

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1135

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1135

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1135

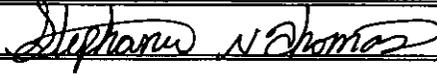
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 16, 2005

Recorder Job Number: 1178

Committee Clerk Signature



Minutes:

**Chair Keiser** opened the hearing on HB 1135.

**Bob Humann, Bank of ND:** (See written testimony #1, for Roger Johnson) See written testimony #2.

**Rep. Ruby:** Wasn't there funds down the beginning part of the retirement loan funds taken for Pace? Seems to me there were some funds that were moved from one party to another party. If all this money is coming out of this fund to go into different funds, why do we have this fund if nobody is using it?

**Bob:** You are correct. We did move \$2 million from the Beginning Farmers Revolving Fund, over to the Pace Fund. The reason we did that was we basically ran out of Pace money 9 months into the biennium. With the Pace fund, we financed a lot of data processing facilities in the last 2-3 years, their ethanol facilities, and their bio-diesel facilities are those type of entities, so we thought it would make sense to use some of the revolving fund to move it over to the Pace program.

**Rep. Ruby:** How many projects or guarantee buy downs do you do under the beginning part of the program that the fund was designed for? Is the revenue source for that fund just for the general fund?

**Bob:** There are existing real-estate loans that were made out of the fund a number of years ago. The Chatel loans are made out of the revolving fund. Are rational there is that the Chatel loans are only 5-7 year term loans, so the money actually revolves faster. We make the real-estate loans out of those funds, because they are 25 year loans, and the money doesn't revolve as fast. As far as the numbers, we actually book 36 from our real-estate loans this year totaling \$5.4 million. We have booked 55 Beginning Farmer Chatel Loans in 2006 totaling \$1.6 million. The \$1.6 million, the actual dollars are funded out of the Beginning Farmer Revolving Fund. The Beginning Farmer real-estate loans are funded out of the Bank of ND.

**Rep. Boe:** I move a do pass.

**Rep. Clark:** Second.

**Rep. Dosch:** The problem I have is that it seems like we keep transferring the money dollars fund for other purposes rather than addressing these issues upfront. If there's too much money in the fund, let's address it, but by continuing to allow transfers out of these funds, I don't think we're giving it the true picture and observation on what's going on. For that reason, I oppose the bill.

**Roll call vote was taken, 9 Yeas, 5 Nays, 0 Absent, Carrier: Rep. Clark**

Hearing Closed

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1135

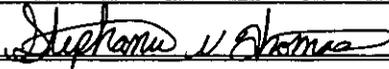
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 17, 2007

Recorder Job Number: 1247

Committee Clerk Signature



Minutes:

**Chair Keiser** opened the hearing on HB 1135. We need this bill to be rereferred to appropriations so; we need to reconsider the action of the committee by which we passed that bill out.

**Rep. Nottestad:** So moved.

**Rep. Boe:** Second.

**Voice vote was taken; HB 1135 is back before the committee.**

**Rep. Boe:** I move a do pass, and rereferred to appropriations.

**Rep. Thorpe:** Second,

**Roll call vote was taken. 9 Yeas, 5 Nays, 0 Absent, Carrier: Rep. Clark**

Hearing Closed.

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/02/2007

Bill/Resolution No.: HB 1135

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$1,000,000		\$1,000,000
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This legislation would allow up to \$1,000,000 from the Beginning Farmer Revolving Loan Fund to be transferred each biennium for the purpose of interest buydown on a loan made for investment in a feedlot or dairy operation.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

If adequate funds are not available in the Beginning Farmer Revolving Loan Fund there would be a potential \$1,000,000 expenditure to the State of North Dakota in future bienniums.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

An expenditure of \$1,000,000 from the Beginning Farmer Loan Fund each biennium will have a negative impact on the future cash balance of the loan fund.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Robert A. Humann	<b>Agency:</b>	Bank of North Dakota
<b>Phone Number:</b>	328-5703	<b>Date Prepared:</b>	01/08/2007

Date: 1-17-07  
 Roll Call Vote #: \_\_\_\_\_

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. HB 1135**

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Rep Boe Seconded By Rep. Clark.

