

**Bank of North Dakota
Budget No. 471
Senate Bill Nos. 2014 and 2345; House Bill Nos. 1431, 1475, and 1506**

	FTE Positions	General Fund	Other Funds	Total
2021-23 legislative appropriation	173.00	\$27,500,000 ¹	\$769,816,548 ¹	\$797,316,548
2019-21 legislative appropriation	181.50	17,500,000 ²	133,034,982 ²	150,534,982
2021-23 appropriation increase (decrease) to 2019-21 appropriation	(8.50)	\$10,000,000	\$636,781,566	\$646,781,566

¹The 2021-23 appropriation includes one-time funding of \$728.5 million, of which \$17.5 million is a contingent appropriation from the general fund to repay the remainder of a loan associated with the Theodore Roosevelt Presidential Library and Museum endowment fund, \$10 million is from the general fund for a transfer to the agriculture diversification and development fund, \$680 million is from bond proceeds for allocations to infrastructure projects and programs, and \$21 million is from the federal State Fiscal Recovery Fund for a fuel production facility incentive program.

²The 2019-21 appropriation includes one-time funding of \$86,177,183, of which \$17,500,000 is a deficiency appropriation from the general fund approved by the Legislative Assembly in House Bill No. 1025 (2021) to repay a portion of a loan associated with the Theodore Roosevelt Presidential Library and Museum endowment fund and \$68,677,183 is from federal coronavirus relief funds for a COVID-19 disaster relief program modeled after the partnership in assisting community expansion (PACE) programs and for a new program to provide one-time grants to businesses to assist with interest expenses associated with debt incurred prior to the COVID-19 pandemic.

Item Description

FTE changes - The Legislative Assembly authorized 173 FTE positions for the Bank of North Dakota for the 2021-23 biennium, a decrease of 8.50 FTE positions from the 2019-21 biennium authorized level of 181.50 FTE positions. The Legislative Assembly transferred 16 FTE positions to the Information Technology Department for the information technology unification initiative, including 4 FTE technology services specialist positions, 2 FTE project manager positions, 6 FTE application support positions, 1 FTE technology services manager position, 1 FTE information system security analyst position, and 2 FTE bank operations specialist positions. The Legislative Assembly added 7.50 new undesignated FTE positions to support future growth in the Bank's operations.

Status/Result

The Bank transferred 16 FTE positions, including 4 FTE technology services specialist positions, 2 FTE project manager positions, 6 FTE application support positions, 1 FTE technology services manager position, 1 FTE information system security analyst position, and 2 FTE bank operations specialist positions, to the Information Technology Department in July 2021 for an information technology unification initiative.

Of the 7.50 new undesignated FTE positions, the Bank designated 6 FTE positions as collateral valuation positions. The Bank is in the process of reviewing operational needs before determining the roles of the remaining 1.50 new undesignated FTE positions, but anticipates the positions will be filled by the end of the biennium.

Transfer of Bank of North Dakota profits - The 2021 Legislative Assembly provided the following transfers of Bank profits:

1. Section 8 of Senate Bill No. 2014 provides for a transfer of \$140 million to the general fund.
2. Section 9 of Senate Bill No. 2014 provides for a transfer of \$26 million to the PACE fund.
3. Section 10 of Senate Bill No. 2014 provides for a transfer of \$5 million to the Ag PACE fund.
4. Section 11 of Senate Bill No. 2014 provides for a transfer of \$1 million to the biofuels PACE fund.
5. Section 12 of Senate Bill No. 2014 provides for a transfer of \$8 million to the beginning farmer revolving loan fund.
6. Section 4 of House Bill No. 1375 provides for a transfer of \$1.5 million to the State Board of Higher Education for tuition scholarships.

1. Of the \$140 million, \$70 million is anticipated to be transferred in June 2022, and \$70 million is anticipated to be transferred in June 2023.
2. Through March 2022 the Bank transferred \$12 million to the PACE fund, of which \$3.5 million was for PACE, \$8 million was for flex PACE, and \$500,000 was for affordable housing PACE.
3. Through March 2022, the Bank transferred \$1.5 million to the Ag PACE fund.
4. The Bank transferred \$250,000 to the biofuels PACE fund through March 2022.
5. Through March 2022, the Bank transferred \$3.5 million to the beginning farmer revolving loan fund.
6. Through March 2022, the Bank transferred \$900,000 to the State Board of Higher Education.

7. Sections 6 and 7 of Senate Bill No. 2272 provide for a transfer of \$4.5 million to the skilled workforce student loan repayment program fund (\$2.25 million) and the skilled workforce scholarship fund (\$2.25 million).
8. Section 5 of House Bill No. 1009 includes a transfer of \$2.7 million to the Agricultural Products Utilization Commission (APUC) fund.
9. Section 6 of House Bill No. 1009 transfers \$300,000 to the Agriculture Commissioner's operating fund.

