

**Bank of North Dakota  
Budget 471  
Senate Bill Nos. 2014, 2187**

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2013-15 legislative appropriation	179.50	\$0	\$103,150,147	\$103,150,147
2011-13 legislative appropriation	<u>176.50</u>	<u>54,400,000</u>	<u>56,853,155</u>	<u>111,253,155</u>
2013-15 appropriation increase (decrease) to 2011-13 appropriation	3.00	(\$54,400,000)	\$46,296,992	(\$8,103,008)

**Item Description**

**Accrued leave payments** - In Section 1 of Senate Bill No. 2014, the Legislative Assembly identified \$881,231 from special funds for accrued leave payments.

**Rebuilders loan program** - The Legislative Assembly in 2011 established a rebuilders loan program and loan fund at the Bank of North Dakota. The program is to provide loans to North Dakota residents affected by a presidentially declared disaster in the state in an area eligible for Federal Emergency Management Agency individual assistance for the purpose of the resident rebuilding the resident's flood-damaged home or purchasing a new home in the disaster-impacted community. Individual assistance designated counties include Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland, and Ward.

The Legislative Assembly in 2013 Senate Bill No. 2132 provided an exemption to allow unexpended appropriations related to the rebuilders loan program for the 2011-13 biennium to continue into the 2013-15 biennium. The Legislative Assembly in 2013 provided for a transfer of up to \$5 million from the Bank's current earnings and undivided profits to the rebuilders loan program and for payments from the rebuilders loan program of up to \$35 million to be transferred to replenish the Bank's profits. Payments in excess of \$35 million are to be deposited in the general fund. The Legislative Assembly provided a total of \$55 million for the rebuilders loan program.

**Beginning entrepreneur loan guarantee program** - In Section 20 of Senate Bill No. 2014, the Legislative Assembly amended North Dakota Century Code Section 6-09.15-01(1) to allow the Bank of North Dakota to determine the net worth criteria for loan applicants. In Section 21, the Legislative Assembly added a new subsection to Section 6-09.15-01 to include a definition for child care providers for the beginning entrepreneur loan guarantee program. In Section 22, the Legislative Assembly added a new section to Chapter 6-09.15 to require that a beginning entrepreneur who receives a loan for a child care facility must be a child care provider.

**Status/Result**

The Bank of North Dakota has expended \$79,351 from the accrued leave payments line item for accrued leave through February 2014. The Bank of North Dakota anticipates a transfer from the accrued leave payments line item to the salaries and wages line item will not be necessary.

As of March 2014, 1,880 loans totaling \$49,889,756 have been closed, 72 additional loans totaling \$1,493,731 have been approved but not closed, and 14 loans totaling \$370,000 are being processed.

Of the 1,952 approved loans, 96 percent are for residents in the Minot area, 3 percent are for residents in the Bismarck area, and 1 percent is for residents in the Mandan area.

Ninety-five loan requests have been denied for various reasons, including no damage, no ownership in damaged property, or property being covered by flood insurance.

As of March 2014, the Bank disbursed approximately \$48.5 million for loans, of which \$30 million was from the Bank's profits and \$18.5 million was from the general fund. The Bank anticipates disbursing the remaining \$1.5 million of the \$20 million authorized from the general fund as well as \$1.8 million of the additional \$5 million authorized from the Bank's profits. The total disbursements are anticipated to be \$51.8 million, which is \$3.2 million less than the total authorization of \$55 million.

The Bank has started to receive loan payments, which are being used to replenish the Bank's profits. None of the loan payments have been deposited in the general fund as of March 2014.

The Bank implemented the changes in August 2013. As of March 2014, the Bank had issued five loan guarantees, and none of the loan guarantees were for child care facilities.

**Transfer of Bank of North Dakota profits**

1. Section 7 of Senate Bill No. 2014 provides for a transfer of \$28 million from the current and undivided profits of the Bank of North Dakota to the partnership in assisting community expansion (PACE) fund.
2. Section 8 of Senate Bill No. 2014 provides for a transfer of \$2 million from the current and undivided profits of the Bank to the Ag PACE fund.
3. Section 9 of Senate Bill No. 2014 provides for a transfer of \$2 million from the current and undivided profits of the Bank to the biofuels PACE fund.
4. Section 10 of Senate Bill No. 2014 provides for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund for the 2013-15 biennium.
5. Section 3 of 2013 Senate Bill No. 2132 provides for a transfer of \$5 million from the current and undivided profits of the Bank to the rebuilders loan program for the 2013-15 biennium.

1. Through February 2014, the Bank transferred \$9.9 million to the PACE fund. Of the \$9.9 million, \$4.9 million was for affordable housing, \$3.8 million was for flex PACE, and \$1.2 million was for PACE.
2. Through February 2014, the Bank transferred \$800,000 to the Ag PACE fund.
3. Through February 2014, the Bank transferred \$400,000 to the biofuels PACE fund.
4. Through February 2014, the Bank transferred \$1.6 million to the beginning farmer revolving loan fund.
5. Through March 2014, the Bank had not transferred any of the \$5 million to the rebuilders loan program. The Bank anticipates transferring \$1.8 million by the end of the biennium. For information on the transfer relating to the rebuilders loan program, see the **Rebuilders loan program** section above.