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser		X	Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich		X	Rep. Thorpe	X	
Rep. Dosch		X	Rep. Zaiser	X	
Rep. Kasper		X			
Rep. Nottestad	X				
Rep. Ruby		X			
Rep. Vigesaa	X				

Total Yes 9 No 5

Absent 0

Floor Assignment Rep. Clark

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

Date: 1-12-07  
 Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. HB 1135

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO PASS, Referred to Appropriations

Motion Made By Rep Boe Seconded By Rep Thorpe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser		X	Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich		X	Rep. Thorpe	X	
Rep. Dosch		X	Rep. Zaiser	X	
Rep. Kasper		X			
Rep. Nottestad	X				
Rep. Ruby		X			
Rep. Vigesaa	X				

Total Yes 9 No 5

Absent 0

Floor Assignment Rep Clark

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

**REPORT OF STANDING COMMITTEE**

**HB 1135: Industry, Business and Labor Committee (Rep. Keiser, Chairman)**  
recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee**  
(9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1135 was rereferred to the  
**Appropriations Committee.**

2007 HOUSE APPROPRIATIONS

HB 1135

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1135

House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2088

Committee Clerk Signature

*Shirley Branning*

Minutes:

**Chm. Svedjen** called the meeting to order to take up HB 1135 by calling on **Rep. Keiser**, District 47.

**Rep. Keiser** described the bill that originated in the Industrial, Business and Labor Committee that would extend authority to include interest buy down. This committee recommends a **Do Pass** on a 9-5 vote. The objections were on how the financing was being managed.

**Chm. Svedjen** This doesn't place in jeopardy the beginning farmer loan program because you are talking about unobligated loan balances.

**Rep. Keiser:** That is correct.

**Chm. Svedjen:** How does this work?

**Roger Johnson**, Agriculture Commissioner: The balance of the fund is used for the interest buy down; it is created as a revolving fund. The purpose has now changed, \$2.5m remains in the fund.

**Rep. Wald:** What is the interest buy down? How many basis points?

**Johnson:** Two points. Testimony (Handout # 1, HB 1135) was distributed and explained.

This is a companion to SB 2104.

**Bob Humann**, Senior Vice President of Lending for the Bank of North Dakota provided written testimony (See handout # 2 HB 1135) in support of HB 1135.

**Chm. Svedjen:** The funds won't leave.....

**Humann:** The funds won't leave but the cap is at \$1m.

**Vice Chairman Monson:** By passing this bill we are reducing the amount available to beginning farmers.

**Humann:** It is earmarked for the beginning farmer program but the first priority is interest buy down on the two beginning farmer programs.

**Rep. Skarphol:** It will deplete the program if it is fully utilized.

**Humann:** Yes, it would be down to \$2.6m at the end of the biennium if these projections hold true.

**Rep. Skarphol:** How do we replenish that fund if that holds true?

**Humann:** The repayments are generating about \$2m a year, plus interest earned.

**Chm. Svedjen:** Is there also a repayment to the invest program? Can the \$1m sustain itself?

**Humann:** The loans to the invest fund are made with bank funds, so the money coming out of that will not be replenished.

**Rep. Kroeber:** Are there any other bills looking at these funds.

**Humann:** Not that I am aware of but we are keeping our eye on some.

**Rep. Kempenich:** Would there be a reason to put some type of language that if this fund should fall below a certain amount, that we look at it? The way it reads now, it is an ongoing obligation.

**Humann:** Let's put it out there and see what happens then put it before the credit review board. We want to be sure there are adequate funds for beginning farmers.

**Rep. Carlson:** It appears the fund goes down, down, down. How many other bills are out there that have language of taking unobligated funds?

**Humann:** At one time there was a \$10m cash balance in the fund, and we thought we use it or we are going to lose it, so we opened the program for beginning farmers. It has helped young farmers buy equipment or livestock. We are keeping an eye on the balance so we don't short change the beginning farmer programs.

**Rep. Carlson:** What do unobligated funds mean?

**Chm. Svedjen:** This would be the unobligated balance of the beginning farmer loan program.

**Rep. Monson:** What kind of default rates may occur?

**Humann:** Default rates on beginning farmer loans are very low. There are means out there to make it through at least one bad year.

**Rep. Kreidt:** Would you look putting a sunset and look at it again next session?

**Humann:** I wouldn't be adverse to that but ask the ag department what they think.

**Rep. Nelson:** Any livestock program would qualify for funding for utilization of this fund, Are there any types of these business that would be excluded?

