,856,379</u>	<u>9,900,702</u>	<u>(44,323)</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	31.00	33.00	1.00	34.00	35.00	(1.00)

Department 413 - Department of Financial Institutions - Detail of Conference Committee Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adds Funding for Mortgage Servicer Examiner Position ²	Removes Salary Funding for Funding Pool ³	Total Conference Committee Changes
Salaries and wages	\$123,849	\$200,000	(\$1,066,943)	(\$743,094)
Operating expenses		38,000		38,000
Contingency				
Total all funds	\$123,849	\$238,000	(\$1,066,943)	(\$705,094)
Less estimated income	123,849	238,000	(1,066,943)	(705,094)
General fund	\$0	\$0	\$0	\$0
FTE	0.00	1.00	0.00	1.00

¹ Salaries and wages funding is adjusted to provide for the 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates, the same as the Senate, as follows:

	Other Funds
Salary increase	\$127,141
Health insurance adjustment	(3,292)
Total	\$123,849

The House provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding of \$238,000 from other funds is added for 1 FTE mortgage servicer examiner position (\$200,000) and related operating expenses (\$38,000). The Senate also added funding for this position. The House and Senate added a second mortgage servicer examiner position in House Bill No. 1068.

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	Other Funds
New FTE positions	(\$826,742)
Vacant FTE positions	(240,201)
Total	(\$1,066,943)

The Senate also removed this funding.

This amendment adds a section to provide for a Legislative Management study of the appropriation and management procedures for the Department of Financial Institutions, the same as the Senate. The Conference Committee did not include 1 FTE position added by the Senate.

Engrossed HB 1008 was placed on the Seventh order of business on the calendar.

TESTIMONY

HB 1008



DATE: January 6, 2023

TO: House Appropriations Committee

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of HB 1008

Chairman Monson and members of the Appropriations Committee, thank you for the opportunity to provide testimony regarding the Department of Financial Institutions Appropriation request for the 2023-2025 biennium, HB 1008.

1. NORTH DAKOTA CENTURY CODE CHAPTERS AND STATUTORY RESPONSIBILITIES

North Dakota Century Code Titles 6, 13, and 51 are associated with the Department of Financial Institutions.

The Department supervises the following state-chartered and licensed financial corporations:

- Banks,
- Credit unions,
- Trust companies,
- Collection agencies,
- Money brokers,
- Deferred presentment service providers (payday lenders),
- Money transmitters,
- Mortgage loan originators, and
- Debt settlement service providers.

The Department also has examination responsibilities for the Bank of North Dakota.

The Department is a special fund, self-supporting agency, receiving no general fund dollars. The Department's budget consists of three cost centers: (1) banks and trust companies, (2) credit unions, and (3) non-depository licensees. Banks, trust companies, and credit unions pay annual assessments that cover all direct examination costs and allocated overhead for the respective cost centers. In addition, trust companies pay examination fees for their safety and soundness examinations. Non-depository licensees pay fees for processing and supervisory responsibilities related to that cost center: investigation fees upon initial licensing, annual license fees, and examination fees when an examination is performed. Again, the examination fee is set at an amount sufficient to recover all costs.

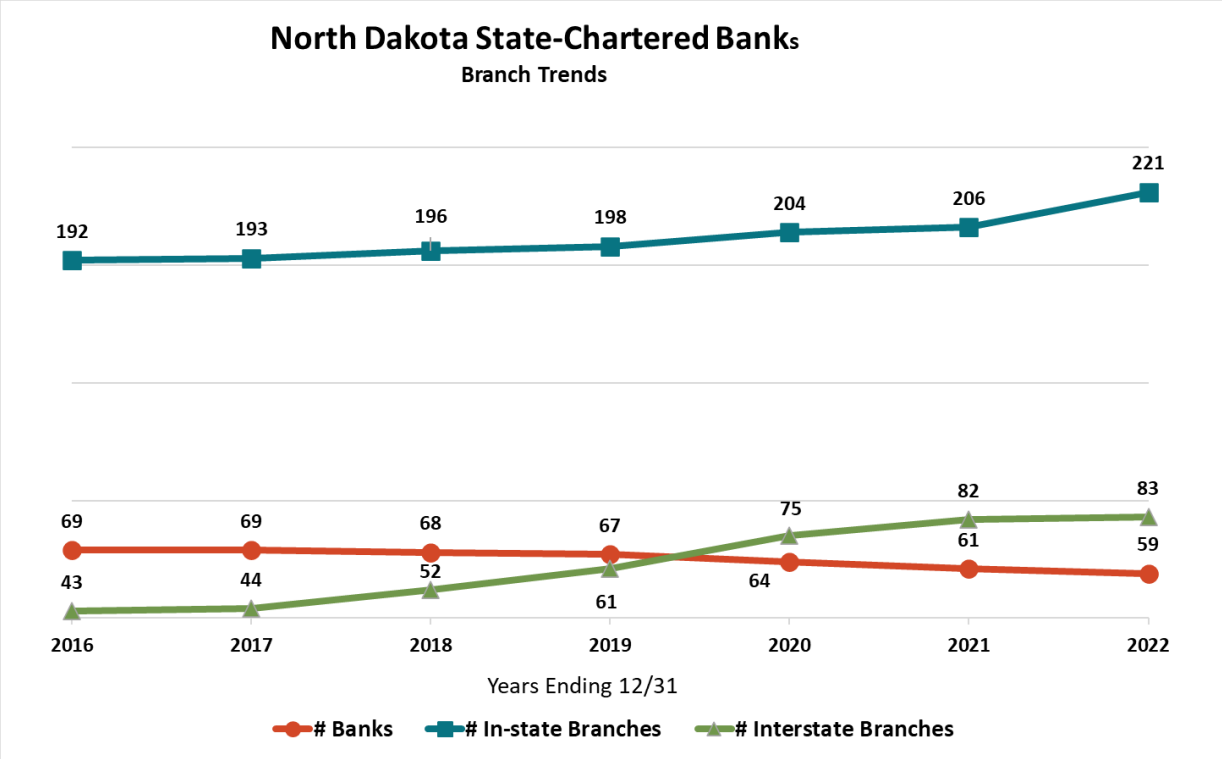
2. DEPARTMENT PURPOSE

The Department has oversight over banks, credit unions and non-depository financial institutions. Indirectly, every citizen of North Dakota is impacted since they can be confident in the financial services to which they have access. The Department's purpose is to ensure the safety and soundness of the institutions we oversee, which then results in financial services being available to the North Dakota citizen.

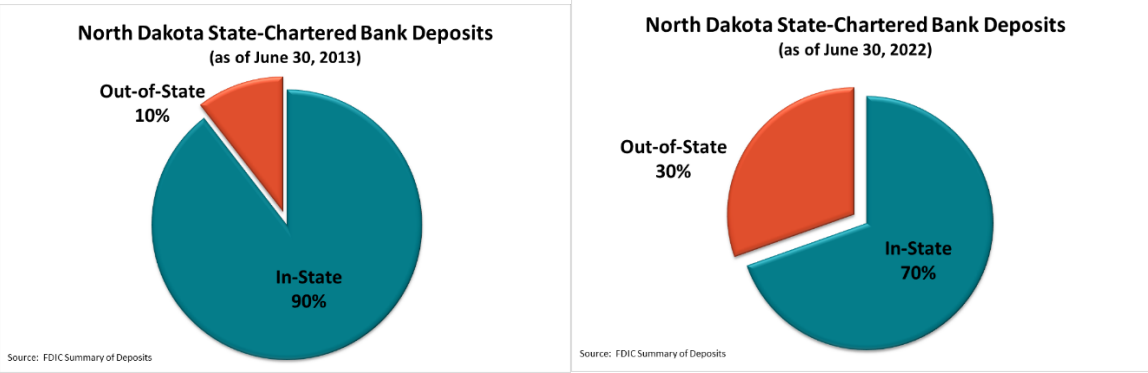
A community bank and credit union are central to economic development. Since our institutions are closely connected to their local markets, they are directly affected when the economy weakens. Our objective is to ensure institutions are financially strong and in compliance with applicable laws and regulations. Strong institutions can take targeted risks that can help their communities.

State-Chartered Banks

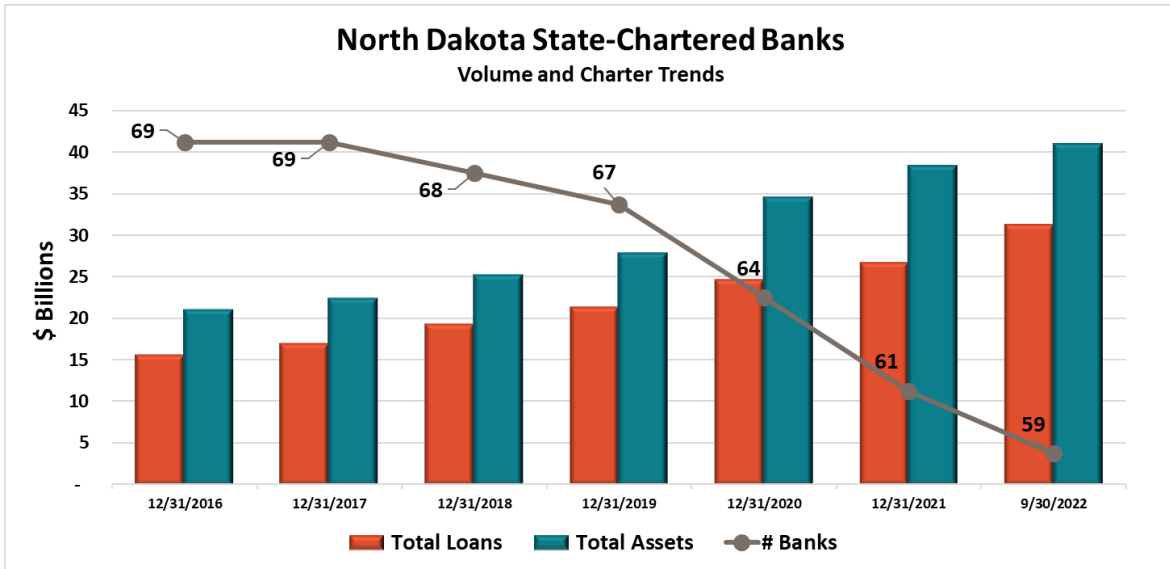
North Dakota has 59 state-chartered banks, plus the Bank of North Dakota. The number of banks continue to decline by a few each year due to merger and consolidation activity. While the total number of banks has declined and is expected to further decline, total branches and total assets continue to grow.



Our banks are expanding outside of North Dakota borders. This pie chart shows the banks' deposit percentage that comes from outside of North Dakota.



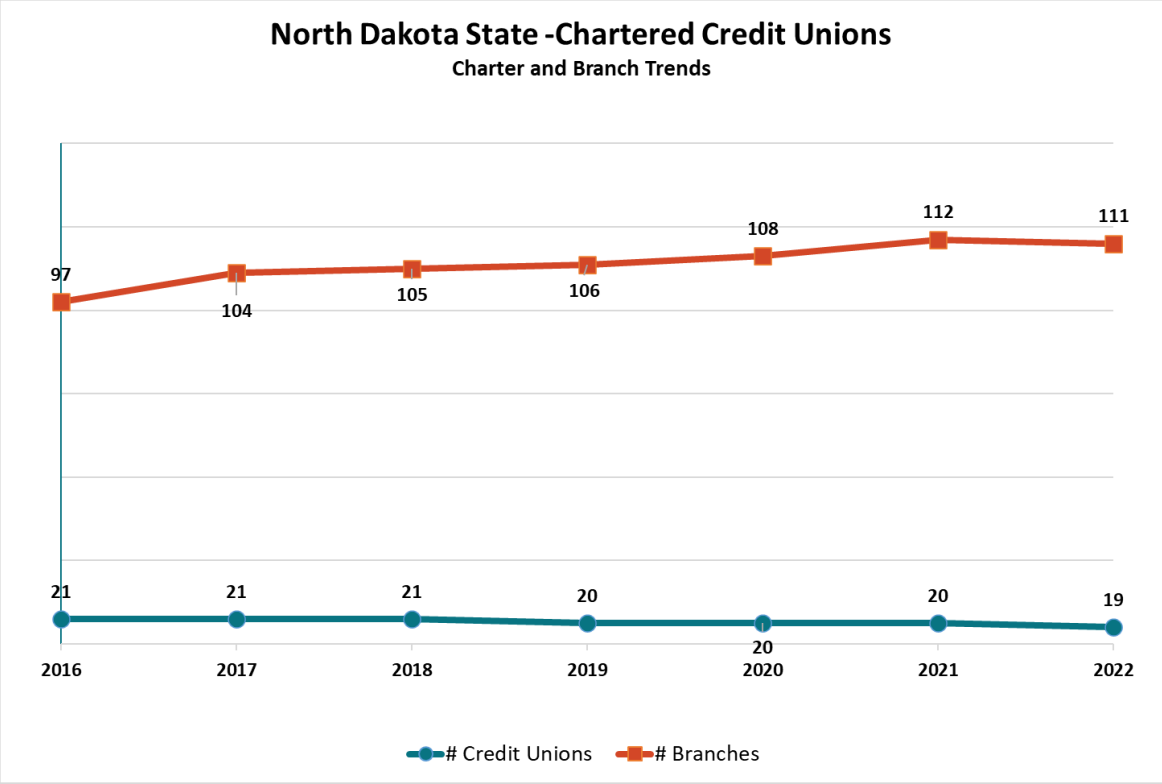
Our banks have merged with out of state banks and have elected to keep the North Dakota charter.



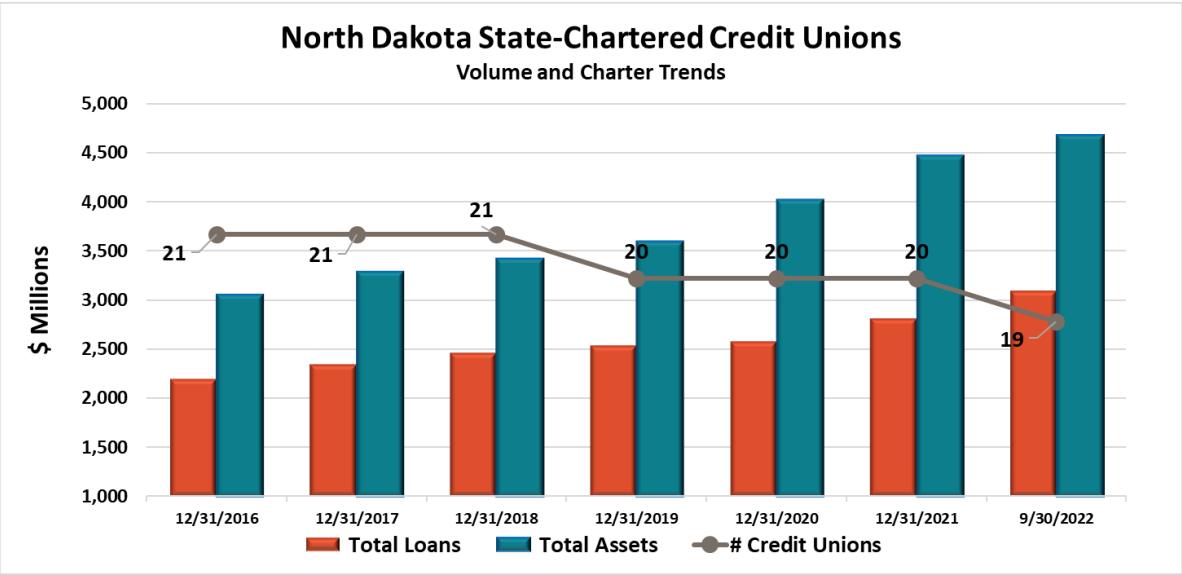
Assets increased 17% from \$35 billion on December 31, 2020, to \$41 billion on September 30, 2022. The continued asset growth increases the Department’s responsibilities and time needed to conduct examinations. A majority of examination time is spent on loan review, and loans, especially commercial loans, are becoming more complex, which therefore requires experienced examiners. Cybersecurity is a significant concern and therefore more time is dedicated to information technology review during our safety and soundness examinations.

State-Chartered Credit Unions

Currently, there are 19 state-chartered credit unions. As with banks, credit union branches are increasing.