Estimated 2021-23 Bank of North Dakota capital structure

7. The Bank has not transferred any profits to the skilled workforce student loan repayment program fund and has transferred \$167,500 to the skilled workforce scholarship fund through March 2022.
8. Through March 2022, the Bank transferred the entire \$2.7 million to the APUC fund.
9. The Bank transferred the entire \$300,000 to the Agriculture Commissioner's operating fund as of March 31, 2022.

The following schedule shows an analysis of the Bank's estimated capital structure for the 2021-23 biennium:

June 30, 2021, capital	\$1,017,068,000 ¹
Estimated 2021-23 biennium profits	285,000,000 ²
Estimated 2021-23 biennium transfers	
Transfer to general fund	(140,000,000)
Transfer to economic development-related programs	(40,000,000) ³
Transfer to State Board of Higher Education for tuition scholarships	(1,500,000)
Transfer to skilled workforce student loan fund	(2,250,000)
Transfer to skilled workforce scholarship fund	(2,250,000)
Transfer to APUC fund	(2,700,000)
Transfer to Agriculture Commissioner's operating fund	(300,000)
Estimated capital on June 30, 2023	\$1,113,068,000

¹Based on the Bank's quarterly regulatory filings, the tier one capital level was \$956,967,000 as of June 30, 2021, which reflects a tier one risk-based capital ratio of 20.12 percent compared to a benchmark of 8 percent.

²Actual fiscal year 2021 profits were \$139.7 million. The estimated 2021-23 biennium profits at the close of the 2021 regular legislative session was \$240 million.

³Senate Bill No. 2014 provides for the following transfers from Bank profits related to economic development:

- \$26 million to the PACE fund;
- \$5 million to the Ag PACE fund;
- \$1 million to the biofuels PACE fund; and
- \$8 million to the beginning farmer revolving loan fund.

Bank of North Dakota loans:

1. House Bill No. 1015 (2021) authorizes a line of credit of up to \$250 million to support the clean sustainable energy fund.
2. House Bill No. 1016 (2021) provides a loan of up to \$2.5 million to the Adjutant General for fire emergency and wildfire response mutual aid.
3. House Bill No. 1020 (2021) decreases the State Water Commission's line of credit from \$75 million to \$50 million.
4. Senate Bill No. 1012 (2021) provides a contingent loan to the Department of Transportation of up to \$50 million to match federal funding that may become available.

1. As of March 31, 2022, the Bank has approved the entire \$250 million line of credit to support the clean sustainable energy fund.
2. As of March 31, 2022, the Bank has approved a loan of \$2.5 million for fire emergency and wildfire response mutual aid.
3. The Bank has approved \$20 million of the line of credit to the State Water Commission through March 2022 and anticipates the remaining \$30 million will be approved by the end of the biennium.
4. The Department of Transportation has not accessed the contingent loan through March 2022, but the Bank anticipates the entire \$50 million loan may be approved by the end of the biennium.

Rebuilders permanent loan program - The 2011 Legislative Assembly established a rebuilders loan program to provide loans to North Dakota residents affected by the 2011 flood event. The proceeds of the loans may be used to rebuild a flood-damaged home or purchase a new home in the disaster-impacted community. Eligible counties include Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland, and Ward. In total, the Legislative Assembly provided a total of \$55 million for the rebuilders loan program, including \$35 million from Bank profits and \$20 million from the general fund. Loan payments are used to replenish the Bank's profits with payments in excess of \$35 million deposited in the general fund.

The 2019 Legislative Assembly established a rebuilders home loan program to provide loans to North Dakota residents affected by river flooding in the state due to ice jams in the winter and spring of 2019. Up to \$3.75 million was available from the principal repayments under the rebuilders loan program, which were designated to replenish the Bank's profits, for the rebuilders home loan program. Any funds not committed to loans by September 30, 2020, must be returned to the Bank's profits.

The 2021 Legislative Assembly created a rebuilders permanent loan program to provide loans to those impacted by disasters in the state and to consolidate the rebuilders loan program and the rebuilders home loan program under the newly created rebuilders permanent loan program.

Bond proceed allocations - House Bill No. 1431 authorizes the Public Finance Authority to issue up to \$680 million of bonds to support infrastructure projects and programs, and appropriates the bond proceeds to the Bank for distribution. Of the \$680 million of bond proceeds, \$435.5 million is for the Fargo diversion project, \$74.5 million will be transferred to the resources trust fund for repayment of outstanding loans of the Western Area Water Supply Authority, \$50 million is for the infrastructure revolving loan fund, \$70 million will be transferred to the highway fund for highway bridge projects and matching federal funds, and \$50 million is for a North Dakota State University agriculture products development center, including a Northern Crops Institute project.