**Humann:** We make loans to individuals, feedlots, dairy operations, that corporate structure can be pretty wide open.

**Rep. Nelson:** the draw down is what it is intended to do, isn't it, to help the beginning farmer?

**Humann:** Yes, it is meant to help beginning farmers make use of the distiller by products. If users do not operate in this state, the product will be dried and shipped out of state.

**Rep. Carlisle moved a Do Pass to HB 1135, Seconded by Rep. Skarphol.**

**The Do Pass motion carried by a roll call vote of 21 yeas, 1 nay and 0 absent. Rep. Clark will be the carrier of the bill.**

Date: January 29, 2007  
 Roll Call Vote #: \_\_\_\_\_

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1135**

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Carlisle Seconded By Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleon	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim		
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom		
Representative Bellew		✓	Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 21 No 1

Absent 2

Floor Assignment Carlisle, Rep. Clark

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

**REPORT OF STANDING COMMITTEE (410)**  
January 30, 2007 9:07 a.m.

**Module No: HR-19-1492**  
**Carrier: Clark**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1135: Appropriations Committee (Rep. Svedjan, Chairman) recommends DO PASS**  
(21 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). HB 1135 was placed on the  
Eleventh order on the calendar.

2007 SENATE AGRICULTURE

HB 1135

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1135

Senate Agriculture Committee

Check here for Conference Committee

Hearing Date: February 22, 2007

Recorder Job Number: 3710

Committee Clerk Signature

*Cassie Krohn*

Minutes:

**Sen. Flakoll** opened the hearing on HB 1135, a bill relating to the transfer of unobligated Bank of ND funds. Members (6) were present, absent (1).

**Roger Johnson**, Ag Commissioner, testified in favor of the bill. See attached testimony.

**Bob Humann**, Bank of ND, testified in favor of the bill. See attached testimony.

**Sen. Flakoll**- would there be any use for that excess amount of money or does it just sit there?

**Bob Humann**- there is a few purposes that that cash is used for. We fund the beginner farmer cattle loans.

**Sen. Erbele**- going back to the beginning farmer loan program can you tell me what the activity trend there has been in that program right now?

**Bob Humann**- What we are seeing is that we are actually approving less loans, why is that we are getting less applications and my opinion is that the value of the land is going up so much that it is not as affordable for beginning farmers. Even though we have done less loans in the past we increased our dollar amount last biennium so our dollar volume has not decreased at all.

**Sen. Klein**- you mentioned something about the high price of land, how are you sorting out how you are going to move down the road with land prices the way they are?

**Bob Humann-** I am nervous about it a little bit, our program says that we will end up 75% of the appraised value with our established farmer program we will end up with 65% of the appraised value so we have some cushion there so it makes it harder for these beginning farmers to come up with a down payment to come up with that 25% when the land values are going up. The challenging part is that it is compounded not only by high land prices but you have high fuel prices, high input costs and it is hard to make these beginning farms a cash flow. A lot of times these farmers will try to borrow some of the down payment, if that is the case the deal is probably not going to work. We are putting a lot of the responsibility on the appraisers.

**Sen. Wanzek-** can this be used to invest in the livestock?

**Bob Humann-** really what we are doing is that we are financing membership units in a dairy or in a feed lot, so those dollars once they go into the entity that is created to own that they can be used to put up facilities, buy equipment or the livestock itself. We have other loan programs that we could finance that with, its equity either way.

**Woody Barth** with NDFU was also present and in favor of the bill.

No opposition to the bill.

**Sen. Flakoll** closed the hearing.

**Sen. Erbele** motioned for a Do Pass and to be rerefered to Appropriations and was seconded by **Sen. Wanzek**, roll call vote 1: 6 yea, 0 nay, 1 absent. **Sen. Erbele** was designated to carry the bill to the floor.



REPORT OF STANDING COMMITTEE (410)  
February 22, 2007 4:34 p.m.

Module No: SR-34-3707  
Carrier: Erbele  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1135: Agriculture Committee (Sen. Flakoll, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1135 was rereferred to the Appropriations Committee.**

2007 SENATE APPROPRIATIONS

HB 1135

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1135

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-06-07

Recorder Job Number: 4483

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on HB 1135 at 3:30 pm on March 6, 2007 regarding The Bank of North Dakota to transfer up to \$1 million per biennium from the Beginning Farmer Resolving Fund to the Value-Added Agriculture Equity Loan Program (ENVEST).