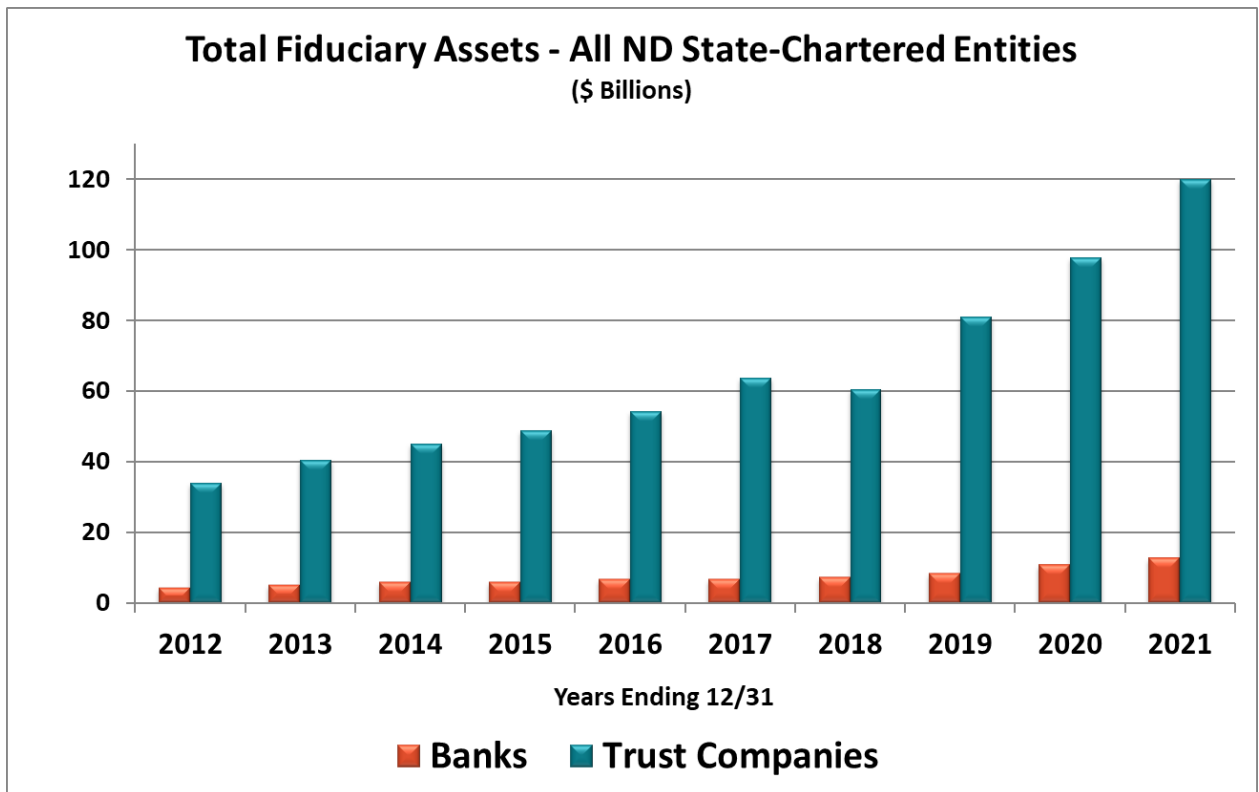


Credit unions also continue to show asset growth, with total assets increasing 18% from \$4 billion as of December 31, 2020, to \$4.7 billion as of September 30, 2022.



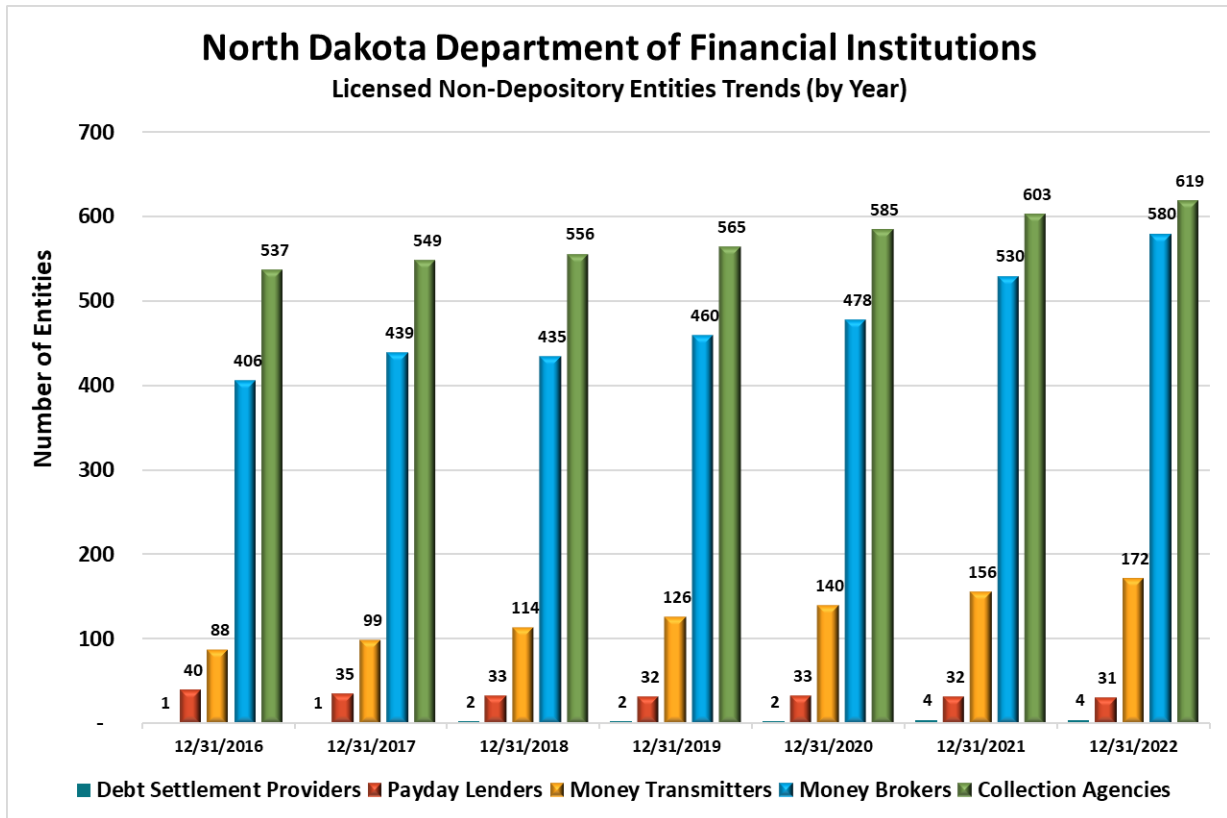
State-Chartered Trust Companies and Bank Trust Departments

There are four state-chartered independent trust companies for which the Department has oversight responsibility; we also have 12 banks which exercise trust powers. The independent trust company examinations are conducted by bank examiners who have acquired specialized trust examination training. The total combined fiduciary assets of the four independent trust companies totaled \$120 billion as of December 31, 2021, a 22% increase from the year prior. The banks with trust powers had combined fiduciary assets of \$12.5 billion as of December 31, 2021, an 18% increase from the year prior.



Consumer Licenses

As of December 31, 2022, the consumer division has active licenses totaling a combined 8,595 entities (compared to 7,061 two years ago). The breakdown of the licenses is as follows:



Not included in the graph above are the 7,189 licensed mortgage loan originators, for which we are responsible to track pre-licensing and continuing education requirements.

Attachment 1 is our organizational chart, which shows the structure of our Department. The Department has 31 FTEs and currently 2 vacancies. As you can see from the chart, the Department has 2 chief examiners, 17 bank examiners, 4 credit union examiners, 4 non-depository examiners, and 5 office staff to supervise and

examine our regulated entities. The Department has 3 offices; in Bismarck, Grand Forks and Fargo.

3. FINANCIAL AUDIT FINDINGS

There were no audit findings in the most recent audit of our Department.

4. ACCOMPLISHMENTS AND CHALLENGES

Accomplishments

In order to help with the availability of financial services to North Dakota citizens, the Department continues to engage in dialogue with federal regulators to discuss national policy matters and its effect on people in North Dakota. For example, in January 2022, the federal credit union regulator, in an effort to address climate change, issued its strategic plan with language discouraging credit unions from lending to agricultural borrowers. As we all know, that would have a detrimental impact on access to credit for one of the most important economic drivers in North Dakota. We reached out to the regulator to ensure they understood the ramifications of their proposal. Additionally, elected officials such as Governor Burgum, AG Commissioner Goehring, and our Congressional delegates all issued letters urging the removal of language that would affect agriculture and our farmers in such a negative way. These efforts succeeded and our Department continues to meet with the federal agency officials to discuss these matters. The Department believes it is important to continue dialogue to seek lasting solutions, and most importantly ensure equal access to credit for all North Dakota citizens.

The Department's banking division has maintained accreditation through the Conference of State Bank Supervisors (CSBS) since 1992, the credit union division through the National Association of State Credit Union Supervisors (NASCUS) since 2000 and the consumer division through the CSBS/AARMR (American Association of Residential Mortgage Regulators) Mortgage Accreditation Program since 2015. Accreditation signifies that our Department meets or exceeds comprehensive organizational and performance standards. It assures the public of the competency of the agency charged with supervising the safety and soundness of the financial institutions entrusted with their savings and personal finances. It assures the industries that we are effective and efficient with highly trained professionals. It also provides you, our legislators, with an independent validation of the quality and faithfulness to our mission. Lastly, strong state oversight keeps an important balance between state and federal supervision, limiting the risk of increased federal government preemption of state government authorities.

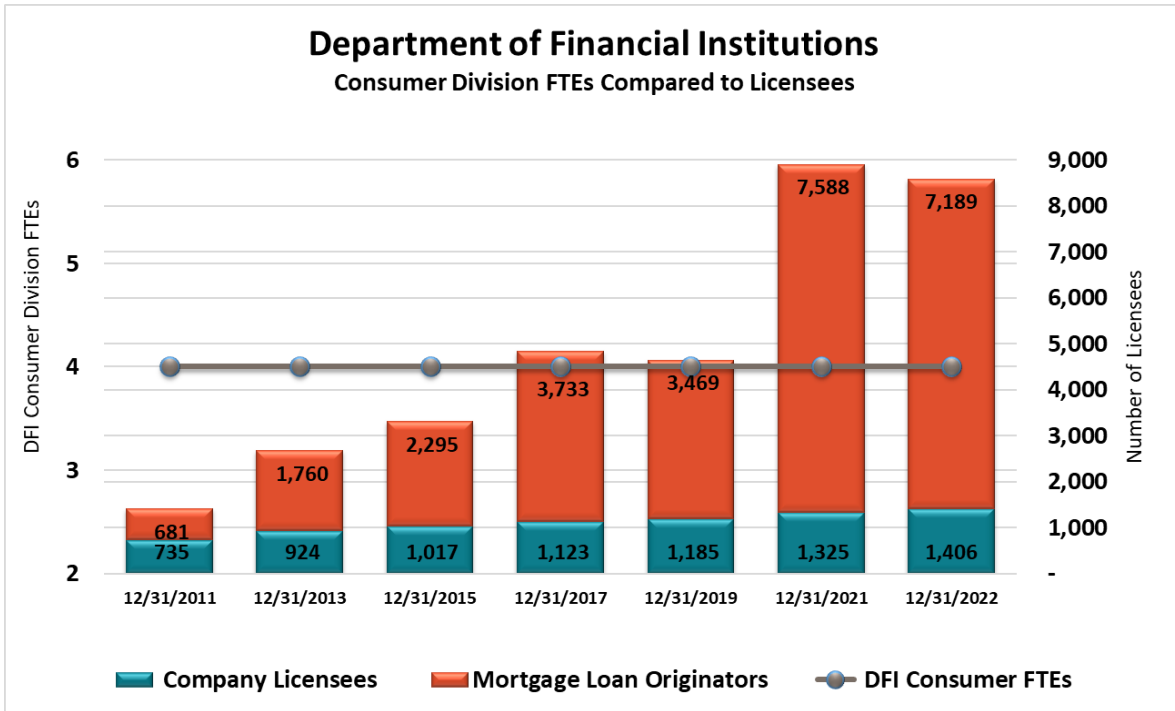
To ensure the safety of our financial system, the Department has taken action against bad actors. In recent years, there has been an increase in fraud and scams throughout our nation. For example, financial exploitation of our elderly citizens is far too common with a low estimate of 1 in 5 being victims with an average loss of \$120,000 a person. It is important that our Department has the resources to educate and assist financial institutions when citizens are taken advantage of.

The Department continues its involvement on a national basis to ensure North Dakota's voice is heard – not only with our federal

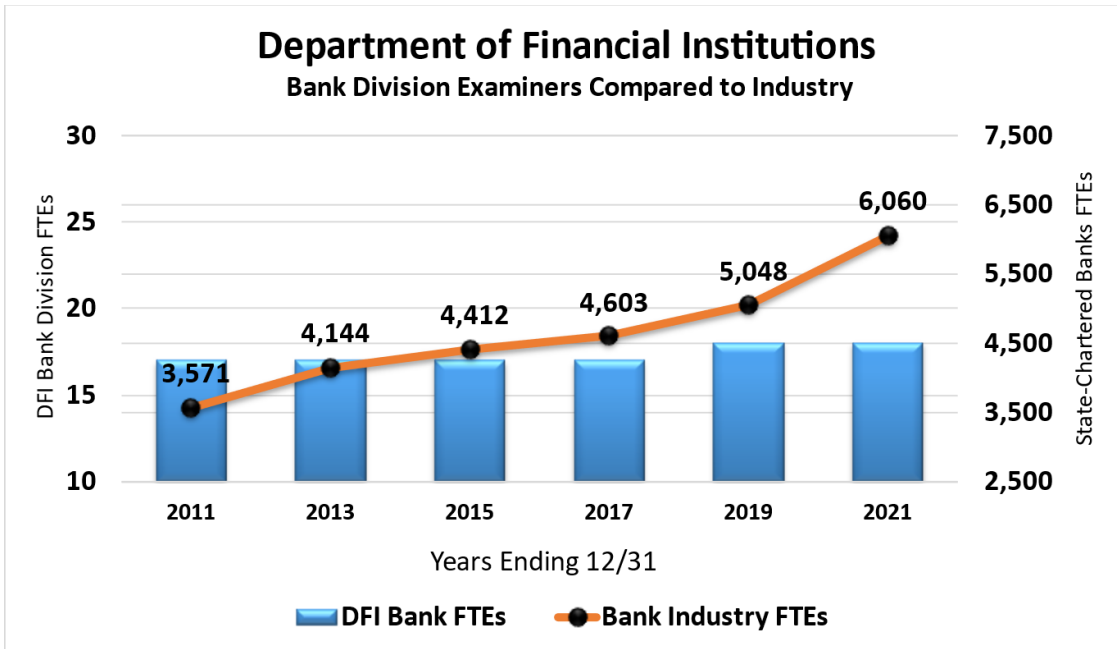
counterparts, but as a network with other state regulators across the nation. I was elected to serve on the CSBS Executive Board in March 2020, and I am currently the Chair-Elect. Corey Krebs, the Department's assistant commissioner, serves as a member at large on the NASCUS Board and serve on several of their committees. In addition, I also serve on the FDIC Regulatory Advisory Board. This involvement ensures that North Dakota interests are represented on the national stage.

Challenges

One of the greatest challenges is to make sure the Department has enough staff of skilled employees to meet our mandates, and it has been difficult to keep up with the large industry growth. Therefore, we are requesting additional FTEs this session. I want to emphasize that we are not growing government, rather we are responding to the explosive growth in the industries we are overseeing. 2011 was the last time we added an FTE in the non-depository division when we had 1,400 licenses. Today we have the same FTE number but over 8,000 licenses. Examinations for money transmission is covered by bank examiners. We are using automation to the extent possible, and also networking with states across the nation to improve efficiencies and reduce redundancies. However, to prevent federal intervention, it is crucial that our Department has the resources to oversee these entities.



Banks and credit unions have also grown considerably and are becoming more complex with expanding product lines and partnerships. The skill and time needed to oversee financial institutions' cyber security measures puts pressure on our Department. The following graph shows the number of FTEs added by the banking industry to correspond with their growth, compared to ours. Banks have had to increase staffing by 70% to manage their growth while Department staffing has only increased by 7%. Since one of our banks is now more than \$10 billion in asset size, we need to dedicate an FTE to its oversight. We work in partnership with our federal counterparts, and we need to be a credible partner. It is important to ensure a strong state presence to protect our community banks and limit federal preemption of state authority.



Since our examiners must be competent in every aspect of banking, it takes 3 to 5 years for an examiner to be fully proficient. In the last few years, we have had two bank examiners retire, each with more than 30 years of experience. Retention has also been an issue with about 30% of employees joining our Department within the last two years, and many employees not staying with the department long enough to even achieve proficiency. Most employees who leave go to the private industry (banks or credit unions). The skills Department staff acquire are highly valued by the very same industries we regulate, and these industries often pay a premium that we are unable to compete with. Therefore, I strongly support the efforts by OMB and the Governor’s budget recommendations to re-evaluate salary levels for equity. For our part, data shows that our federal regulators pay 20% to 50% more, with more significant discrepancies when examiners are more experienced. The average federal bank examiner

salary is 41% higher than our state examiner salary. Based on statements given in exit interviews, employees are offered anywhere from a 10% to 30% increase in salary. Employees that left our agency 5 to 10 years ago are now making between 18% to 112% more than they were making with our Department. Therefore, the efforts of OMB and the Governor's office to address compensation issues are important for our Department to adequately oversee these industries at the state level, and limiting the risk of federal government preemption.

Goals

The Department goals include the following:

- 1) Retain and protect strong and stable oversight to prevent federal preemption of state law. We need to make sure states retain its piece of the regulatory environment.
- 2) Keep pace with growth and expansion of financial institutions and services. We need the skills and resources to properly assess our institutions for risk, which has become more demanding due to new financial products and partnerships between banks and non-banks as well as the continued growth of the banks and credit unions we oversee.
- 3) Manage increases in non-depository institutions (non-banks).
- 4) Ensure state oversight of financial industry IT vendors and service providers. Since most community banks outsource for IT services, vendor management and our oversight over these entities are important.

- 5) Enhance data analytics capabilities to assist us in being more predictive and proactive in our oversight.
- 6) Continue enhancing our industry and general public communication, which includes our financial literacy program.
- 7) Retain and educate sufficient staff to oversee the industry, and be proactive and responsive. Providing opportunities for growth with competitive salaries and a great work environment should help us succeed in attaining our goals.

