

## **OTHER DUTIES OF THE GOVERNMENT ADMINISTRATION COMMITTEE - BACKGROUND MEMORANDUM**

In addition to the study responsibilities assigned to the Government Administration Committee for the 2017-18 interim, the committee has been assigned the following responsibilities:

- Approve any agreement between a North Dakota state entity and South Dakota to form a bistate authority, pursuant to North Dakota Century Code Section 54-40-01.
- Receive a report from the Office of Management and Budget (OMB) by October 15 of each even-numbered year, pursuant to Section 54-27-27.1, regarding the reports received by OMB from each executive branch agency receiving federal funds, excluding entities under the control of the State Board of Higher Education, of a plan to operate the state agency when federal funds are reduced by 5 percent or more of the total federal funds the state agency receives.
- Receive a report from the Governor by July 1, 2018, pursuant to Section 4 of 2017 Senate Bill No. 2008, regarding the findings and recommendations from the study of operations of the Department of Financial Institutions and the Securities Department to determine the feasibility and desirability of combining the agencies into a single department.

### **APPROVE AGREEMENTS BETWEEN NORTH DAKOTA AND SOUTH DAKOTA**

Section 54-40-01(3) ([Appendix A](#)) provides an agency, department, or institution may enter an agreement with the state of South Dakota to form a bistate authority to jointly exercise any function that the entity is authorized to perform by law. Any proposed agreement must be submitted to the Legislative Assembly or, if the Legislative Assembly is not in session, to the Legislative Management or a committee designated by the Legislative Management for approval or rejection. The agreement may not become effective until approved by the Legislative Assembly or the Legislative Management. The Government Administration Committee was assigned this responsibility for the 2017-18 interim.

The 2015-16 Government Finance Committee; the 2013-14, 2011-12, and 2009-10 Government Services Committees; the 2007-08 Public Safety Committee; and the 2005-06, 2003-04, 2001-02, 1999-2000, and 1997-98 interim Budget Committees on Government Services were assigned this responsibility; however, no proposed agreements were submitted to the committees for approval to form a bistate authority with the state of South Dakota.

### **REPORT FROM THE OFFICE OF MANAGEMENT AND BUDGET ON FEDERAL FUNDS**

Section 54-27-27.1 ([Appendix B](#)) provides each executive branch state agency, excluding entities under the control of the State Board of Higher Education, receiving federal funds, shall report to OMB a plan to operate the state agency if federal funds are reduced by 5 percent or more of the total federal funds the state agency receives. The report must include information on whether the agency will request state funds to offset the decrease in federal funds. The report is not required to address a reduction in federal funds received by the agency which is a result of:

1. A decrease in caseloads or cost per case;
2. A change in the anticipated project completion date for a construction project qualifying for federal fund reimbursement; or
3. The completion of a one-time project funded in whole or in part by federal funds.

The Office of Management and Budget is required to report to the Legislative Management by October 15 of each even-numbered year on the reports received from state agencies under this section. The report must include a summary of the reports received from state agencies on how each agency will operate with the reduction in federal funds. The Government Administration Committee was assigned this responsibility for the 2017-18 interim.

### **REPORT FROM THE GOVERNOR REGARDING THE STUDY OF THE DEPARTMENT OF FINANCIAL INSTITUTIONS AND THE SECURITIES DEPARTMENT**

Section 4 of 2017 Senate Bill No. 2008 ([Appendix C](#)) requires the Governor to provide a report to the Legislative Management regarding the findings and recommendations from the study of operations of the Department of Financial Institutions and the Securities Department to determine the feasibility and desirability of combining the agencies into a single department. The Government Administration Committee was assigned this responsibility for the 2017-18 interim.

### **Background Information Regarding the Department of Financial Institutions**

The Department of Financial Institutions (Chapter 6-01) is a self-funded regulatory agency responsible for the oversight of state banks, trust companies, building and loan associations, mutual investment corporations, mutual savings corporations, banking institutions, credit unions, and other financial corporations doing business under the laws of North Dakota. The department conducts examinations to determine the soundness of financial institutions and monitor compliance with applicable rules and regulations.

The department receives all funding from the financial institution regulatory fund. All fees and penalties collected by the department under Chapters 6-01, 6-03, 6-05, 6-06, 6-10, 7-05, 13-03.1, 13-04.1, 13-05, 13-08, and 13-09 are deposited into the fund. Any cash balance in the fund at the end of a biennium is carried forward to the subsequent biennium. The balance at the end of a biennium, excluding fees collected for use in the next biennium, may not exceed 20 percent of the department's total biennial budget (Section 06-01-01.1(3)).

### **Background Information Regarding the Securities Department**

The Securities Department (Chapter 10-04) regulates the offer and sale of securities and franchises in the state and protects the investing public by enforcing compliance with state laws. The department promotes public awareness of securities laws to prevent violations and to prevent investment fraud. The department also provides investor education programs.

Major responsibilities of the department include:

1. Enforcement of the Securities Act of 1951 and the Franchise Investment Law;
2. Registration of securities offerings, broker-dealer and investment adviser firms and representatives, and franchises;
3. Facilitation of capital formation by businesses;
4. Investigation of consumer complaints and initiation of appropriate disciplinary action; and
5. Promotion of sound financial planning through investor education programs.

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