**Jeff Knudson, Ag. Commission** submitted written testimony (1) and oral testimony in support of HB 1135. He shared about the ENVEST Loan Program and how it provides loans to any North Dakota resident for the purpose of investing in agricultural value-added ventures. He stated that SB 2104 is also designed to help grow animal agriculture in the state.

**Bob Humann, Senior Vice President of the Bank of North Dakota** presented written testimony (2) and oral testimony in support of HB 1135. He talked about the PACE program and other options available through the bank involving the Beginning Farmer Program.

**Chairman Holmberg** stated that they would not pass this bill out today because Senator Christmann asked him to hold it up till he could be here. The hearing closed on HB 1135.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1135

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-14-07

Recorder Job Number: 5057

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1135 indicating this originated in IBL and went to Ag then to us.

Senator Krauter moved a do pass on HB 1135, Senator Mathern seconded. There was discussion. A roll call vote was taken resulting in 13 yes, 1 no. The motion carried and Senator Erberle will carry the bill.

Chairman Holmberg closed the hearing on HB 1135.

Date: 3/14  
Roll Call Vote #: )

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1135

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DP

Motion Made By Krauter Seconded By Mather

Senators	Yes	No	Senators	Yes	No
Chairman Ray Holmberg	✓	✗	Senator Aaron Krauter	✓	
Vice Chairman Bill Bowman	✗	✓	Senator Elroy N. Lindaas	✓	
Vice Chairman Tony Grindberg	✓		Senator Tim Mather	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 13 No 1

Absent 0

Floor Assignment Erbele Ag

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

REPORT OF STANDING COMMITTEE (410)  
March 14, 2007 3:44 p.m.

Module No: SR-48-5357  
Carrier: Erbele  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1135: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS**  
(13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1135 was placed on the  
Fourteenth order on the calendar.

2007 TESTIMONY

HB 1135

Roger Johnson  
Agriculture Commissioner  
www.agdepartment.com



Phone (701) 328-2231  
Toll Free (800) 242-7535  
Fax (701) 328-4567

600 E Boulevard Ave., Dept. 602  
Bismarck, ND 58505-0020

**Testimony of Roger Johnson  
Agriculture Commissioner  
House Bill 1135  
House Industry, Business and Labor Committee  
Peace Garden Room  
January 16, 2007**

---

---

Chairman Keiser and members of the Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of HB 1135, which will allow the Bank of North Dakota (Bank) to transfer up to one million dollars per biennium from the Beginning Farmer Revolving Fund to the Value-Added Agriculture Equity Loan Program (ENVEST).

The ENVEST Loan Program provides loans to any North Dakota resident for the purpose of investing in agricultural value-added ventures. However, the program does not provide interest buydown assistance. The transfer of funds provided for in this bill would allow the Bank to provide interest buydown assistance on ENVEST loans made for investments in feedlot and dairy operations only. The purpose is to provide an incentive to further the feedlot and dairy industries in the state.

The Bank has determined that this transfer amount will not reduce the Beginning Farmer Revolving Fund balance to a level that jeopardizes beginning farmer loan activities. However, the fund will need to be monitored and a minimum balance maintained to fund beginning farmer requirements. The North Dakota Credit Review Board has also endorsed this legislation.

As you know, we are at just the beginning of a burgeoning renewable fuels industry in North Dakota. North Dakota is currently home to three operating ethanol facilities with a combined annual production capacity of 85.5 million gallons. One additional plant, with a production capacity of 50 million gallons per year, is scheduled to come online early this year. Additional projects totaling 200 million gallons of production capacity have also been announced.

As renewable energy projects come online, more and more feed stocks are going to become available for local livestock feeding opportunities. Current estimates show that when all current and planned ethanol plants are up and running, more than one million tons of dry distillers grains (DDGs) will be available for livestock feed.

The addition of a new canola-based biodiesel facility at Velva will also yield additional livestock feed in the form of canola meal. More than 450,000 tons of canola meal will be available from the Velva facility alone to feed cattle and other livestock.

Vern Anderson, Carrington Research Extension Center, is conducting substantial research on the feeding of bio-fuel byproducts. The research is confirming the common sense notion that local feeding of bio-fuel byproducts is the most financially efficient use of the byproducts. Reduced transportation costs and the ability to utilize raw and wet byproducts are significant advantages over drying and shipping the byproducts out of state.