5. BUDGET REQUEST/RECOMMENDATION

Line Item	Base Level	<i>Proposed budget request</i>	Governor's Recommendation	Increase (Decrease) from Base Level
Salaries	\$7,415,098	\$9,225,219	\$8,794,603	\$1,379,505
Operating	\$1,671,409	\$2,649,389	\$2,114,862	\$443,453
Contingency	\$20,000	\$20,000	\$20,000	\$0
Total	\$9,106,507	\$11,894,608	\$10,929,465	\$1,822,958
FTE	31.00	39.00	34.00	3.00

The Governor's recommendations include the following:

1) Additional FTEs

Three additional FTEs are added to allow us to provide stable oversight to prevent federal regulator preemption, keep pace with growth and expansion of financial institutions and services, and manage the increase in non-depository institutions (non-banks). One FTE is added for licensing of non-depository institutions, and one FTE for

examinations. One FTE is added to examine large banks (over \$10 billion in assets). In addition, two FTEs are included as part of a fiscal note to HB 1068, which, if passed, will task the Department with oversight over mortgage servicers. In the Department's initial request, another three FTEs were included for examiners to oversee money transmitters, including virtual currency specialization, data analytics and IT service providers. These FTEs positions ultimately were not included in the Governor's budget. The salary increase of \$1,379,505 includes \$668,895 for the three FTEs we are requesting; \$117,069 for temporary salaries as the Department occasionally needs the assistance and expertise of former employees due to current staff turnover and inexperience; and \$593,541 expected increases to salary and benefits due to employee growth and subsequent promotions. Operating costs related to these FTEs covering NDIT costs, travel, and professional development total \$92,835.

2) Assistant Attorney General \$250,000

The Department is in need of increased attorney assistance and is requesting resources to fund a full-time Assistant Attorney General to specialize in financial matters. With thousands of non-banks that operate on a national basis, there has been an increase in need of attorney insight and representation. This has a direct impact on North Dakota citizens since the Attorney General needs the resources and abilities to represent our cause when bad actors are preying on our citizens.

3) Dynamics Ongoing Maintenance \$100,000

The Department uses an IT Dynamics system, which provides a portal for institutions to submit applications and correspond with the Department in a safe manner. NDIT is providing the support and maintenance for the system, and the \$100,000 is the estimated cost.

The remaining difference from the base budget is \$618 associated with increased NDIT costs.

6. FUNDING EXPLANATION

The largest component of the Department's budget is salaries at 81% of the current total budget, which in the proposed budget is decreasing slightly to 80%. Our largest operating expenses are as follows:

- i. Travel - 27.8% of current operating/24.0% of proposed
- ii. Data Processing - 21.1% of current operating/ 22.1% of proposed
- iii. Professional Development - 21.7% of current operating/18.8% of proposed
- iv. Rental/Lease-Bldg - 14.7% of current operating/11.6% of proposed

The Department has high travel expenses since examiners must travel to the institutions to conduct examinations. With increasing use of technology, we are able to complete more offsite work; however, an onsite presence in the community institution will always be an important part of our safety and soundness examinations. For banks and credit unions, the travel increases if there is economic/industry deterioration, and therefore, travel costs are dependent on the

economy and the condition of the institutions we supervise. If the economy deteriorates, and if any of our institutions struggle as a result, our examination frequency increases, and travel costs will also increase. Both the industry and the examiners recognize the importance of face-to-face interactions when discussing challenging topics.

Travel is also affected by training out of state. The work of an examiner is specialized, and significant training is necessary the first five years of an examiner's employment. Although we use online training tools, much of the training for examiners is done in a classroom setting where simulations are utilized, making reductions to travel and professional development challenging. Training is conducted along with our federal and state counterparts, which keeps our examiners up to date on the most recent laws and regulations. Also, providing this specific training to examiners is crucial to remain competent and consistent with our federal counterparts, which also benefits our institutions. It is our priority to continue to hire well-qualified employees and invest significant time and financial resources into their training and development to ensure the entire workforce has the necessary experience and qualifications to effectively perform their duties. Also, regulatory, accounting, and legal changes require constant training, especially in areas such as anti-money laundering enforcement and information technology issues such as cybersecurity.

7. ONE-TIME FUNDING FOR CURRENT BIENNIUM

There were no one-time funding items for the current biennium.

8. ONE-TIME FUNDING REQUESTED

No one-time funding requested.

9. AGENCY COLLECTIONS

The Department is a special funds agency. Assessments are set by the State Credit Union Board and the State Banking Board for their respective areas. The assessments are set based on what the expected expenses are, which do not exceed our appropriated amount. For the last few years, the industries received discounts due to limited expenditures. The non-bank fees are set in statute and fluctuate depending on the number of companies we license.

10. OTHER REQUEST

The 2021-2023 Legislative Assembly granted the Department authority to transfer between line items during the biennium, with a report to Legislative Council. The Department requests that this will again be granted in the 2023-2025 budget. This allowance allows us to be responsive to changing circumstances as well as giving us the ability to operate in the most efficient and effective manner. If the economy deteriorates and travel costs increase related to examinations, it will be difficult to meet our mandates unless we can transfer from salaries if available. Although we have the ability to go to the Emergency Commission, the concern is that matters we handle are often strictly confidential under law. Outlining a specific request at a public meeting such as to the Emergency Commission, for example for legal costs related to a bank closure or an ongoing investigation, is difficult when such information must be confidential to prevent a bank

run, protect the integrity of the investigation, and protect the North Dakota citizen and community. It should be noted that this transfer authority has previously been authorized for the legislative and judicial branches and without any limitation. It should also be noted that the Department's budget and expenses are reviewed by the State Credit Union Board and State Banking Board at every meeting. No other state agency has such oversight by groups of financial institution CEOs, whom are also the ones paying our expenses.

11. OTHER BILLS

The Department introduced four agency bills: HB 1068, SB 2090, SB 2092, and SB 2119. HB 1068 is related to the oversight of mortgage servicers and includes a fiscal note of \$463,000 and 2 FTEs. The Department is not aware of any other bills considered by the Legislative Assembly with a budgetary impact.

12. CHANGES AGENCY IS REQUESTING TO THE EXECUTIVE RECOMMENDATION

None

13. AGENCY REQUEST COMPARED TO EXECUTIVE BUDGET

As noted in section 5 above, the Department requested 6 additional FTEs as part of our budget bill. The executive budget includes 3 FTEs covering licensing, large bank supervision, and examinations. The executive budget did not include the requested FTEs for cryptocurrency money transmission examinations, cybersecurity examinations, or data analytics.

14. FEDERAL STATE FISCAL RECOVERY FUNDING

Not applicable

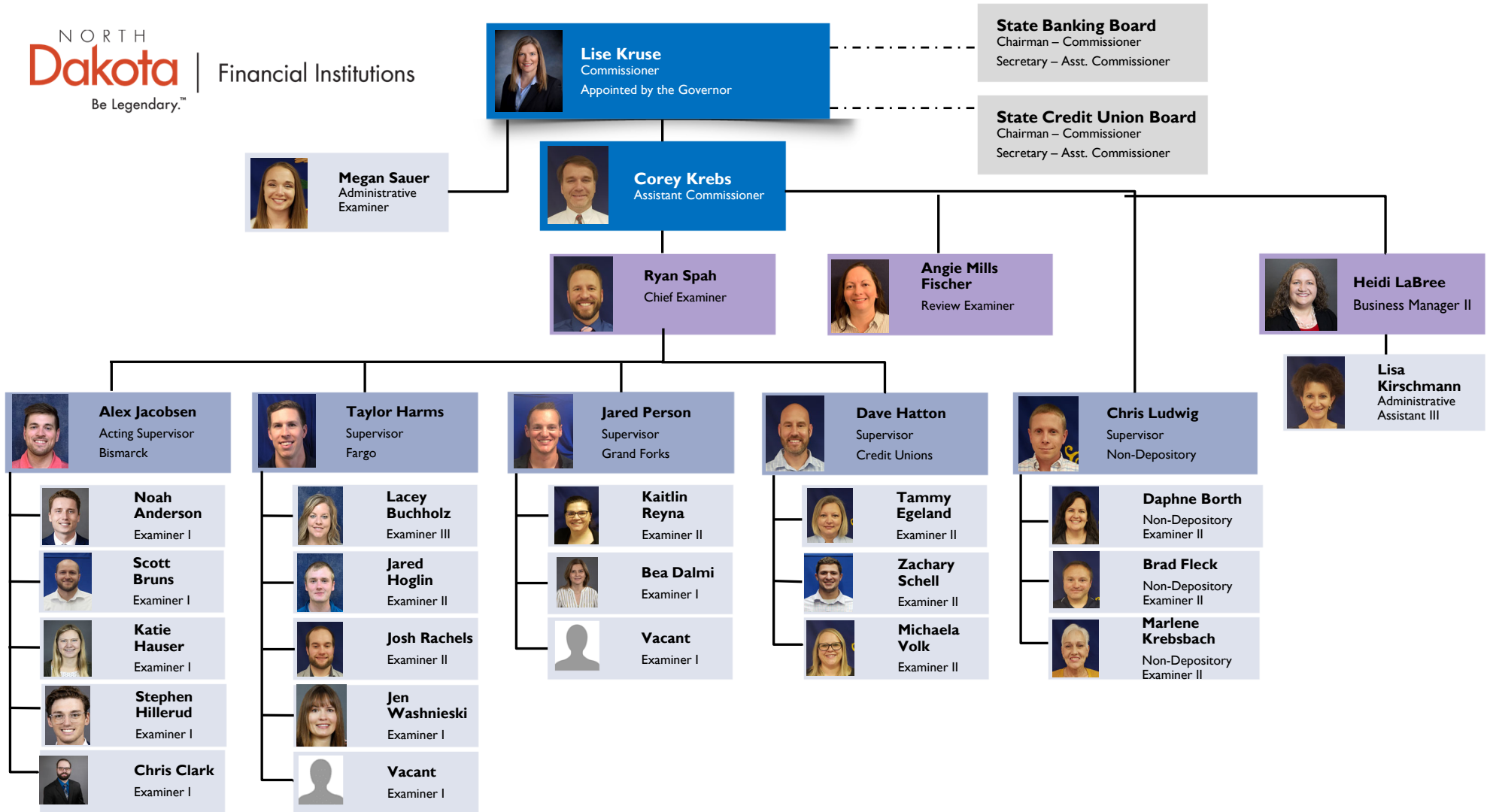
15. FEDERAL FUNDING AVAILABLE

Not Applicable

16. ADDITIONAL INFORMATION

The importance of the state supervisory role in the financial regulatory environment is recognized by our federal counterparts. Attachment 2 is a letter from the Director of the Division of Supervision and Regulation at the Board of Governors of the Federal Reserve System, which illustrates the importance of the states' role in the supervision and oversight of state-chartered banks. A reduced role of state governments' oversight of state-charted banks would necessitate greater involvement by federal government regulators.

Mr. Chairman and members of the Committee, I thank you for your time and I welcome any questions you may have.





BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DIVISION OF
SUPERVISION AND REGULATION

September 30, 2020

Mr. John Ryan
President & CEO
Conference of State Bank Supervisors
1129 20th St., N.W.
9th Floor
Washington, DC 20036

Dear John,

The COVID-19 pandemic has caused significant hardship across the United States and around the world, including continued severe disruptions to our economy. As Chair Powell has said, a full recovery is likely to come only when people are confident that it is safe to reengage in a broad range of activities, and the path forward will depend on keeping the virus under control and on policy actions taken at all levels of government.

Continued resilience of our financial system remains key to mitigating the hardships of the current situation and to enabling a strong recovery. Our role as bank regulators and supervisors helps to ensure that banks can continue providing credit and services to their customers and communities in a prudent and fair manner while meeting the challenges they face. Under our nation's dual banking system, the ability of the states to continue to play an important role in the supervision and regulation of state-chartered banks is a critical element for ensuring effective and coordinated supervision.

In this challenging time, it is vitally important that state banking agencies have sufficient resources and expertise to meet their responsibilities within the U.S. bank regulatory framework. We recognize that in the current environment, many state governments are facing significant budget pressures. We encourage the CSBS to continue to work with state banking commissioners to ensure sufficient resources going forward. As demonstrated most recently during the 2007-2009 financial crisis and its aftermath, significant resources are required at both the state and federal levels to

maintain stable banking conditions and ensure that banks are appropriately addressing their risks.

The Federal Reserve values its longstanding partnership with state banking agencies in supervising state member banks. We continue to appreciate state banking agencies' collaboration during these challenging times to ensure that our banking system remains safe, sound, and efficient.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Gibson", is centered on the page.

Michael S. Gibson
Director
Division of Supervision and Regulation



DEPARTMENT OF FINANCIAL INSTITUTIONS

WHO WE ARE

31

Full-time Team Members

**Total Agency Budget:
\$9.4 million special funds**

WHAT WE'RE ABOUT

Mission:

To maintain public confidence in North Dakota financial institutions by ensuring the financial industry operates in a safe and sound manner while complying with applicable rules and laws.

Vision:

A safe, secure, and competitive financial services environment which promotes the economic well-being of North Dakota businesses and consumers.

DFI directly serves our banks, credit unions and non-depository financial institutions. Indirectly, every citizen of North Dakota is impacted as they can be confident in the financial services to which they have access. DFI's purpose is to ensure the safety and soundness of the institutions we regulate, which then results in financial services being available to the North Dakota citizen.

WHO WE SERVE

Every citizen using financial services

DEPOSITORS



– who seek deposit accounts from a trusted local institution.

BORROWERS



– who seek loans from a trusted local institution.

MAIN STREET



– communities and businesses that need financial institutions to facilitate their operations and provide services to residents.

WHAT WE DO

- **Chartering**
 - Banks (61), Credit Unions (20), and Trust Companies (4), with 311 in-state and 87 out-of-state locations.
- **Licensing**
 - Collection Agencies (603), Debt Settlement Service Providers (4), Payday Lenders (32), Money Brokers (530), Money Transmitters (156), Mortgage Loan Originators (7,588)
- **Examinations & Oversight**
 - Routine examinations are conducted to ensure institutions operate in a safe and sound manner
- **Investigations**
 - Conduct fraud and consumer complaint investigations as necessary
- **Enforcement Actions**
 - Use corrective tools (orders, removal actions, criminal referrals) as necessary to strengthen institutions and protect local businesses and consumers
- **Advocacy**
 - Represent the interests of our supervised institutions, local businesses, and North Dakota consumers on the national stage

Suspended 5 individuals in 2021 from working in ND institutions

DEPARTMENT OF FINANCIAL INSTITUTIONS

WHAT WE'RE PROUD OF

Continuing Operations

Maintaining operations and providing all services despite pandemic-related challenges. Issuing guidance frequently to industry and citizens.

Modernizing Supervision

Updating rules and regulations to remain relevant and proactive on emerging risks while reducing outdated or unnecessary regulatory hurdles.

National Involvement

Engaging with federal agencies and other state counterparts. Participating in Networked Supervision with coordination and information sharing with other states, limiting redundancy.

Oversee
85
Charters

Banks/CU:
\$43B
in Assets

Trusts:
\$108B
in Fiduciary
Assets

License
8,913
Entities

2019-2021 BY THE NUMBERS



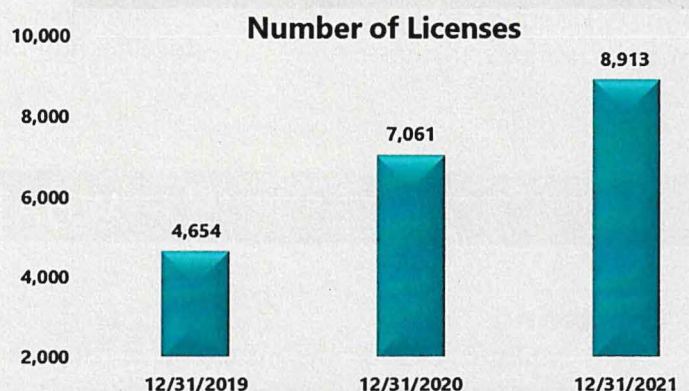
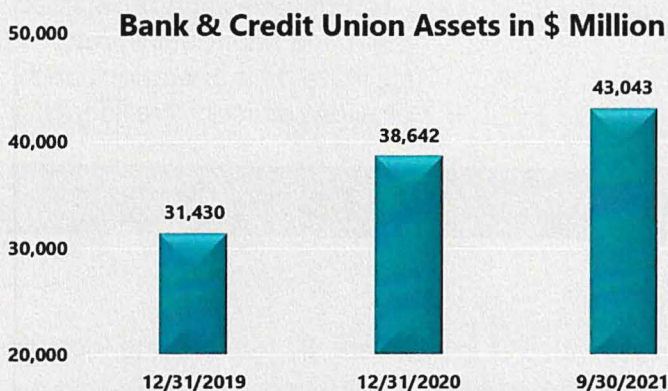
Banks and Credit Unions

37% asset growth combined in the last two years
39% asset growth in banks
20% asset growth in credit unions



Non-Depository

92% increase in licenses in the last two years
4,200 new mortgage lenders, 140 new companies



HOW WE MEASURE SUCCESS

Relevance

Providing effective and respected oversight, which has led the ND state charter to be the predominant choice for institutions operating in ND:

- 67 of 77 banks are state-chartered vs. national chartered (61 with a ND state charter).
- 20 of 34 credit unions are state-chartered.

Risk Management

- Employing proactive risk identification, through examinations, data analytics, and offsite monitoring, to timely identify problems.
- No bank failures since 1991.

High Standards

- Maintaining national accreditation demonstrates DFI meets or exceeds comprehensive organizational & performance standards.
- Completing examinations in a timely manner.
- Producing quality products that are recognized and accepted by Federal counterparts.
- Accessible to the public and industry with quick response turnaround time.



FINANCIAL INSTITUTIONS WORKFORCE

Our workforce is unique in that there is no college course that teaches you how to become a bank examiner. That is why most staff start at the Examiner I level. It takes approximately 5 years to become a fully-trained Examiner III.

WHAT HAPPENS IF WE CAN'T DO OUR JOB...