Agriculture diversification and development fund - House Bill No. 1475 appropriated \$10 million from the general fund to the Bank for a transfer to a newly created agriculture diversification and development fund. The Bank may issue loans from the fund for new or expanding value-added agriculture businesses.

Approximately \$52,000,000 of loans were authorized under the rebuilders loan program, including \$32,255,000 from Bank profits and \$19,745,000 from the general fund. As of December 31, 2021, the outstanding balance of loans for the rebuilders loan program totaled \$19,224,000. During calendar year 2020, \$4,339,000 was used to replenish the Bank's profits. During calendar year 2021, \$2,836,000 from the repayments was used to replenish the Bank's profits. An additional \$2,149,000 from the repayments will be used to replenish the Bank's profits before the remaining \$19,745,000 is repaid to the general fund.

The Bank authorized approximately \$480,000 of loans under the rebuilders home loan program, and the outstanding balance of the loans totaled \$473,000 as of December 31, 2021. No repayments have been made under the program. However, the repayments will be used to replenish Bank profits, since funding from the program was derived from principal repayments under the rebuilders loan program, which were designated to replenish the Bank's profits.

During the 2019-21 biennium, the Bank created a small employer loan fund program to provide loans to small businesses for operating expenses in response to the COVID-19 pandemic. The Bank authorized approximately \$30,374,000 of loans, and the outstanding balance of the loans totaled \$25,834,000 as of December 31, 2021. Repayments under the small employer loan fund program are deposited in the rebuilders permanent loan fund.

Pursuant to House Bill No. 1187 (2021), the Legislative Assembly consolidated the rebuilders loan program, rebuilders home loan program, and the Bank's small employer loan fund program into the rebuilders permanent loan program. The Legislative Assembly also authorized the Bank to transfer \$19.6 million from the Bank's capital to the rebuilders permanent loan fund in the amounts and at the times determined by the Bank. As of March 31, 2022, the Bank had not approved any new loans under the rebuilders permanent loan fund, and the Bank had not transferred any of the \$19.6 million from the Bank's capital to the fund.

Through March 2022, the Bank received \$374.5 million of bond proceeds from the Public Finance Authority and allocated \$219 million for the Fargo diversion project, \$74.5 million to the resources trust fund, \$50 million to the infrastructure revolving loan fund, \$16 million to the highway fund, and \$15 million for the North Dakota State University agriculture products development center. The remaining \$305.5 million of bond proceeds will be allocated for the projects after the Public Finance Authority issues the remaining bonds in the fall of 2022.

Through March 2022, the Bank has approved approximately \$4.2 million of loans from the agriculture diversification and development fund, but the loan proceeds had not yet been distributed to borrowers. As a result, the Bank had not transferred any funding from the general fund to the agriculture diversification and

Theodore Roosevelt Presidential Library and Museum endowment fund loan - The 2019 Legislative Assembly authorized a loan of up to \$35 million for the Governor to provide funding for the Theodore Roosevelt Presidential Library and Museum endowment fund. The 2021 Legislative Assembly provided a deficiency appropriation of \$17.5 million from the general fund to repay a portion of the loan in the 2019-21 biennium and a contingent appropriation of \$17.5 million from the general fund to repay the remainder of the loan in the 2021-23 biennium if the July 1, 2021, general fund balance exceeded the estimate by at least \$17.5 million.

Fuel production facility incentive program - Senate Bill No. 2345, approved during the November 2021 special legislative session, included \$21 million of one-time funding from the State Fiscal Recovery Fund for a fuel production facility incentive program. The Bank was required to develop a formula to distribute the grants under the program with consideration of a facility's outstanding fuel production facility loan guarantee at the Bank.

Rail rate complaint case - Section 3 of House Bill No. 2008 provides for a transfer of up to \$900,000 from the beginning farmer revolving loan fund to the Public Service Commission to pay for costs associated with a rail rate complaint case. If any amount is spent, the Public Service Commission is to reimburse the beginning farmer revolving loan fund using amounts from damages or proceeds received, net of legal fees, from a successful outcome of a rail rate complaint case.

development fund. The Bank anticipates the entire \$10 million will be transferred by the end of the biennium.

The Governor accessed the entire \$35 million loan during the 2019-21 biennium to support the Theodore Roosevelt Presidential Library and Museum endowment fund. Of the \$35 million, \$17.5 million was repaid pursuant to the deficiency appropriation approved by the 2021 Legislative Assembly. The contingency criteria was met, and the remaining \$17.5 million of the loan was repaid in November 2021.

Through March 2022, the Bank distributed the entire \$21 million as grants to fuel production facilities.

The Bank had not transferred any funds from the beginning farmer revolving loan fund as of March 31, 2022, related to a rail rate complaint case.