The Ag Products Utilization Committee recently awarded a grant to Great River Energy for a study to create a comprehensive blueprint for the co-development of bio-fuel plants and feedlots. Great River Energy has promised that the study will be made available for public use beyond a potential feedlot development near their new ethanol plant.

Senate Bill 2104 is also designed to help grow animal agriculture in the state. The bill amends the Livestock Guarantee Program to expand the Bank's loan guarantee authority to include dairy cattle, feedlot and dairy equipment and facilities in addition to feeder cattle and feed. These two bills will complement each other in efforts to grow the feedlot and dairy industries.

If the state's livestock industry is to thrive and grow along with the opportunities provided by the renewable energy industry, we need these and other programs available to assist with the growth.

Chairman Keiser and committee members, I urge a do pass on HB 1135. I would be happy to answer any questions you may have.

TESTIMONY TO THE  
HOUSE INDUSTRY, BUSINESS & LABOR COMMITTEE  
HOUSE BILL 1135  
BOB HUMANN – SVP OF LENDING  
BANK OF NORTH DAKOTA  
JANUARY 16, 2007

House Bill 1135 authorizes a \$1,000,000 transfer from the Beginning Farmer Revolving Loan Fund each biennium with these funds to be used for interest buydown on loans made for investments in a feedlot or dairy operation. The North Dakota Value-added Promotion Board is recommending incentives to livestock operations that promote the feeding of distillers grains from biofuels facilities.

The loans would be made under the value-added agriculture equity loan program at the Bank of North Dakota with this program also described as ENVEST. Currently, North Dakota farmers can receive interest buydown for equity investments in value-added processing operations with the Ag PACE Loan Program. The proposed change for ENVEST will be open for any North Dakota resident.

As noted on the fiscal note, if adequate funds are not available in the Beginning Farmer Revolving Loan Fund, there could be the need for an appropriation beyond the 2007-2009 biennium.

Further information on the ENVEST program is attached. Your approval of House Bill 1135 is recommended.

North Dakota

nd.gov Official Portal for  
North Dakota State Government
[ABOUT BND](#) | [CONTACT US](#) | [NEWS & EVENTS](#) | [SITE MAP](#) | [HOME](#)


INVESTMENTS &amp; TRUST

LENDING SERVICES

RETAIL &amp; OPERATIONS

STUDENT LOANS

MY ACCOUNT

## Farm Loan Programs

Beginning Farmer · Established Farmer · Family Farm · Farm Operating · FSA ·  
ENVEST · Ag PACE · Bank Participation · First Time Farmer · Farm Real Estate  
 Loan Guarantee · Feedlot · Livestock Waste

### ENVEST - (Value-Added Agriculture Equity Loan Program)

**Lead Lender** - The lead lender may be a bank, bank holding company, state or federally chartered lending agency or institution, or any other financial institution.

**Borrower** - The borrower must be a North Dakota resident. To be eligible under this program, the borrower may own no more than 10% of the project.

**BND Funding Limit** - BND's funding limit is up to 70% of the total loan amount.

**Use of Proceeds** - The proceeds of the loan shall be used for the purchase of shares in an ag processing plant intended to process North Dakota grown products. It is desirable that the plant be located in North Dakota; however, exceptions may be made based on the overall economic benefits to the state. Project ownership may be other than a cooperative business structure if the intent of this loan program is met.

**Interest Rate** - The interest rate on BND's portion is to float at BND base rate less 1%. The interest rate charged by the lead financial institution on its share of the loan may not exceed BND's base rate plus 3%.

**Term** - The term of the loan will be five to seven years depending on the security being offered. Principal payments may be deferred up to two years; however, interest must be paid at least annually.

**Application Process** - Application by a lead lender is required for BND's participation. See application for additional documentation required when submitting a request to BND. Lead lender is responsible for servicing the loan.

**Collateral** - Adequate collateral will be required. Acceptable collateral may consist of machinery, farm land or similar items with a determinable market value.

**Credit Criteria** - The borrower must meet the bank's standard credit criteria including demonstrated repayability of all debt.