Financial Corruption



Money in financial institutions seems less secure as it becomes easier for employees to defraud, thus decreasing the public's confidence.

Undereducated Public



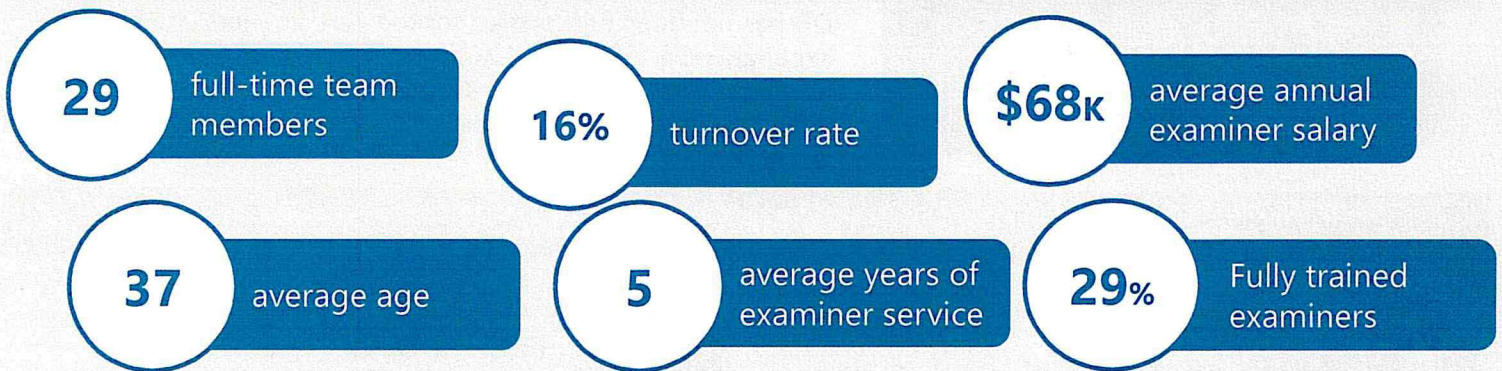
The agency is currently too understaffed for important public outreach on financial literacy, fraud awareness, scam education, and industry outreach.

Team Member Burnout

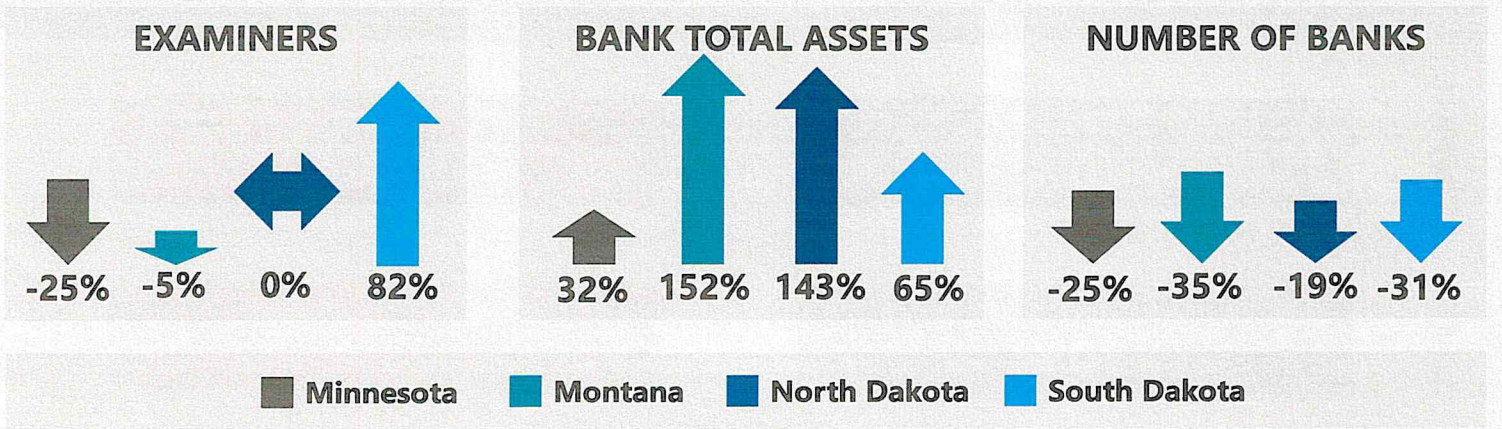


Understaffing, below market compensation, and limited experience levels result in burnout causing even greater turnover and associated costs for the industry

CURRENT AGENCY TEAM MEMBER STATS



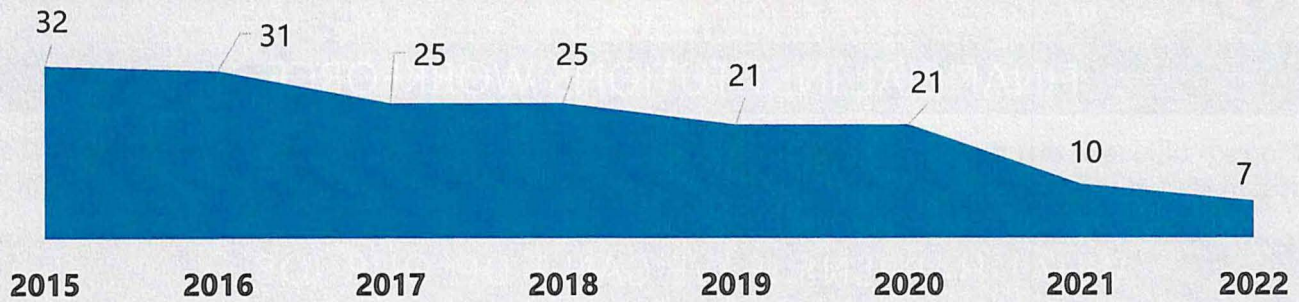
HOW WE COMPARE – LAST 10 YEARS



The number of examiners in North Dakota has remained steady over the past 10 years. While the number of banks supervised has gone down 19%, the total bank assets has gone up 143%. This trend is consistent with our neighboring state, Montana. This puts additional stress and workload on the current examiners.

FINANCIAL INSTITUTIONS WORKFORCE

POSITION APPLICANTS – LAST 8 YEARS



Recruitment efforts have increased substantially since 2019, however, the number of applicants continues to decline significantly, and positions have been unfilled.

COST OF TURNOVER

\$102K
per team member
Figured with 150% of annual salary.

DFI's cost of turnover is significant as it takes approximately five years to fully train staff. Training costs are lost every time staff quits.

DFI has not been fully staffed for the past six years and has experienced a 15% annual turnover rate. 60% of those who leave cite salary. It becomes difficult for staff to find adequate time for training and to do their primary job.

WORKFORCE COMPETITION



Banking Industry

Banks, credit unions and other private sector businesses

Pay up to 30% more for like skills



Federal Government

FDIC, OCC, Federal Reserve, and NCUA

Pay 20-50% more for comparable work

HOW WE COMPARE – LAST 10 YEARS

STAFFING

Industry overseen has grown

70%

We have only grown

7%

SALARY

Industry overseen has increased

70%

We have only increased

23%

INDUSTRY OUTLOOK: The industry is strong and is experiencing a surge in staffing demand. As competition with the industry for staff ensues, we encounter challenges. North Dakota chartered institutions continue to acquire market share over their federally chartered counterparts, increasing the assets under state supervision. More banks are expanding operations into other states, again increasing market share and the workload of the Department.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DIVISION OF
SUPERVISION AND REGULATION

September 30, 2020

Mr. John Ryan
President & CEO
Conference of State Bank Supervisors
1129 20th St., N.W.
9th Floor
Washington, DC 20036

Dear John,

The COVID-19 pandemic has caused significant hardship across the United States and around the world, including continued severe disruptions to our economy. As Chair Powell has said, a full recovery is likely to come only when people are confident that it is safe to reengage in a broad range of activities, and the path forward will depend on keeping the virus under control and on policy actions taken at all levels of government.

Continued resilience of our financial system remains key to mitigating the hardships of the current situation and to enabling a strong recovery. Our role as bank regulators and supervisors helps to ensure that banks can continue providing credit and services to their customers and communities in a prudent and fair manner while meeting the challenges they face. Under our nation's dual banking system, the ability of the states to continue to play an important role in the supervision and regulation of state-chartered banks is a critical element for ensuring effective and coordinated supervision.

In this challenging time, it is vitally important that state banking agencies have sufficient resources and expertise to meet their responsibilities within the U.S. bank regulatory framework. We recognize that in the current environment, many state governments are facing significant budget pressures. We encourage the CSBS to continue to work with state banking commissioners to ensure sufficient resources going forward. As demonstrated most recently during the 2007-2009 financial crisis and its aftermath, significant resources are required at both the state and federal levels to

maintain stable banking conditions and ensure that banks are appropriately addressing their risks.

The Federal Reserve values its longstanding partnership with state banking agencies in supervising state member banks. We continue to appreciate state banking agencies' collaboration during these challenging times to ensure that our banking system remains safe, sound, and efficient.

Sincerely,



Michael S. Gibson
Director
Division of Supervision and Regulation

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	31.00	\$0	\$9,106,507	\$9,106,507	31.00	\$0	\$9,106,507	\$9,106,507	0.00	\$0	\$0	\$0
2023-25 Ongoing Funding Changes												
Cost to continue salary increase			\$55,175	\$55,175				\$0			(\$55,175)	(\$55,175)
Salary increase			554,650	554,650				0			(554,650)	(554,650)
Health insurance increase			143,118	143,118				0			(143,118)	(143,118)
Adds 1 FTE large bank examiner position	1.00		257,867	257,867				0	(1.00)		(257,867)	(257,867)
Adds 1 FTE licensing examiner position	1.00		230,765	230,765				0	(1.00)		(230,765)	(230,765)
Adds 1 FTE non-depository examiner position	1.00		230,765	230,765				0	(1.00)		(230,765)	(230,765)
Adds funding for IT rate increase			618	618				0			(618)	(618)
Adds funding for Attorney General fees			250,000	250,000				0			(250,000)	(250,000)
Adds funding for Dynamics ongoing maintenance			100,000	100,000				0			(100,000)	(100,000)
Total ongoing funding changes	3.00	\$0	\$1,822,958	\$1,822,958	0.00	\$0	\$0	\$0	(3.00)	\$0	(\$1,822,958)	(\$1,822,958)
One-Time Funding Items				\$0				\$0				\$0
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	3.00	\$0	\$1,822,958	\$1,822,958	0.00	\$0	\$0	\$0	(3.00)	\$0	(\$1,822,958)	(\$1,822,958)
2023-25 Total Funding	34.00	\$0	\$10,929,465	\$10,929,465	31.00	\$0	\$9,106,507	\$9,106,507	(3.00)	\$0	(\$1,822,958)	(\$1,822,958)
<i>Federal funds included in other funds</i>			\$0				\$0				\$0	
<i>Total ongoing changes as a percentage of base level</i>	9.7%		20.0%	20.0%	0.0%		0.0%	0.0%				
<i>Total changes as a percentage of base level</i>	9.7%		20.0%	20.0%	0.0%		0.0%	0.0%				

Other Sections in Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation	House Version
Line item transfers		Section 3 would authorize the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.

23.0237.01001

Sixty-eighth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1008

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the department of
2 financial institutions; and to provide an exemption.

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

4 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
5 as may be necessary, are appropriated from special funds derived from other income, to the
6 department of financial institutions for the purpose of defraying the expenses of the department
7 of financial institutions, for the biennium beginning July 1, 2023, and ending June 30, 2025, as
8 follows:

	<u>Governor's</u>		
	<u>Base Level</u>	<u>Recommendation</u>	<u>Appropriation</u>
Salaries and wages	\$7,415,098	\$8,794,603	\$7,415,098
Operating expenses	1,671,409	2,114,862	1,671,409
Contingency	20,000	20,000	20,000
Total special funds	\$9,106,507	\$10,929,465	\$9,106,507
Full-time equivalent positions	31.00	34.00	31.00
	<u>Adjustments or</u>		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,415,098	\$1,042,458	\$8,457,556
Operating expenses	1,671,409	412,508	2,083,917
Contingency	20,000	0	20,000
Total special funds	\$9,106,507	\$1,454,966	\$10,561,473
Full-time equivalent positions	31.00	2.00	33.00

23 **SECTION 2. EXEMPTION - LINE ITEM TRANSFERS.** Notwithstanding section 54-16-04,
24 the department of financial institutions may transfer funds between line items within section 1 of

1 this Act during the biennium beginning July 1, 2023, and ending June 30, 2025. The department
2 of financial institutions shall notify the office of management and budget and the legislative
3 council of any transfer made pursuant to this section.

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	31.00	\$0	\$9,106,507	\$9,106,507	31.00	\$0	\$9,106,507	\$9,106,507	0.00	\$0	\$0	\$0
2023-25 Ongoing Funding Changes												
Cost to continue salary increase			\$55,175	\$55,175			\$55,175	\$55,175				\$0
Salary increase			554,650	554,650			414,131	414,131			(140,519)	(140,519)
Health insurance increase			143,118	143,118			146,410	146,410			3,292	3,292
Adds 1 FTE large bank examiner position	1.00		257,867	257,867	1.00		257,867	257,867				0
Adds 1 FTE licensing examiner position	1.00		230,765	230,765				0	(1.00)		(230,765)	(230,765)
Adds 1 FTE non-depository examiner position	1.00		230,765	230,765				0	(1.00)		(230,765)	(230,765)
Adds 1 FTE licensing or non-depository examiner position				0	1.00		230,765	230,765	1.00		230,765	230,765
Adds funding for IT rate increase			618	618			618	618				0
Adds funding for Attorney General fees			250,000	250,000			250,000	250,000				0
Adds funding for Dynamics ongoing maintenance			100,000	100,000			100,000	100,000				0
Total ongoing funding changes	3.00	\$0	\$1,822,958	\$1,822,958	2.00	\$0	\$1,454,966	\$1,454,966	(1.00)	\$0	(\$367,992)	(\$367,992)
One-Time Funding Items												
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	3.00	\$0	\$1,822,958	\$1,822,958	2.00	\$0	\$1,454,966	\$1,454,966	(1.00)	\$0	(\$367,992)	(\$367,992)
2023-25 Total Funding	34.00	\$0	\$10,929,465	\$10,929,465	33.00	\$0	\$10,561,473	\$10,561,473	(1.00)	\$0	(\$367,992)	(\$367,992)
<i>Federal funds included in other funds</i>			\$0				\$0				\$0	
<i>Total ongoing changes as a percentage of base level</i>	9.7%		20.0%	20.0%	6.5%		16.0%	16.0%				
<i>Total changes as a percentage of base level</i>	9.7%		20.0%	20.0%	6.5%		16.0%	16.0%				

Other Sections in Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation	House Version
Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.	Section 2 would authorize the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.

23.0237.01001
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee
February 1, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1008

Page 1, line 2 after "institutions" insert "; and to provide an exemption"

Page 1, replace lines 9 through 15 with:

"		<u>Adjustments or</u>	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,415,098	\$1,042,458	\$8,457,556
Operating expenses	1,671,409	412,508	2,083,917
Contingency	20,000	0	20,000
Total special funds	\$9,106,507	\$1,454,966	\$10,561,473
Full-time equivalent positions	31.00	2.00	33.00

SECTION 2. EXEMPTION - LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer funds between line items within section 1 of this Act during the biennium beginning July 1, 2023, and ending June 30, 2025. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$7,415,098	\$1,042,458	\$8,457,556
Operating expenses	1,671,409	412,508	2,083,917
Contingency	20,000		20,000
Total all funds	\$9,106,507	\$1,454,966	\$10,561,473
Less estimated income	9,106,507	1,454,966	10,561,473
General fund	\$0	\$0	\$0
FTE	31.00	2.00	33.00

Department 413 - Department of Financial Institutions - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adds Large Bank Examiner FTE Position ³	Adds Licensing or Non- depository Examiner FTE Position ⁴	Adds Funding for ITD Increases ⁵	Adds Funding for Attorney General Fees ⁶
Salaries and wages	\$55,175	\$560,541	\$226,922	\$199,820		
Operating expenses			30,945	30,945	\$618	\$250,000
Contingency						
Total all funds	\$55,175	\$560,541	\$257,867	\$230,765	\$618	\$250,000
Less estimated income	55,175	560,541	257,867	230,765	618	250,000
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	1.00	1.00	0.00	0.00

	Adds Funding for Dynamics Ongoing Maintenance Expenses⁷	Total House Changes
Salaries and wages		\$1,042,458
Operating expenses	\$100,000	412,508
Contingency		
<hr/>		
Total all funds	\$100,000	\$1,454,966
Less estimated income	100,000	1,454,966
General fund	\$0	\$0
<hr/>		
FTE	0.00	2.00

¹ Funding is added for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

<u>Other Funds</u>	
Salary increase	\$414,131
Health insurance increase	<u>146,410</u>
Total	\$560,541

³ Funding of \$257,867 is added for 1 FTE large bank examiner position (\$226,922) and related and operating expenses (\$30,945).

⁴ Funding of \$230,765 is added for 1 FTE licensing or non-depository examiner position (\$199,820) and related operating expenses (\$30,945).

⁵ Funding is added for Information Technology Department rate increases.

⁶ Funding is added for operating expenses for additional legal costs paid to the Attorney General.

⁷ Adds funding for a Dynamics ongoing system maintenance agreement.

This amendment also authorizes the Department of Financial Institutions to transfer appropriation authority between line items.