**Estimated 2013-15 Bank of North Dakota capital structure**

The following schedule shows an analysis of the Bank's estimated capital structure for the 2013-15 biennium:

June 30, 2013, capital	\$515,000,000
Estimated 2013-15 biennium profits	160,000,000 <sup>1</sup>
Estimated 2013-15 biennium transfers relating to economic development (Sections 7 through 10 of Senate Bill No. 2014)	(38,000,000) <sup>2</sup>
Estimated capital on June 30, 2015	\$637,000,000

<sup>1</sup>Actual calendar year 2013 profits were \$94.2 million.

<sup>2</sup>Senate Bill No. 2014 provides for the following transfers from the Bank profits:

- \$28 million to the PACE fund.
- \$2 million to the Ag PACE fund.
- \$2 million to the biofuels PACE fund.
- \$6 million to the beginning farmer revolving loan fund.

**Partnership in assisting community expansion** - Senate Bill No. 2014 provides \$28 million for PACE, \$2 million for Ag PACE, and \$2 million for biofuels PACE from Bank of North Dakota profits.

In 2013 House Bill No. 1079, the Legislative Assembly extended the use of the flex PACE program through June 30, 2015, and increased the maximum amount that may be used for the interest rate buydown from \$300,000 to \$500,000.

Of the \$28 million for PACE, the Bank designated \$12 million for affordable housing, \$10 million for flex PACE, and \$6 million for PACE. As of February 2014, the Bank has transferred \$11.1 million from its profits to PACE programs, including \$1.2 million for PACE, \$3.8 million for flex PACE, \$4.9 million for affordable housing, \$400,000 for biofuels PACE, and \$800,000 for Ag PACE.

### **Bank of North Dakota loans**

1. House Bill No. 1020 (2013) directs the Bank of North Dakota to provide a \$40 million loan to the Western Area Water Supply Authority for construction of projects.
  2. Section 6 of 2013 Senate Bill No. 2019 provides that Williston State College may borrow up to \$2.5 million from the Bank for a workforce training building project during the 2013-15 biennium.
  3. Senate Bill No. 2064 (2013) amends Section 6-09-44 to remove the expiration date for the residential mortgage loan program. The program allows the Bank to originate mortgages where private sector mortgage loan services are not reasonably available.
  4. Senate Bill No. 2187 provides for a medical facility infrastructure loan program to be administered by the Bank, provides a continuing appropriation to the Bank for funds in the newly created medical facility infrastructure fund, provides for a transfer of \$50 million from the strategic investment and improvements fund to the medical facility infrastructure fund, and provides for a transfer of any balance remaining in the medical infrastructure fund on July 1, 2017, to the strategic investment and improvements fund. In Section 60 of House Bill No. 1013 (2013), the Legislative Assembly provided that if, as of December 31, 2014, any portion of the \$150 million provided to the Department of Public Instruction for school construction loans remains uncommitted for the purpose of providing school construction loans, the Board of University and School Lands may authorize up to \$50 million of the uncommitted amount for the purpose of providing medical facility infrastructure loans.
  5. Senate Bill No. 2287 (2013) continues the fuel production facility loan guarantee program. The Bank may request a transfer from the strategic investment and improvements fund to maintain 100 percent of the guarantee reserve fund balance. The extent of the loan guarantee may not exceed 30 percent of the total loan. The maximum dollar amount for any guarantee on a single loan may not exceed \$25 million, and the value of all loan guarantees may not, at any one time, exceed \$25 million.
  6. Senate Bill No. 2361 (2013) authorized the Bank to administer a student loan consolidation program for eligible physicians.
1. Through December 2013, the Bank has issued \$5,906,000 in loans to the Western Area Water Supply Authority.
  2. As of April 2014, Williston State College was in the process of requesting a loan for a workforce training building project.
  3. In calendar year 2013, the Bank provided 22 loan originations totaling \$3 million. Through February 2014, the Bank has provided 11 loan originations totaling \$2.2 million.
  4. Through March 2014, the Bank has committed \$50 million from the medical facility infrastructure fund for loans to six hospital projects. Through March 2014, the Department of Public Instruction has committed the full \$150 million for school construction loans.
  5. Through March 2014, \$18 million of loan guarantees has been issued. The Bank does not anticipate any additional loan guarantees will be issued for the remainder of the biennium.
  6. The Bank implemented the student loan consolidation program for eligible physicians in September 2013. In April 2014 the Bank expanded the student loan consolidation program to all North Dakotans in a program named the DEAL One Loan program.

**Student loan service fees** - The Legislative Assembly in 2013 Senate Bill No. 2096 created a new section to Chapter 6-09 to provide a continuing appropriation to the Bank of North Dakota for any funds received related to federal student loan programs under Section 2212 of the federal Health Care and Education Reconciliation Act of 2010. The funds are to be used for Bank programs related to higher education.

The Bank is in the process of creating a plan to use the funds received from student loan service fees. The Bank receives the funds through contracts with other states. The balance of the student loan service fees was approximately \$2 million as of March 2014.