**Maximum Amount** - The maximum amount is negotiable.

For more information on this program or other Bank of North Dakota programs, contact:

Bank of North Dakota  
 700 East Main Ave  
 PO Box 5509  
 Bismarck ND 58502-5509  
 (701) 328-5624  
 1-800-472-2166 ext. 5624  
 TDD (Telephone Device for the Deaf) 1-800-643-3916

© 2007

[Investments & Trust](#) | [Lending Services](#) | [Retail & Operations](#) | [Student Loans](#) | [Privacy Statement](#) |  
[USA Patriot Act](#) | [About BND](#) | [Contact Us](#) | [News & Events](#) | [Site Map](#) | [BND Home](#) | [Home](#) |

TESTIMONY TO THE  
HOUSE APPROPRIATIONS COMMITTEE  
HOUSE BILL 1135  
BOB HUMANN – SVP OF LENDING  
BANK OF NORTH DAKOTA  
JANUARY 29, 2007

Bank of North Dakota supports House Bill 1135. The North Dakota Value-added Promotion Board is recommending incentives to livestock operations that promote the feeding of distiller's grains from biofuels facilities. The loans would be made under the value-added agriculture equity loan program with this program also described as ENVEST. Currently, North Dakota farmers can receive interest buydown for equity investments in value-added processing operations with the Ag PACE Loan Program. The proposed change for ENVEST will be open for any North Dakota resident.

The plan is to get a feel for the demand for this new concept in the 07-09 biennium with interest buydown provided by Beginning Farmer Revolving Loan Fund (Fund). If demand is weak, the Fund should be able to support this new concept. If demand is strong, the Fund can handle in the upcoming biennium, but a future appropriation might be necessary. Since the cash in the Fund is earning interest, buydown dollars will only be transferred on an "as needed basis." A cash flow forecast for the Fund is attached.

Further information on the ENVEST program is also attached. Your approval of House Bill 1135 is recommended.

Beginning Farmer  
Cash Flow Statement - 12 months Ended June 30

	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009
Beginning Cash	10,137,959	10,137,959	8,450,659	4,828,007	4,130,197
New Loans -					
Real Estate Loan Mortgages - 1st					
Real Estate Loan Mortgages - 2nd					
Chattel Loans		(1,975,000)	(2,000,000)	(2,000,000)	(2,000,000)
Loan Payments -					
Principal		2,000,000	2,050,000	2,100,000	2,150,000
Interest		380,000	373,848	371,723	367,473
Late Fees					
Investment Interest Income		156,000	180,000	331,967	223,955
Buy down Interest Disbursed		(775,000)	(950,000)	(950,000)	(950,000)
Operating Expenses Paid					
Administrative Fees		(45,000)	(48,000)	(48,000)	(48,000)
Audit Expense		(3,300)	(3,500)	(3,500)	(3,500)
Disbursals from Fund - AgPace (1)		(1,000,000)	(1,225,000)	0	0
Disbursals to Pace Fund (2)		0	(2,000,000)		
Agriculture Fuel Tax Fund (3)		(425,000)			
ENVEST Program (4)				(500,000)	(500,000)
PSC Rail Case Ready Reserve (5)					(800,000)
Ending Cash	10,137,959	8,450,659	4,828,007	4,130,197	2,570,126

**NOTES:**

**1) Ag PACE Fund Transfer - \$2,225,000**

\* \$1,425,000 - Transfer to Ag PACE Fund, authorized by 2005 Legislative Assembly (2003-05 Biennium \$1,425,000 Appropriation from General Fund)

\* \$ 800,000 - Transfer to NDSU Beef Systems Centers of Excellence project authorized by Senate Bill 2020 of the 2005 Legislative Assembly.

**2) PACE Fund Transfer - \$2,000,000**

\* Due to PACE funds shortage, \$2 million was transferred from Beginning Farmer Revolving Loan Fund. This transfer was justified by the number of agricultural related projects that received PACE funds in the form of value-added processing operations primarily consisting of renewable energy projects.

**3) Ag PUC Fund Transfer - \$425,000**

\* Transfer to the Ag Fuel Tax Fund for usage by Ag PUC appropriated by Senate Bill 2014 of the 2005 Legislative Assembly.

**4) House Bill 1136** - Authorizes up to a \$1 million transfer from Beginning Farmer Revolving Loan Fund each biennium with funds used for interest buy down on loans made for investments in feedlots or dairy operations.