23.0237.01001
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee
February 1, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1008

Page 1, line 2 after "institutions" insert "; and to provide an exemption"

Page 1, replace lines 9 through 15 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,415,098	\$1,042,458	\$8,457,556
Operating expenses	1,671,409	412,508	2,083,917
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$1,454,966	\$10,561,473
Full-time equivalent positions	31.00	2.00	33.00

SECTION 2. EXEMPTION - LINE ITEM TRANSFERS. Notwithstanding section 54-16-04, the department of financial institutions may transfer funds between line items within section 1 of this Act during the biennium beginning July 1, 2023, and ending June 30, 2025. The department of financial institutions shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - House Action

	<u>Base Budget</u>	<u>House Changes</u>	<u>House Version</u>
Salaries and wages	\$7,415,098	\$1,042,458	\$8,457,556
Operating expenses	1,671,409	412,508	2,083,917
Contingency	<u>20,000</u>		<u>20,000</u>
Total all funds	\$9,106,507	\$1,454,966	\$10,561,473
Less estimated income	<u>9,106,507</u>	<u>1,454,966</u>	<u>10,561,473</u>
General fund	\$0	\$0	\$0
FTE	31.00	2.00	33.00

Department 413 - Department of Financial Institutions - Detail of House Changes

	<u>Adjusts Funding for Base Payroll Changes¹</u>	<u>Adds Funding for Salary and Benefit Increases²</u>	<u>Adds Large Bank Examiner FTE Position³</u>	<u>Adds Licensing or Non-depository Examiner FTE Position⁴</u>	<u>Adds Funding for ITD Increases⁵</u>	<u>Adds Funding for Attorney General Fees⁶</u>
Salaries and wages	\$55,175	\$560,541	\$226,922	\$199,820		\$250,000
Operating expenses			30,945	30,945	\$618	
Contingency						
Total all funds	\$55,175	\$560,541	\$257,867	\$230,765	\$618	\$250,000
Less estimated income	<u>55,175</u>	<u>560,541</u>	<u>257,867</u>	<u>230,765</u>	<u>618</u>	<u>250,000</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	1.00	1.00	0.00	0.00

	Adds Funding for Dynamics Ongoing Maintenance Expenses ⁷	Total House Changes
Salaries and wages		\$1,042,458
Operating expenses	\$100,000	412,508
Contingency		
Total all funds	\$100,000	\$1,454,966
Less estimated income	100,000	1,454,966
General fund	\$0	\$0
FTE	0.00	2.00

¹ Funding is added for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

<u>Other Funds</u>	
Salary increase	\$414,131
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Total	\$560,541

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⁵ Funding is added for Information Technology Department rate increases.

⁶ Funding is added for operating expenses for additional legal costs paid to the Attorney General.

⁷ Adds funding for a Dynamics ongoing system maintenance agreement.

This amendment also authorizes the Department of Financial Institutions to transfer appropriation authority between line items.



DATE: March 9, 2023

TO: Senate Appropriations Committee

FROM: Lise Kruse, Commissioner

SUBJECT: Testimony in Support of HB 1008

Chairman Wanzek and members of the Appropriations Committee, thank you for the opportunity to provide testimony regarding the Department of Financial Institutions Appropriation request for the 2023-2025 biennium, HB 1008.

1. NORTH DAKOTA CENTURY CODE CHAPTERS AND STATUTORY RESPONSIBILITIES

North Dakota Century Code Titles 6, 13, and 51 are associated with the Department of Financial Institutions.

The Department supervises the following state-chartered and licensed financial corporations:

- Banks,
- Credit unions,
- Trust companies,
- Collection agencies,
- Money brokers,
- Deferred presentment service providers (payday lenders),
- Money transmitters,
- Mortgage loan originators, and
- Debt settlement service providers.

The Department also has examination responsibilities for the Bank of North Dakota.

The Department is a special fund, self-supporting agency, receiving no general fund dollars. The Department's budget consists of three cost centers: (1) banks and trust companies, (2) credit unions, and (3) non-depository licensees. Banks, trust companies, and credit unions pay annual assessments that cover all direct examination costs and allocated overhead for the respective cost centers. In addition, trust companies pay examination fees for their safety and soundness examinations. Non-depository licensees pay fees for processing and supervisory responsibilities related to that cost center: investigation fees upon initial licensing, annual license fees, and examination fees when an examination is performed. Again, the examination fee is set at an amount sufficient to recover all costs.

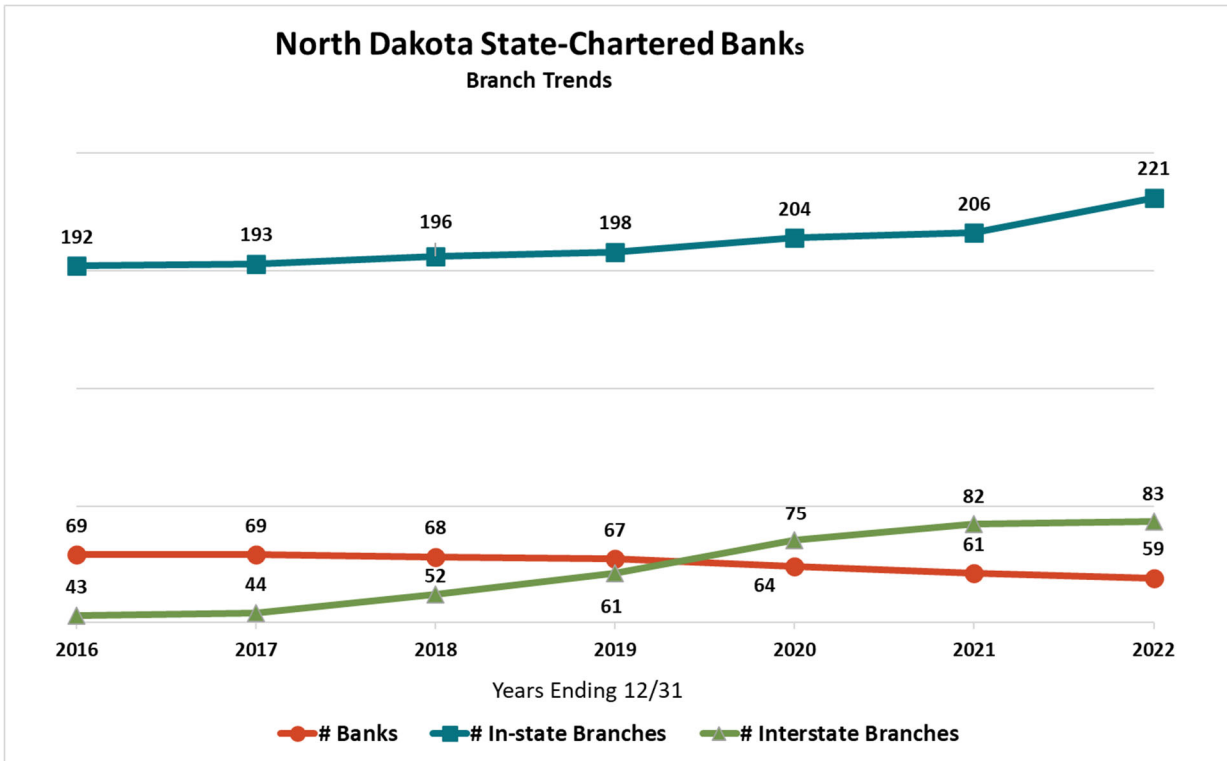
2. DEPARTMENT PURPOSE

The Department has oversight over banks, credit unions and non-depository financial institutions. Indirectly, every citizen of North Dakota is impacted since they can be confident in the financial services to which they have access. The Department's purpose is to ensure the safety and soundness of the institutions we oversee, which then results in financial services being available to the North Dakota citizen.

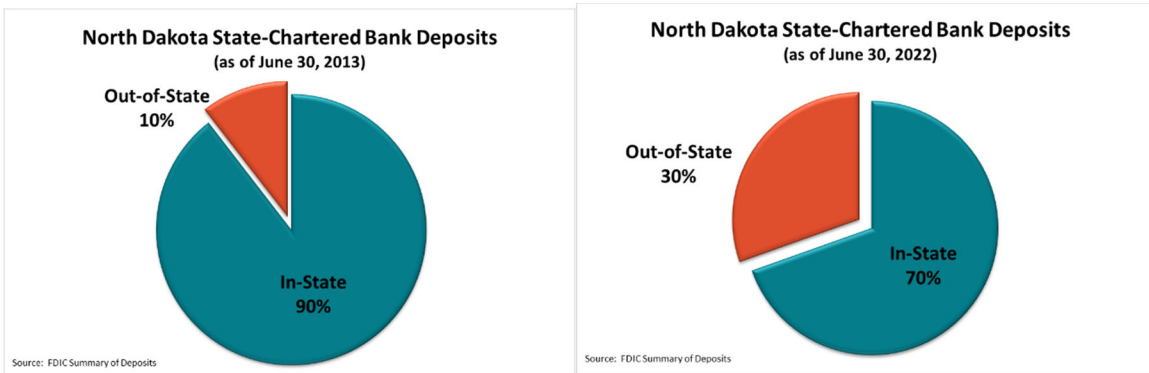
A community bank and credit union are central to economic development. Since our institutions are closely connected to their local markets, they are directly affected when the economy weakens. Our objective is to ensure institutions are financially strong and in compliance with applicable laws and regulations. Strong institutions can take targeted risks that can help their communities.

State-Chartered Banks

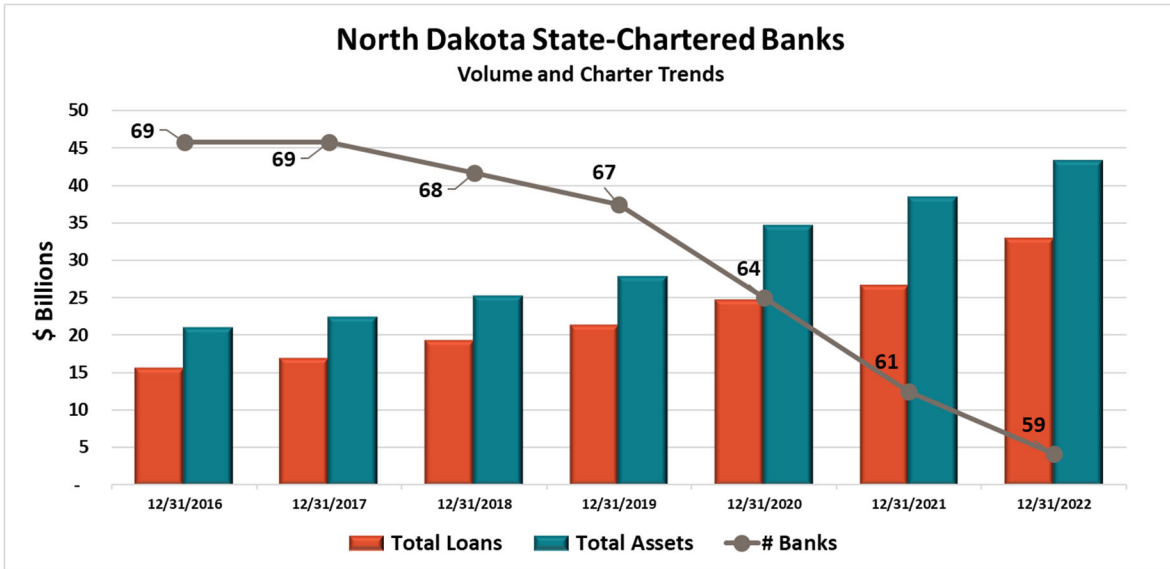
North Dakota has 59 state-chartered banks, plus the Bank of North Dakota. The number of banks continue to decline by a few each year due to merger and consolidation activity. While the total number of banks has declined and is expected to further decline, total branches and total assets continue to grow.



Our banks are expanding outside of North Dakota borders. This pie chart shows the banks' deposit percentage that comes from outside of North Dakota.



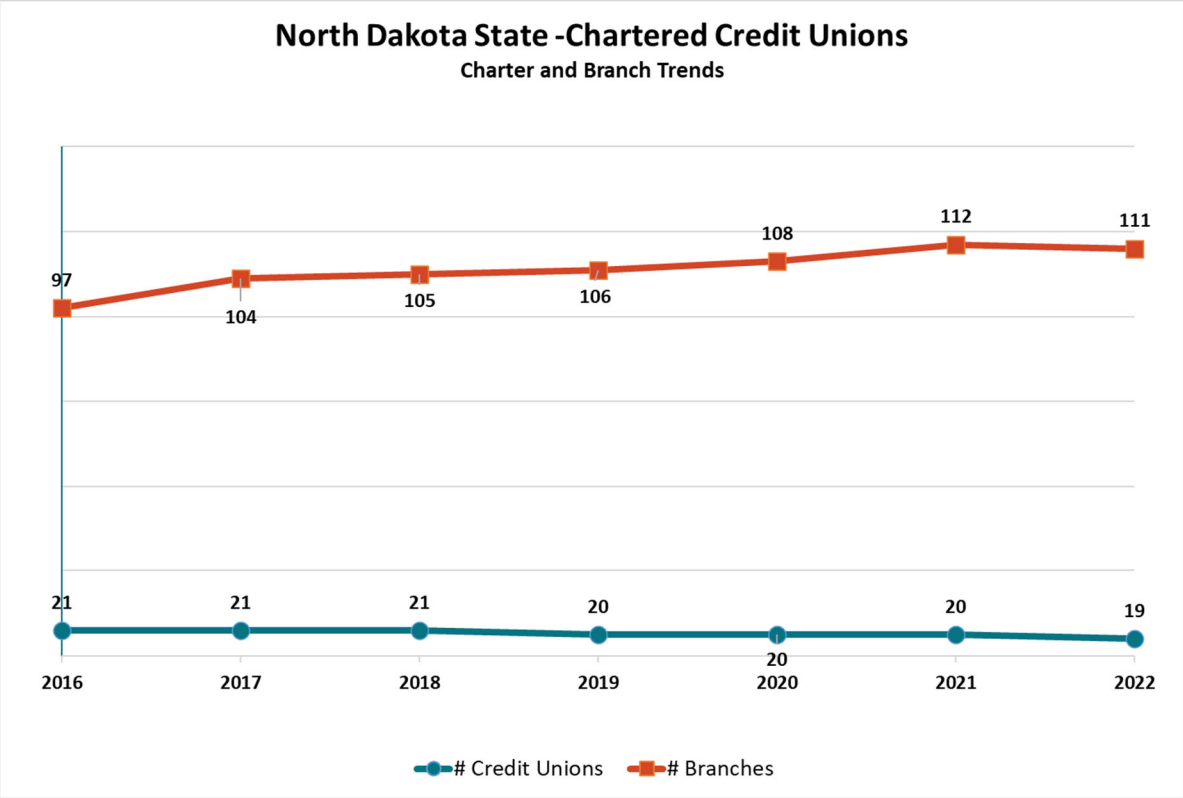
Our banks have merged with out of state banks and have elected to keep the North Dakota charter.



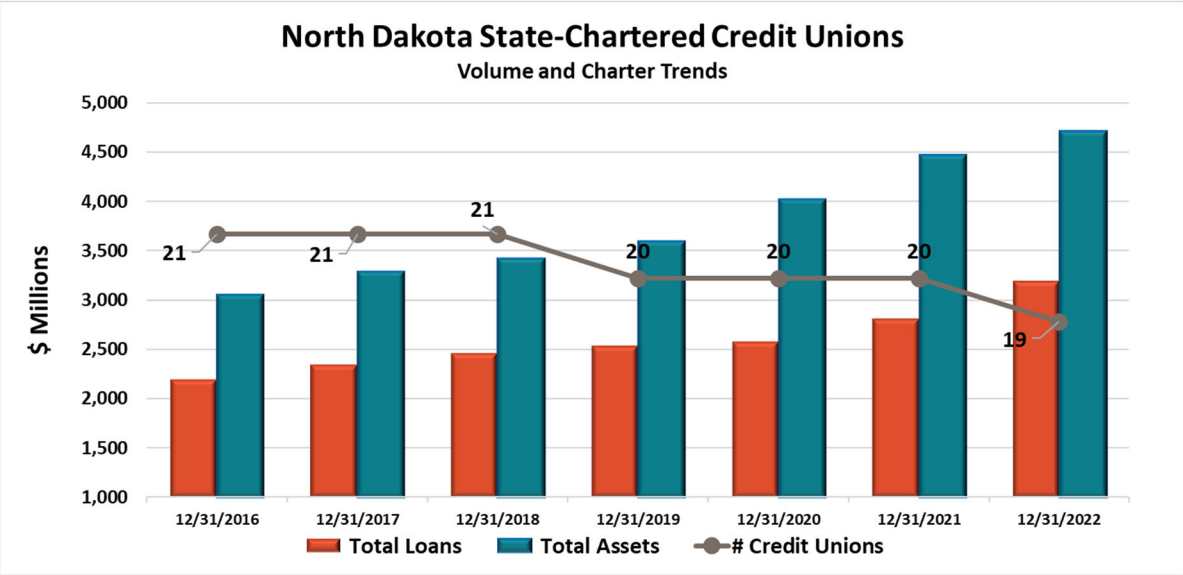
Assets increased 23% from \$35 billion on December 31, 2020, to \$43 billion on December 31, 2022. The continued asset growth increases the Department’s responsibilities and time needed to conduct examinations. A majority of examination time is spent on loan review, and loans, especially commercial loans, are becoming more complex, which therefore requires experienced examiners. Cybersecurity is a significant concern and therefore more time is dedicated to information technology review during our safety and soundness examinations.

State-Chartered Credit Unions

Currently, there are 19 state-chartered credit unions. As with banks, credit union branches are increasing.