**5) Senate Bill 2008** - Appropriates \$800,000 for the rail rate complaint case as contained in Section 4 of SB 2008.

Roger Johnson  
Agriculture Commissioner  
www.agdepartment.com



Attachment 1  
Phone (701) 328-2231  
Toll Free (800) 242-7535  
Fax (701) 328-4567

600 E Boulevard Ave., Dept. 602  
Bismarck, ND 58505-0020

**Testimony of Roger Johnson  
Agriculture Commissioner  
House Bill 1135  
House Appropriations Committee  
Roughrider Room  
January 29, 2007**

---

---

Chairman Svedjan and members of the Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of HB 1135, which will allow the Bank of North Dakota (Bank) to transfer up to one million dollars per biennium from the Beginning Farmer Revolving Fund to the Value-Added Agriculture Equity Loan Program (ENVEST).

The ENVEST Loan Program provides loans to any North Dakota resident for the purpose of investing in agricultural value-added ventures. However, the program does not provide interest buydown assistance. The transfer of funds provided for in this bill would allow the Bank to provide interest buydown assistance on ENVEST loans made for investments in feedlot and dairy operations only. The purpose is to provide an incentive to further the feedlot and dairy industries in the state.

The Bank has determined that this transfer amount will not reduce the Beginning Farmer Revolving Fund balance to a level that jeopardizes beginning farmer loan activities. However, the fund will need to be monitored and a minimum balance maintained to fund beginning farmer requirements. The North Dakota Credit Review Board has also endorsed this legislation.

As you know, we are at just the beginning of a burgeoning renewable fuels industry in North Dakota. North Dakota is currently home to three operating ethanol facilities with a combined annual production capacity of 85.5 million gallons. One additional plant, with a production capacity of 50 million gallons per year, is scheduled to come online early this year. Additional projects totaling 200 million gallons of production capacity have also been announced.

As renewable energy projects come online, more and more feed stocks are going to become available for local livestock feeding opportunities. Current estimates show that when all current and planned ethanol plants are up and running, more than one million tons of dry distillers grains (DDGs) will be available for livestock feed.

The addition of a new canola-based biodiesel facility at Velva will also yield additional livestock feed in the form of canola meal. More than 450,000 tons of canola meal will be available from the Velva facility alone to feed cattle and other livestock.

Vern Anderson, Carrington Research Extension Center, is conducting substantial research on the feeding of bio-fuel byproducts. The research is confirming the common sense notion that local feeding of bio-fuel byproducts is the most financially efficient use of the byproducts. Reduced transportation costs and the ability to utilize raw and wet byproducts are significant advantages over drying and shipping the byproducts out of state.

The Ag Products Utilization Committee recently awarded a grant to Great River Energy for a study to create a comprehensive blueprint for the co-development of bio-fuel plants and feedlots. Great River Energy has promised that the study will be made available for public use beyond a potential feedlot development near their new ethanol plant.

Senate Bill 2104 is also designed to help grow animal agriculture in the state. The original bill amended the Livestock Guarantee Program to expand the Bank's loan guarantee authority to include dairy cattle, feedlot and dairy equipment and facilities in addition to feeder cattle and feed. The Senate Industry, Business and Labor Committee is amending the bill to make all

livestock projects eligible for the program. These two bills will complement each other in efforts to grow the feedlot and dairy industries.

If the state's livestock industry is to thrive and grow along with the opportunities provided by the renewable energy industry, we need these and other programs available to assist with the growth.

Chairman Svedjan and committee members, I urge a do pass on HB 1135. I would be happy to answer any questions you may have.

Roger Johnson  
Agriculture Commissioner  
www.agdepartment.com



Phone (701) 328-2231  
Toll Free (800) 242-7535  
Fax (701) 328-4567

600 E Boulevard Ave., Dept. 602  
Bismarck, ND 58505-0020

**Testimony of Roger Johnson  
Agriculture Commissioner  
House Bill 1135  
Senate Agriculture Committee  
Roosevelt Park Room  
1:30 P.M.  
February 22, 2007**

---

---

Chairman Flakoll and members of the Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of HB 1135, which will allow the Bank of North Dakota (Bank) to transfer up to one million dollars per biennium from the Beginning Farmer Revolving Fund to the Value-Added Agriculture Equity Loan Program (ENVEST).