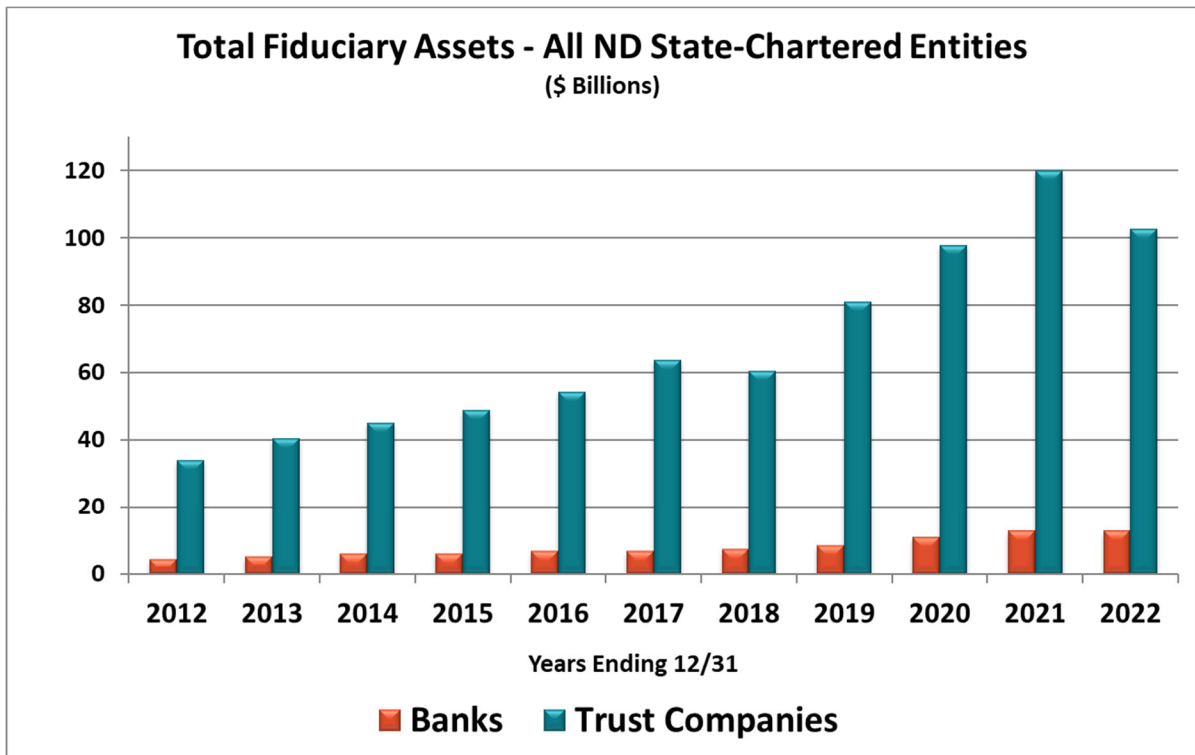


Credit unions also continue to show asset growth, with total assets increasing 18% from \$4 billion as of December 31, 2020, to \$4.7 billion as of December 31, 2022.



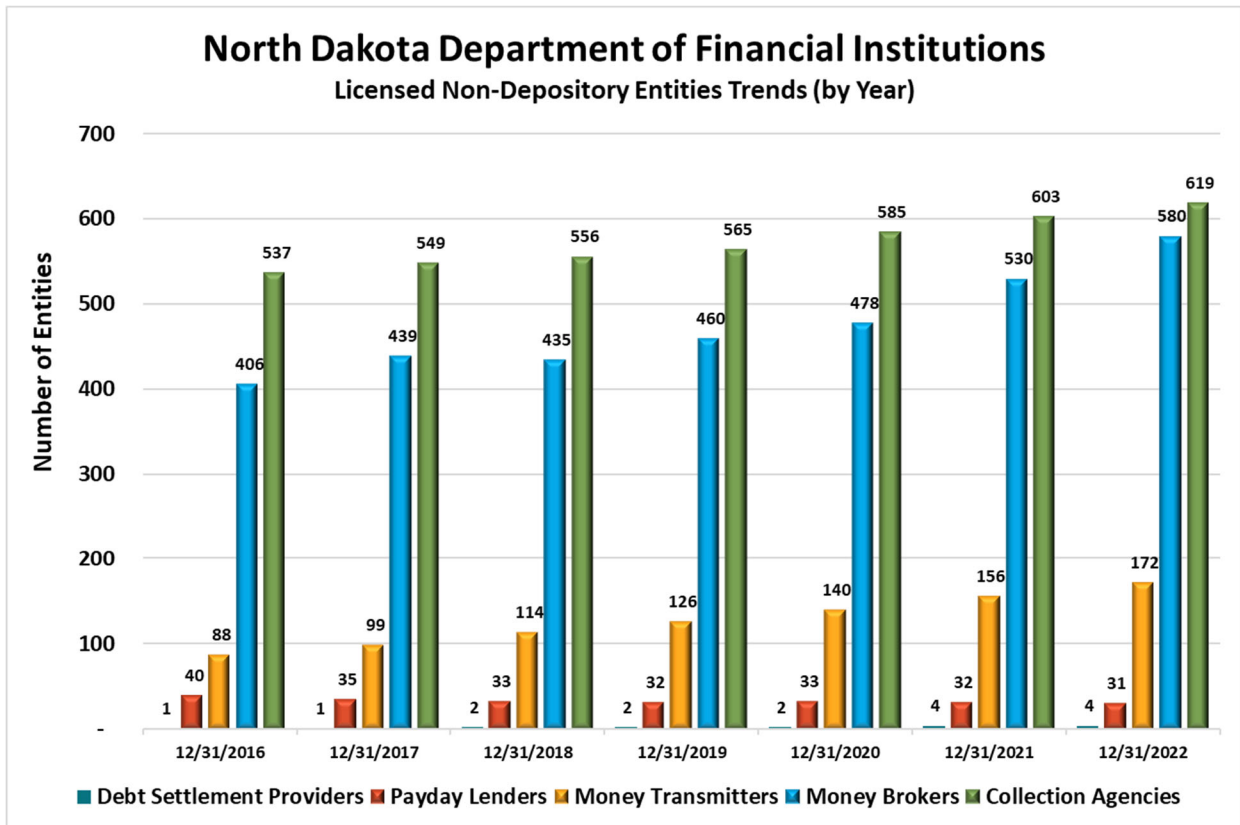
State-Chartered Trust Companies and Bank Trust Departments

There are four state-chartered independent trust companies for which the Department has oversight responsibility; we also have 13 banks which exercise trust powers. The independent trust company examinations are conducted by bank examiners who have acquired specialized trust examination training. The total combined fiduciary assets of the four independent trust companies totaled \$103 billion as of December 31, 2022, a 17% decrease from the year prior. The banks with trust powers had combined fiduciary assets of \$12.6 billion as of December 31, 2022, the same as the year prior (but with one additional bank reporting due to an acquisition).



Consumer Licenses

As of December 31, 2022, the consumer division had active licenses totaling a combined 8,595 entities (compared to 7,061 two years ago). The breakdown of the licenses is as follows:



Not included in the graph above are the 7,189 licensed mortgage loan originators, for which we are responsible to track pre-licensing and continuing education requirements.

Attachment 1 is our organizational chart, which shows the structure of our Department. The Department has 31 FTEs and currently 2 vacancies that we are in the process of filling (interviews conducted last week). As you can see from the chart, the Department has 2 chief examiners, 17 bank examiners, 4 credit union examiners,

4 non-depository examiners, and 5 office staff to supervise and examine our regulated entities. The Department has 3 offices; in Bismarck, Grand Forks and Fargo.

3. FINANCIAL AUDIT FINDINGS

There were no audit findings in the most recent audit of our Department.

4. ACCOMPLISHMENTS AND CHALLENGES

Accomplishments

In order to help with the availability of financial services to North Dakota citizens, the Department continues to engage in dialogue with federal regulators to discuss national policy matters and its effect on people in North Dakota. For example, in January 2022, the federal credit union regulator, in an effort to address climate change, issued its strategic plan with language discouraging credit unions from lending to agricultural borrowers. As we all know, that would have a detrimental impact on access to credit for one of the most important economic drivers in North Dakota. We reached out to the regulator to ensure they understood the ramifications of their proposal. Additionally, elected officials such as Governor Burgum, AG Commissioner Goehring, and our Congressional delegates all issued letters urging the removal of language that would affect agriculture and our farmers in such a negative way. These efforts succeeded and our Department continues to meet with the federal agency officials to discuss these matters. The Department believes it is important to

continue dialogue to seek lasting solutions, and most importantly ensure equal access to credit for all North Dakota citizens.

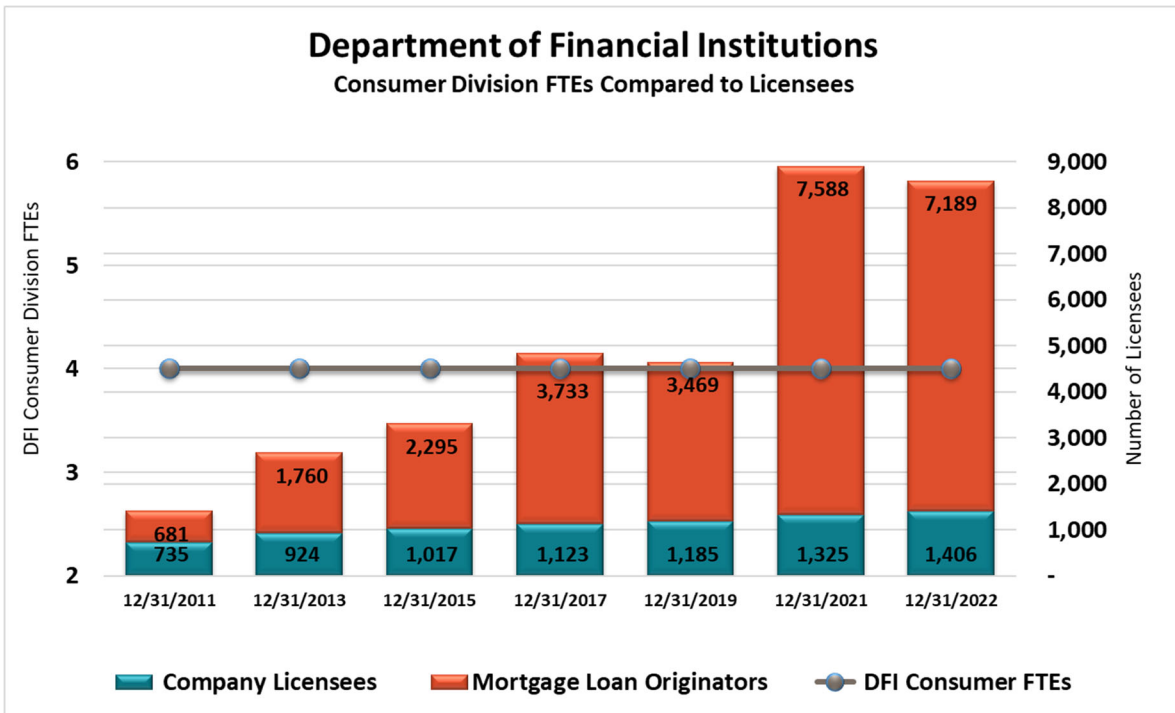
The Department's banking division has maintained accreditation through the Conference of State Bank Supervisors (CSBS) since 1992, the credit union division through the National Association of State Credit Union Supervisors (NASCUS) since 2000 and the consumer division through the CSBS/AARMR (American Association of Residential Mortgage Regulators) Mortgage Accreditation Program since 2015. Accreditation signifies that our Department meets or exceeds comprehensive organizational and performance standards. It assures the public of the competency of the agency charged with supervising the safety and soundness of the financial institutions entrusted with their savings and personal finances. It assures the industries that we are effective and efficient with highly trained professionals. It also provides you, our legislators, with an independent validation of the quality and faithfulness to our mission. Lastly, strong state oversight keeps an important balance between state and federal supervision, limiting the risk of increased federal government preemption of state government authorities.

To ensure the safety of our financial system, the Department has taken action against bad actors. In recent years, there has been an increase in fraud and scams throughout our nation. For example, financial exploitation of our elderly citizens is far too common with a low estimate of 1 in 5 being victims with an average loss of \$120,000 a person. It is important that our Department has the resources to educate and assist financial institutions when citizens are taken advantage of.

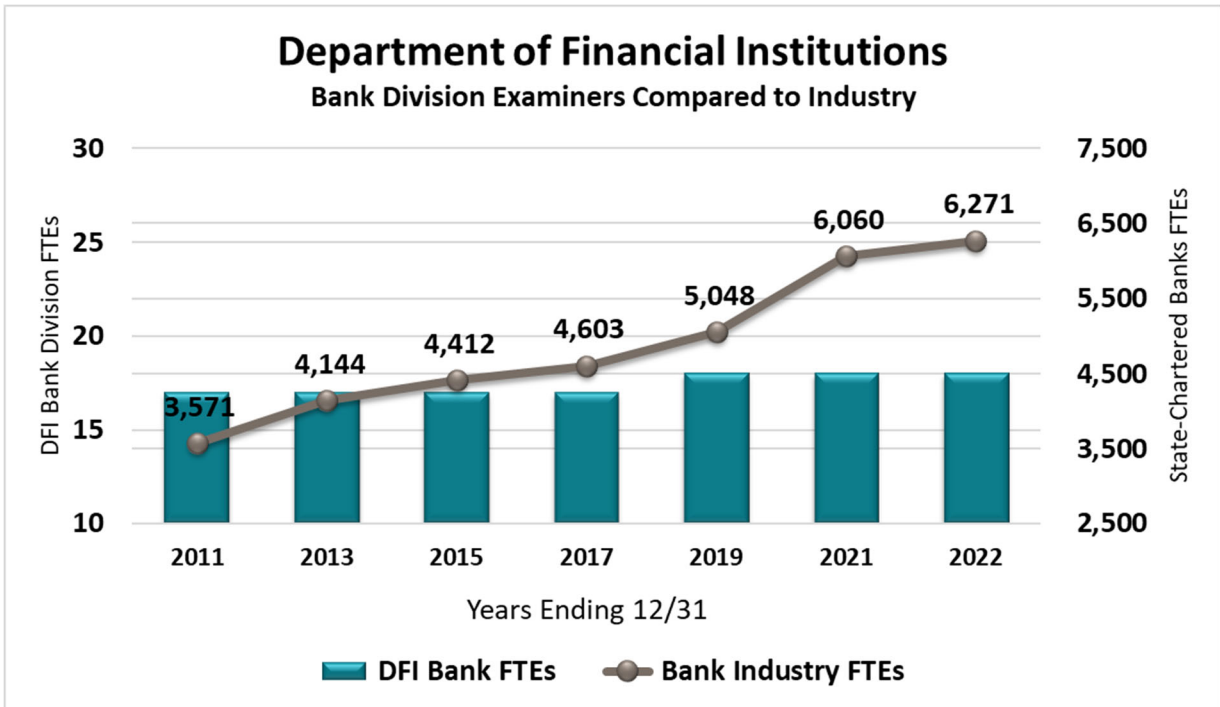
The Department continues its involvement on a national basis to ensure North Dakota's voice is heard – not only with our federal counterparts, but as a network with other state regulators across the nation. I was elected to serve on the CSBS Executive Board in March 2020, and I am currently the Chair-Elect. Corey Krebs, the Department's assistant commissioner, serves as a member at large on the NASCUS Board and serve on several of their committees. In addition, I also serve on the FDIC Regulatory Advisory Board. This involvement ensures that North Dakota interests are represented on the national stage.

Challenges

One of the greatest challenges is to make sure the Department has enough staff of skilled employees to meet our mandates, and it has been difficult to keep up with the large industry growth. Therefore, we are requesting additional FTEs this session. I want to emphasize that we are not growing government, rather we are responding to the explosive growth in the industries we are overseeing. 2011 was the last time we added an FTE in the non-depository division when we had 1,400 licenses. Today we have the same FTE number but over 8,000 licenses. Examinations for money transmission is covered by bank examiners. We are using automation to the extent possible, and also networking with states across the nation to improve efficiencies and reduce redundancies. However, to prevent federal intervention, it is crucial that our Department has the resources to oversee these entities.



Banks and credit unions have also grown considerably and are becoming more complex with expanding product lines and partnerships. The skill and time needed to oversee financial institutions' cyber security measures puts pressure on our Department. The following graph shows the number of FTEs added by the banking industry to correspond with their growth, compared to ours. Banks have had to increase staffing by 70% to manage their growth while Department staffing has only increased by 7%. Since one of our banks is now more than \$10 billion in asset size, we need to dedicate an FTE to its oversight. We work in partnership with our federal counterparts, and we need to be a credible partner. It is important to ensure a strong state presence to protect our community banks and limit federal preemption of state authority.



Since our examiners must be competent in every aspect of banking, it takes 3 to 5 years for an examiner to be fully proficient. In the last few years, we have had two bank examiners retire, each with more than 30 years of experience. Retention has also been an issue with about 30% of employees joining our Department within the last two years, and many employees not staying with the department long enough to even achieve proficiency. Most employees who leave go to the private industry (banks or credit unions). The skills Department staff acquire are highly valued by the very same industries we regulate, and these industries often pay a premium that we are unable to compete with. Therefore, I strongly support the efforts by OMB and the Governor’s budget recommendations to re-evaluate salary levels for equity. For our part, data shows that our federal regulators pay 20% to 50% more, with more significant discrepancies when examiners are more experienced. The average federal bank examiner

salary is 41% higher than our state examiner salary. Based on statements given in exit interviews, employees are offered anywhere from a 10% to 30% increase in salary. Employees that left our agency 5 to 10 years ago are now making between 18% to 112% more than they were making with our Department. Therefore, the efforts of OMB and the Governor's office to address compensation issues are important for our Department to adequately oversee these industries at the state level, and limiting the risk of federal government preemption.

Goals

The Department goals include the following:

- 1) Retain and protect strong and stable oversight to prevent federal preemption of state law. We need to make sure states retain its piece of the regulatory environment.
- 2) Keep pace with growth and expansion of financial institutions and services. We need the skills and resources to properly assess our institutions for risk, which has become more demanding due to new financial products and partnerships between banks and non-banks as well as the continued growth of the banks and credit unions we oversee.
- 3) Manage increases in non-depository institutions (non-banks).
- 4) Ensure state oversight of financial industry IT vendors and service providers. Since most community banks outsource for IT services, vendor management and our oversight over these entities are important.

- 5) Enhance data analytics capabilities to assist us in being more predictive and proactive in our oversight.
- 6) Continue enhancing our industry and general public communication, which includes our financial literacy program.
- 7) Retain and educate sufficient staff to oversee the industry, and be proactive and responsive. Providing opportunities for growth with competitive salaries and a great work environment should help us succeed in attaining our goals.

5. BUDGET REQUEST/RECOMMENDATION

Line Item	Base Level	<i>Proposed budget request</i>	Governor's Exec. Budget	House Appropriation	Increase (Decrease) from Base Level
Salaries	\$7,415,098	\$9,225,219	\$8,794,603	\$8,457,556	\$1,379,505
Operating	\$1,671,409	\$2,649,389	\$2,114,862	\$2,083,917	\$443,453
Contingency	\$20,000	\$20,000	\$20,000	\$20,000	\$0
Total	\$9,106,507	\$11,894,608	\$10,929,465	\$10,561,473	\$1,822,958
FTE	31.00	39.00	34.00	33.00	3.00

The difference between the Governor's recommendations and the House Appropriations was the removal of 1 FTE and the associated cost with that FTE. The Governor's recommendations include the following:

1) Additional FTEs

Three additional FTEs are added to allow us to provide stable oversight to prevent federal regulator preemption, keep pace with growth and expansion of financial institutions and services, and manage the

increase in non-depository institutions (non-banks). One FTE is added for licensing of non-depository institutions, and one FTE for examinations. One FTE is added to examine large banks (over \$10 billion in assets). In addition to these 3 FTEs, there are two additional FTEs that were included as part of a fiscal note to HB 1068, which, if passed, will task the Department with oversight over mortgage servicers. Mortgage servicers would be a new industry for the Department to oversee, and due to the size and complexity of the mortgage servicer entities, additional resources are necessary. In the Department's initial request, another three FTEs were included for examiners to oversee money transmitters, which includes virtual currency specialization, data analytics, and IT service providers. These FTE positions ultimately were not included in the Governor's budget. The salary increase of \$1,379,505 includes \$668,895 for the three FTEs we are requesting; \$117,069 for temporary salaries as the Department occasionally needs the assistance and expertise of former employees due to current staff turnover and inexperience; and \$593,541 expected increases to salary and benefits due to employee growth and subsequent promotions. Operating costs related to these FTEs covering NDIT costs, travel, and professional development total \$92,835.

2) Assistant Attorney General \$250,000

The Department is in need of increased attorney assistance and is requesting resources to fund a full-time Assistant Attorney General to specialize in financial matters. With thousands of non-banks that operate on a national basis, there has been an increase in need of

attorney insight and representation. This has a direct impact on North Dakota citizens since the Attorney General needs the resources and abilities to represent our cause when bad actors are preying on our citizens.

3) Dynamics Ongoing Maintenance \$100,000

The Department uses an IT Dynamics system, which provides a portal for institutions to submit applications and correspond with the Department in a safe manner. NDIT is providing the support and maintenance for the system, and the \$100,000 is the estimated cost.

The remaining difference from the base budget is \$618 associated with increased NDIT costs.

6. FUNDING EXPLANATION

The largest component of the Department's budget is salaries at 81% of the current total budget, which in the proposed budget is decreasing slightly to 80%. Our largest operating expenses are as follows:

- i. Travel - 27.8% of current operating/24.0% of proposed
- ii. Data Processing - 21.1% of current operating/ 22.1% of proposed
- iii. Professional Development - 21.7% of current operating/18.8% of proposed
- iv. Rental/Lease-Bldg - 14.7% of current operating/11.6% of proposed

The Department has high travel expenses since examiners must travel to the institutions to conduct examinations. With increasing use of technology, we are able to complete more offsite work; however, an onsite presence in the community institution will always be an important part of our safety and soundness examinations. For banks and credit unions, the travel increases if there is economic/industry deterioration, and therefore, travel costs are dependent on the economy and the condition of the institutions we supervise. If the economy deteriorates, and if any of our institutions struggle as a result, our examination frequency increases, and travel costs will also increase. Both the industry and the examiners recognize the importance of face-to-face interactions when discussing challenging topics.

Travel is also affected by training out of state. The work of an examiner is specialized, and significant training is necessary the first five years of an examiner's employment. Although we use online training tools, much of the training for examiners is done in a classroom setting where simulations are utilized, making reductions to travel and professional development challenging. Training is conducted along with our federal and state counterparts, which keeps our examiners up to date on the most recent laws and regulations. Also, providing this specific training to examiners is crucial to remain competent and consistent with our federal counterparts, which also benefits our institutions. It is our priority to continue to hire well-qualified employees and invest significant time and financial resources into their training and development to ensure the entire workforce has the necessary experience and qualifications to effectively perform their duties. Also,

regulatory, accounting, and legal changes require constant training, especially in areas such as anti-money laundering enforcement and information technology issues such as cybersecurity.

7. ONE-TIME FUNDING FOR CURRENT BIENNIUM

There were no one-time funding items for the current biennium.

8. ONE-TIME FUNDING REQUESTED

No one-time funding requested.

9. AGENCY COLLECTIONS

The Department is a special funds agency. Assessments are set by the State Credit Union Board and the State Banking Board for their respective areas. The assessments are set based on what the expected expenses are, which do not exceed our appropriated amount. For the last few years, the industries received discounts due to limited expenditures. The non-bank fees are set in statute and fluctuate depending on the number of companies we license.

10. OTHER REQUEST

Since our Department is a small, special fund agency, having flexibility within our appropriated budget makes sense. Therefore, we would request that the Committee consider granting us to have only one line item, just as WSI, another special fund agency. At the very minimum, we would request, as approved by the House, transfer authority between line items. The 2021-2023 Legislative Assembly granted the Department authority to transfer between line items during

the biennium, with a report to Legislative Council. If one line-item budget is not possible, the Department requests that the transfer authority will again be granted in the 2023-2025 budget. This allowance allows us to be responsive to changing circumstances as well as giving us the ability to operate in the most efficient and effective manner. If the economy deteriorates and travel costs increase related to examinations, it will be difficult to meet our mandates unless we can transfer from salaries if available. Although we have the ability to go to the Emergency Commission, the concern is that matters we handle are often strictly confidential under law. Outlining a specific request at a public meeting such as to the Emergency Commission, for example for legal costs related to a bank closure or an ongoing investigation, is difficult when such information must be confidential to prevent a bank run, protect the integrity of the investigation, and protect the North Dakota citizen and community. It should be noted that transfer authority has previously been authorized for the legislative and judicial branches and without any limitation. It should also be noted that the Department's budget and expenses are reviewed by the State Credit Union Board and State Banking Board at every meeting. No other state agency has such oversight by groups of financial institution CEOs, whom are also the ones paying our expenses.

11. OTHER BILLS

The Department introduced four agency bills: HB 1068, SB 2090, SB 2092, and SB 2119. HB 1068 is related to the oversight of mortgage servicers and included a fiscal note from the Department of \$463,000 and 2 FTEs. The cost is completely related to the FTEs. The

House cut 1 FTE and picked \$225,000 to be the cost (instead of \$463,000/2). The Department is not aware of any other bills considered by the Legislative Assembly with a budgetary impact.

As mentioned earlier, HB 1068 is adding mortgage servicers as a new industry for the Department to oversee. This Bill has passed both House and Senate policy committees unanimously, and the House. Since the financial crisis in 2007 to 2009, mortgage lending has shifted from banks and credit unions to nonbanks. Nonbanks issued 68% of all mortgages in the U.S. in 2020, and seven of the 10 largest mortgage lenders were non-banks. Similarly, nonbank mortgage servicing has grown from 6% to 60% of the government agency mortgage market in the last 10 years, and about 45% of the \$11 trillion single-family residential mortgage market is serviced by nonbank servicers. Bank mortgage servicers are regulated by bank regulators under federal law; the nonbank servicers are primarily overseen by states as established in state law.

The typical structure for residential mortgages includes a lender who originates the loan and a servicer who services the loan. Companies may originate loans, service loans, or both. In North Dakota only the loan originators are required to have a license. HB 1068 would also require servicers to be licensed. All our surrounding states license this industry. A mortgage servicer is the company responsible for the administration of the loan, and would be the entity that initiate foreclosure proceedings, for example. Without local, North Dakota oversight, the only venue for citizens when there is a problem, is to contact the federal Consumer Financial Protection Bureau (CFPB) in Washington DC.

The fiscal amount for two FTEs is \$463,000, which covers salaries and benefits, examination travel, examiner training, and related NDIT costs. Adding supervisory authority without the resources to execute the law gives a false indication of consumer protection, which is why additional resources are necessary. It is important to note again, that our Department is completely self-funded, and the additional resources required will be funded by licensing and examination fees.

12. CHANGES AGENCY IS REQUESTING TO HOUSE APPROPRIATION

Our request is for this Committee to add back the following that the first chamber removed:

- 1 FTE in the general budget bill for non-depository division
- 1 FTE for HB 1068 and corresponding cost.

As noted in section 5 above, the Department requested 6 additional FTEs as part of our budget bill. The executive budget includes 3 FTEs covering large bank supervision, non-bank licensing and examinations. The executive budget did not include the requested FTEs for cryptocurrency money transmission examinations, IT vendor examinations, or data analytics. Since our initial request was already reduced in the executive budget, we kindly request that it is not cut any further but that we at least would be granted the 3 + 2 FTEs as stated in the executive recommendation.

13. FEDERAL STATE FISCAL RECOVERY FUNDING

Not applicable

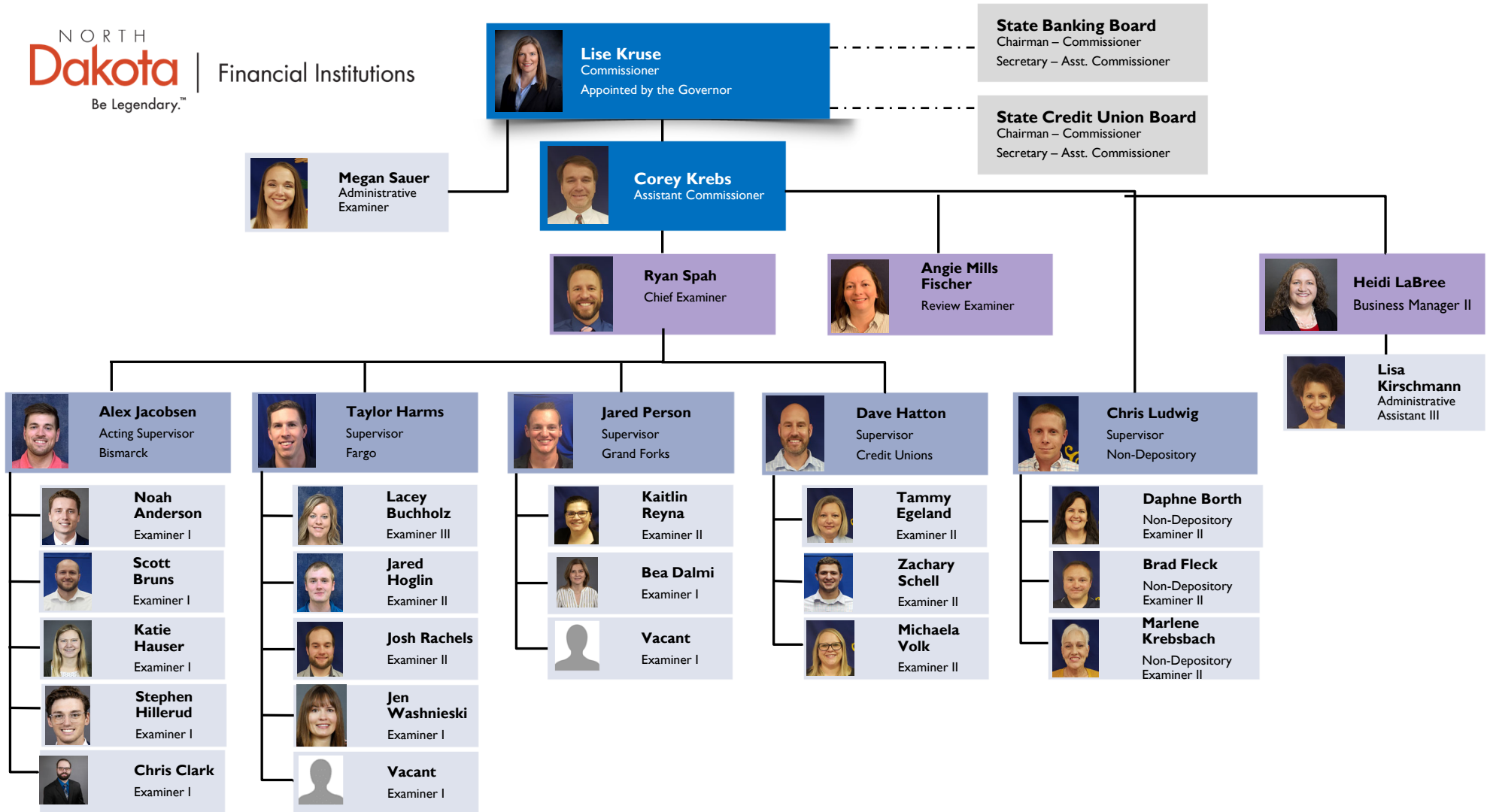
14. FEDERAL FUNDING AVAILABLE

Not Applicable

15. ADDITIONAL INFORMATION

The importance of the state supervisory role in the financial regulatory environment is recognized by our federal counterparts. Attachment 2 is a letter from the Director of the Division of Supervision and Regulation at the Board of Governors of the Federal Reserve System, which illustrates the importance of the states' role in the supervision and oversight of state-chartered banks. A reduced role of state governments' oversight of state-chartered banks would necessitate greater involvement by federal government regulators.

Mr. Chairman and members of the Committee, I thank you for your time and I welcome any questions you may have.





BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DIVISION OF
SUPERVISION AND REGULATION

September 30, 2020

Mr. John Ryan
President & CEO
Conference of State Bank Supervisors
1129 20th St., N.W.
9th Floor
Washington, DC 20036

Dear John,

The COVID-19 pandemic has caused significant hardship across the United States and around the world, including continued severe disruptions to our economy. As Chair Powell has said, a full recovery is likely to come only when people are confident that it is safe to reengage in a broad range of activities, and the path forward will depend on keeping the virus under control and on policy actions taken at all levels of government.

Continued resilience of our financial system remains key to mitigating the hardships of the current situation and to enabling a strong recovery. Our role as bank regulators and supervisors helps to ensure that banks can continue providing credit and services to their customers and communities in a prudent and fair manner while meeting the challenges they face. Under our nation's dual banking system, the ability of the states to continue to play an important role in the supervision and regulation of state-chartered banks is a critical element for ensuring effective and coordinated supervision.

In this challenging time, it is vitally important that state banking agencies have sufficient resources and expertise to meet their responsibilities within the U.S. bank regulatory framework. We recognize that in the current environment, many state governments are facing significant budget pressures. We encourage the CSBS to continue to work with state banking commissioners to ensure sufficient resources going forward. As demonstrated most recently during the 2007-2009 financial crisis and its aftermath, significant resources are required at both the state and federal levels to

maintain stable banking conditions and ensure that banks are appropriately addressing their risks.

The Federal Reserve values its longstanding partnership with state banking agencies in supervising state member banks. We continue to appreciate state banking agencies' collaboration during these challenging times to ensure that our banking system remains safe, sound, and efficient.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Gibson", is centered on the page.

Michael S. Gibson
Director
Division of Supervision and Regulation

Prepared for the Senate Appropriations Committee

**Department 413 - Department of Financial Institutions
House Bill No. 1008**

First Chamber Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 First Chamber Version	\$0	\$10,561,473	\$10,561,473
2023-25 Base Level	0	9,106,507	9,106,507
Increase (Decrease)	\$0	\$1,454,966	\$1,454,966

First Chamber Changes

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

Selected Bill Sections Included in the First Chamber Version

Line item transfers - Section 3 authorizes the Department of Financial Institutions to transfer between line items during the 2023-25 biennium and requires the department to notify the Office of Management and Budget and the Legislative Council.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant findings for this agency.

Major Related Legislation

House Bill No. 1068 - Authorizes 1 FTE position and \$225,000 from special funds derived from licensing and examination fees to the Department of Financial Institutions for the purpose of administering and enforcing laws, rules, and regulations relating to residential mortgage loan servicers.

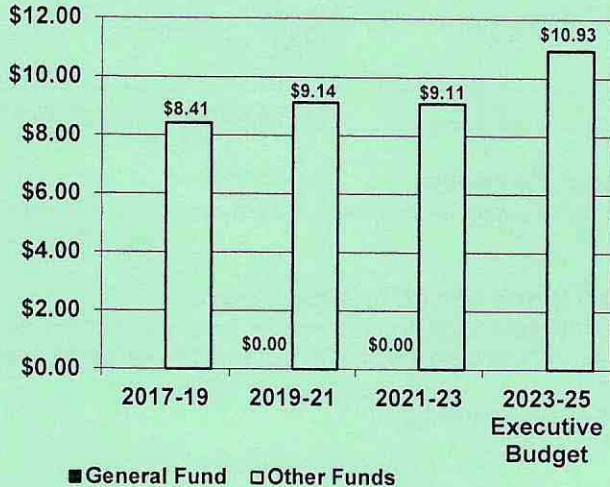
Senate Bill No. 2090 - Creates a separate chapter in North Dakota Century Code relating to residential mortgage lending.

Senate Bill No. 2119 - Provides for the regulation of money transmitters by the Department of Financial Institutions.

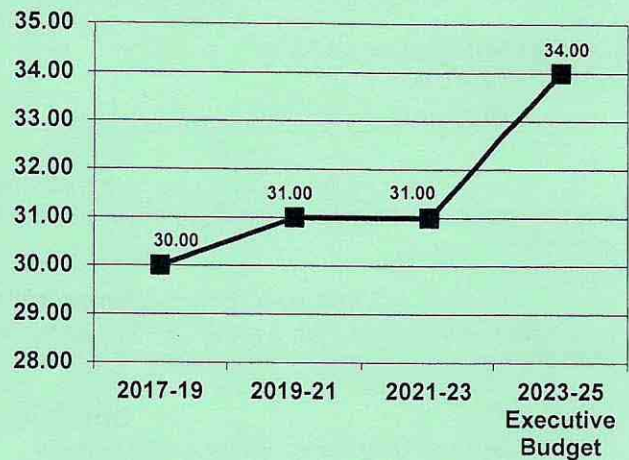
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing other funds appropriations	\$8,389,442	\$8,409,912	\$8,684,567	\$9,106,507	\$10,929,465
Increase (decrease) from previous biennium	N/A	\$20,470	\$274,655	\$421,940	\$1,822,958
Percentage increase (decrease) from previous biennium	N/A	0.2%	3.3%	4.9%	20.0%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	0.2%	3.5%	8.5%	30.3%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2017-19 Biennium

1. Reduced funding for salaries and wages in anticipation of savings from vacant positions and employee turnover (\$185,196)
2. Reduced contingency funding to provide \$20,000 (\$57,000)

2019-21 Biennium

- Added 1 FTE cybersecurity/money transmitter examiner (\$194,559) and related operating expenses (\$60,000) \$254,559

2021-23 Biennium

1. Increased funding for professional development to provide a total of \$363,059 \$130,280
2. Reduced funding for travel to provide a total of \$547,376 (\$104,024)

2023-25 Biennium (Executive Budget Recommendation)

1. Adds funding for Attorney General fees to provide a total of \$300,000 \$250,000
2. Adds funding for Dynamics ongoing maintenance agreement \$100,000

One-Time Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time other funds appropriations	\$0	\$0	\$451,305	\$0	\$0

Major One-Time Other Funds Appropriations

2017-19 Biennium

None \$0

2019-21 Biennium

Information technology (IT) project \$451,305

2021-23 Biennium

None \$0

2023-25 Biennium (Executive Budget Recommendation)

None \$0

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	31.00	\$0	\$9,106,507	\$9,106,507	31.00	\$0	\$9,106,507	\$9,106,507
2023-25 Ongoing Funding Changes								
Cost to continue salary increase			\$55,175	\$55,175			\$55,175	\$55,175
Salary increase			554,650	554,650			414,131	414,131
Health insurance increase			143,118	143,118			146,410	146,410
Adds 1 FTE large bank examiner position	1.00		257,867	257,867	1.00		257,867	257,867
Adds 1 FTE licensing examiner position	1.00		230,765	230,765				0
Adds 1 FTE non-depository examiner position	1.00		230,765	230,765				0
Adds 1 FTE licensing or non-depository examiner position				0	1.00		230,765	230,765
Adds funding for IT rate increase			618	618			618	618
Adds funding for Attorney General fees			250,000	250,000			250,000	250,000
Adds funding for Dynamics ongoing maintenance			100,000	100,000			100,000	100,000
Total ongoing funding changes	3.00	\$0	\$1,822,958	\$1,822,958	2.00	\$0	\$1,454,966	\$1,454,966
One-Time Funding Items								
No one-time funding items				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	3.00	\$0	\$1,822,958	\$1,822,958	2.00	\$0	\$1,454,966	\$1,454,966
2023-25 Total Funding	34.00	\$0	\$10,929,465	\$10,929,465	33.00	\$0	\$10,561,473	\$10,561,473
<i>Federal funds included in other funds</i>			\$0				\$0	
<i>Total ongoing changes as a percentage of base level</i>	9.7%		20.0%	20.0%	6.5%		16.0%	16.0%
<i>Total changes as a percentage of base level</i>	9.7%		20.0%	20.0%	6.5%		16.0%	16.0%

Other Sections in Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation	House Version
Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.	Section 2 authorizes the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.



12. Itemized listing of changes requested as approved by the first chamber:

- Restore 1 FTE in the general budget bill for non-depository division.
- Restore 1 FTE for HB 1068 and corresponding cost.

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	Executive Budget Recommendation				House Version				House Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	31.00	\$0	\$9,106,507	\$9,106,507	31.00	\$0	\$9,106,507	\$9,106,507	0.00	\$0	\$0	\$0
2023-25 Ongoing Funding Changes												
Cost to continue salary increase			\$55,175	\$55,175			\$55,175	\$55,175				\$0
Salary increase			554,650	554,650			414,131	414,131			(140,519)	(140,519)
Health insurance increase			143,118	143,118			146,410	146,410			3,292	3,292
Adds 1 FTE large bank examiner position	1.00		257,867	257,867	1.00		257,867	257,867				0
Adds 1 FTE licensing examiner position	1.00		230,765	230,765				0	(1.00)		(230,765)	(230,765)
Adds 1 FTE non-depository examiner position	1.00		230,765	230,765				0	(1.00)		(230,765)	(230,765)
Adds 1 FTE licensing or non-depository examiner position				0	1.00		230,765	230,765	1.00		230,765	230,765
Adds funding for IT rate increase			618	618			618	618				0
Adds funding for Attorney General fees			250,000	250,000			250,000	250,000				0
Adds funding for Dynamics ongoing maintenance			100,000	100,000			100,000	100,000				0
Total ongoing funding changes	3.00	\$0	\$1,822,958	\$1,822,958	2.00	\$0	\$1,454,966	\$1,454,966	(1.00)	\$0	(\$367,992)	(\$367,992)
One-Time Funding Items												
No one-time funding items				\$0				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	3.00	\$0	\$1,822,958	\$1,822,958	2.00	\$0	\$1,454,966	\$1,454,966	(1.00)	\$0	(\$367,992)	(\$367,992)
2023-25 Total Funding	34.00	\$0	\$10,929,465	\$10,929,465	33.00	\$0	\$10,561,473	\$10,561,473	(1.00)	\$0	(\$367,992)	(\$367,992)
<i>Federal funds included in other funds</i>			\$0				\$0				\$0	
<i>Total ongoing changes as a percentage of base level</i>	9.7%		20.0%	20.0%	6.5%		16.0%	16.0%				
<i>Total changes as a percentage of base level</i>	9.7%		20.0%	20.0%	6.5%		16.0%	16.0%				

Other Sections in Department of Financial Institutions - Budget No. 413

	Executive Budget Recommendation	House Version
Line item transfers	Section 3 would authorize the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.	Section 2 authorizes the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.

23.0237.02001
Title.

Prepared by the Legislative Council staff for
the Senate Appropriations - Government
Operations Division Committee
March 21, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1008

Page 1, line 2, remove "and"

Page 1, line 2, after "exemption" insert "; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$7,415,098	\$1,579,505	\$8,994,603
Operating expenses	1,671,409	481,453	2,152,862
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$2,060,958	\$11,167,465
Full-time equivalent positions	31.00	4.00	35.00"

Page 1, after line 20, insert:

"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - APPROPRIATION AND MANAGEMENT PROCEDURES. During the 2023-24 interim, the legislative management shall study the appropriation procedures for the department of financial institutions. The study must include an analysis of the feasibility and desirability of alternative appropriation methods, management structures employed, oversight and reporting to the executive and legislative branches of government, staff classification structures tied to federal or market compensation indexes, and staffing structures which allow for adjustments to market conditions. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,415,098	\$8,457,556	\$537,047	\$8,994,603
Operating expenses	1,671,409	2,083,917	68,945	2,152,862
Contingency	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
Total all funds	\$9,106,507	\$10,561,473	\$605,992	\$11,167,465
Less estimated income	<u>9,106,507</u>	<u>10,561,473</u>	<u>605,992</u>	<u>11,167,465</u>
General fund	\$0	\$0	\$0	\$0
FTE	31.00	33.00	2.00	35.00

Department 413 - Department of Financial Institutions - Detail of Senate Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for FTE Positions ²	Total Senate Changes
Salaries and wages	\$137,227	\$399,820	\$537,047
Operating expenses Contingency		68,945	68,945
Total all funds	\$137,227	\$468,765	\$605,992
Less estimated income General fund	<u>137,227</u> \$0	<u>468,765</u> \$0	<u>605,992</u> \$0
FTE	0.00	2.00	2.00

¹ Salaries and wages funding is adjusted to provide for the 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	<u>Other Funds</u>
Salary increase	\$140,519
Health insurance adjustment	(3,292)
Total	\$137,227

The House provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding of \$468,765 from other funds is adjusted to the salaries and wages and operating expense line items as follows:

	<u>FTE</u>	<u>Salaries and Wages</u>	<u>Operating Expenses</u>	<u>Total</u>
Adds 1 FTE licensing examiner position	1.00	\$199,820	\$30,945	\$230,765
Adds 1 FTE non-depository examiner position	1.00	199,820	30,945	230,765
Adds 1 FTE mortgage servicer examiner position	1.00	200,000	38,000	238,000
Removes 1 FTE licensing or non-depository examiner position	<u>(1.00)</u>	<u>(199,820)</u>	<u>(30,945)</u>	<u>(230,765)</u>
Total	2.00	\$399,820	\$68,945	\$468,765

This amendment adds a section to provide for a Legislative Management study of the appropriation and management procedures for the Department of Financial Institutions.

23.0237.02002
Title.

Prepared by the Legislative Council staff for
the Senate Appropriations - Government
Operations Division Committee
March 27, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1008

Page 1, line 2, remove "and"

Page 1, line 2, after "exemption" insert "; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$7,415,098	\$312,742	\$7,727,840
Operating expenses	1,671,409	481,453	2,152,862
Contingency	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total special funds	\$9,106,507	\$794,195	\$9,900,702
Full-time equivalent positions	31.00	4.00	35.00"

Page 1, after line 20, insert:

"SECTION 3. LEGISLATIVE MANAGEMENT STUDY - APPROPRIATION AND MANAGEMENT PROCEDURES. During the 2023-24 interim, the legislative management shall consider studying the appropriation procedures for the department of financial institutions. The study must include an analysis of the feasibility and desirability of alternative appropriation methods, management structures employed, oversight and reporting to the executive and legislative branches of government, staff classification structures tied to federal or market compensation indexes, and staffing structures which allow for adjustments to market conditions. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,415,098	\$8,457,556	(\$729,716)	\$7,727,840
Operating expenses	1,671,409	2,083,917	68,945	2,152,862
Contingency	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
Total all funds	\$9,106,507	\$10,561,473	(\$660,771)	\$9,900,702
Less estimated income	<u>9,106,507</u>	<u>10,561,473</u>	<u>(660,771)</u>	<u>9,900,702</u>
General fund	\$0	\$0	\$0	\$0
FTE	31.00	33.00	2.00	35.00

Department 413 - Department of Financial Institutions - Detail of Senate Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for FTE Positions ²	Removes Salary Funding for Funding Pool ³	Total Senate Changes
Salaries and wages	\$137,227	\$399,820	(\$1,266,763)	(\$729,716)
Operating expenses		68,945		68,945
Contingency				
Total all funds	\$137,227	\$468,765	(\$1,266,763)	(\$660,771)
Less estimated income	137,227	468,765	(1,266,763)	(660,771)
General fund	\$0	\$0	\$0	\$0
FTE	0.00	2.00	0.00	2.00

¹ Salaries and wages funding is adjusted to provide for the 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

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	<u>FTE</u>	<u>Salaries and Wages</u>	<u>Operating Expenses</u>	<u>Total</u>
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Adds 1 FTE non-depository examiner position	1.00	199,820	30,945	230,765
Adds 1 FTE mortgage servicer examiner position	1.00	200,000	38,000	238,000
Removes 1 FTE licensing or non-depository examiner position	(1.00)	(199,820)	(30,945)	(230,765)
Total	2.00	\$399,820	\$68,945	\$468,765

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<u>Other Funds</u>
New FTE positions	(\$1,026,562)
Vacant FTE positions	(240,201)
Total	(\$1,266,763)

This amendment adds a section to provide for a Legislative Management study of the appropriation and management procedures for the Department of Financial Institutions.

23.0237.02002
Title.

Prepared by the Legislative Council staff for
the Senate Appropriations - Government
Operations Division Committee
March 27, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1008

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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1008 - Department of Financial Institutions - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$7,415,098	\$8,457,556	(\$729,716)	\$7,727,840
Operating expenses	1,671,409	2,083,917	68,945	2,152,862
Contingency	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
Total all funds	\$9,106,507	\$10,561,473	(\$660,771)	\$9,900,702
Less estimated income	<u>9,106,507</u>	<u>10,561,473</u>	<u>(660,771)</u>	<u>9,900,702</u>
General fund	\$0	\$0	\$0	\$0
FTE	31.00	33.00	2.00	35.00

Department 413 - Department of Financial Institutions - Detail of Senate Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for FTE Positions ²	Removes Salary Funding for Funding Pool ³	Total Senate Changes
Salaries and wages	\$137,227	\$399,820	(\$1,266,763)	(\$729,716)
Operating expenses Contingency		68,945		68,945
Total all funds	\$137,227	\$468,765	(\$1,266,763)	(\$660,771)
Less estimated income General fund	137,227	468,765	(1,266,763)	(660,771)
	\$0	\$0	\$0	\$0
FTE	0.00	2.00	0.00	2.00

¹ Salaries and wages funding is adjusted to provide for the 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	Other Funds
Salary increase	\$140,519
Health insurance adjustment	(3,292)
Total	\$137,227

The House provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding of \$468,765 from other funds is adjusted to the salaries and wages and operating expenses line items as follows:

	FTE	Salaries and Wages	Operating Expenses	Total
Adds 1 FTE licensing examiner position	1.00	\$199,820	\$30,945	\$230,765
Adds 1 FTE non-depository examiner position	1.00	199,820	30,945	230,765
Adds 1 FTE mortgage servicer examiner position	1.00	200,000	38,000	238,000
Removes 1 FTE licensing or non-depository examiner position	(1.00)	(199,820)	(30,945)	(230,765)
Total	2.00	\$399,820	\$68,945	\$468,765

³ Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	Other Funds
New FTE positions	(\$1,026,562)
Vacant FTE positions	(240,201)
Total	(\$1,266,763)

This amendment adds a section to provide for a Legislative Management study of the appropriation and management procedures for the Department of Financial Institutions.

Department of Financial Institutions - Budget No. 413
House Bill No. 1008
Base Level Funding Changes

	House Version				Senate Version				FTE Positions
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	
2023-25 Biennium Base Level	31.00	\$0	\$9,106,507	\$9,106,507	31.00	\$0	\$9,106,507	\$9,106,507	0.00
2023-25 Ongoing Funding Changes									
Cost to continue salary increase			\$55,175	\$55,175			\$55,175	\$55,175	
Salary increase			414,131	414,131			554,650	554,650	
Health insurance increase			146,410	146,410			143,118	143,118	
Removes salary funding for funding pool				0			(1,266,763)	(1,266,763)	
Adds 1 FTE large bank examiner position	1.00		257,867	257,867	1.00		257,867	257,867	
Adds 1 FTE licensing examiner position				0	1.00		230,765	230,765	1.00
Adds 1 FTE non-depository examiner position				0	1.00		230,765	230,765	1.00
Adds 1 FTE mortgage servicer examiner position				0	1.00		238,000	238,000	1.00
Adds 1 FTE licensing or non-depository examiner position	1.00		230,765	230,765	0.00		0	0	(1.00)
Adds funding for IT rate increase			618	618			618	618	
Adds funding for Attorney General fees			250,000	250,000			250,000	250,000	
Adds funding for Dynamics ongoing maintenance			100,000	100,000			100,000	100,000	
Total ongoing funding changes	2.00	\$0	\$1,454,966	\$1,454,966	4.00	\$0	\$794,195	\$794,195	2.00
One-Time Funding Items									
No one-time funding items				\$0				\$0	
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0	0.00
Total Changes to Base Level Funding	2.00	\$0	\$1,454,966	\$1,454,966	4.00	\$0	\$794,195	\$794,195	2.00
2023-25 Total Funding	33.00	\$0	\$10,561,473	\$10,561,473	35.00	\$0	\$9,900,702	\$9,900,702	2.00
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0	
<i>Total ongoing changes as a percentage of base level</i>	6.5%		16.0%	16.0%	12.9%		8.7%	8.7%	
<i>Total changes as a percentage of base level</i>	6.5%		16.0%	16.0%	12.9%		8.7%	8.7%	

Other Sections in Department of Financial Institutions - Budget No. 413

	House Version	Senate Version
Line item transfers	Section 2 authorizes the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.	Section 2 authorizes the Department of Financial Institutions to transfer funds between line items during the 2023-25 biennium.
Legislative Management study - Appropriation procedures		Section 3 provides for a Legislative Management study to review the appropriation and management procedures for the Department of Financial Institutions.