The ENVEST Loan Program provides loans to any North Dakota resident for the purpose of investing in agricultural value-added ventures. However, the program does not provide interest buydown assistance. The transfer of funds provided for in this bill would allow the Bank to provide interest buydown assistance on ENVEST loans made for investments in feedlot and dairy operations only. The purpose is to provide an incentive to further the feedlot and dairy industries in the state.

The Bank has determined that this transfer amount will not reduce the Beginning Farmer Revolving Fund balance to a level that jeopardizes beginning farmer loan activities. However, the fund will need to be monitored and a minimum balance maintained to fund beginning farmer requirements. The North Dakota Credit Review Board has also endorsed this legislation.

As you know, we are at just the beginning of a burgeoning renewable fuels industry in North Dakota. North Dakota is currently home to three operating ethanol facilities with a combined annual production capacity of 85.5 million gallons. An additional plant, with a production capacity of 50 million gallons per year, has just recently come online. Additional projects totaling 200 million gallons of production capacity have also been announced.

As renewable energy projects come online, more and more feed stocks are going to become available for local livestock feeding opportunities. Current estimates show that when all current and planned ethanol plants are up and running, more than one million tons of dry distillers grains (DDGs) will be available for livestock feed.

The addition of a new canola-based biodiesel facility at Velva will also yield additional livestock feed in the form of canola meal. More than 450,000 tons of canola meal will be available from the Velva facility alone to feed cattle and other livestock.

Vern Anderson, Carrington Research Extension Center, is conducting substantial research on the feeding of bio-fuel byproducts. The research is confirming the common sense notion that local feeding of bio-fuel byproducts is the most financially efficient use of the byproducts. Reduced

transportation costs and the ability to utilize raw and wet byproducts are significant advantages over drying and shipping the byproducts out of state.

The Ag Products Utilization Committee recently awarded a grant to Great River Energy for a study to create a comprehensive blueprint for the co-development of bio-fuel plants and feedlots. Great River Energy has promised that the study will be made available for public use beyond a potential feedlot development near their new ethanol plant.

Senate Bill 2104 is also designed to help grow animal agriculture in the state. The original bill amended the Livestock Guarantee Program to expand the Bank's loan guarantee authority to include dairy cattle, feedlot and dairy equipment and facilities in addition to feeder cattle and feed. The Senate amended and passed the bill making all livestock feeding and dairy projects eligible for the program. These two bills will complement each other in efforts to grow the feedlot and dairy industries.

If the state's livestock industry is to thrive and grow along with the opportunities provided by the renewable energy industry, we need these and other programs available to assist with the growth.

Chairman Flakoll and committee members, I urge a do pass on HB 1135. I would be happy to answer any questions you may have.

TESTIMONY TO THE  
SENATE AGRICULTURE COMMITTEE  
HOUSE BILL 1135  
BOB HUMANN – SVP OF LENDING  
BANK OF NORTH DAKOTA  
FEBRUARY 22, 2007

House Bill 1135 authorizes transfers from the Beginning Farmer Revolving Loan Fund (Fund) with these funds to be used for interest buydown on loans made for investments in a feedlot or dairy operation. The North Dakota Value-added Promotion Board is recommending incentives to livestock operations that promote the feeding of distiller's grains from biofuels facilities.

The loans would be made under the value-added agriculture equity loan program at the Bank of North Dakota with this program also described as ENVEST. Currently, North Dakota farmers can receive interest buydown for equity investments in value-added processing operations with the Ag PACE Loan Program. The proposed change for ENVEST will be open for any North Dakota resident.

The plan is to get a feel for the demand for this new concept in the 07-09 biennium with interest buydown provided by the Fund. If demand is weak, the Fund should be able to support this new concept. If demand is strong, a future appropriation might be necessary for this new concept. Since the cash in the Fund is earning interest, buydown dollars will only be transferred on an "as needed basis." A cash flow forecast of the Fund is attached.

Further information on the ENVEST program is also attached. Your approval of House Bill 1135 is recommended.

North Dakota

nd.gov Official Portal for  
North Dakota State Government
[ABOUT BND](#) | [CONTACT US](#) | [NEWS & EVENTS](#) | [SITE MAP](#) | [HOME](#)


INVESTMENTS &amp; TRUST

LENDING SERVICES

RETAIL &amp; OPERATIONS

STUDENT LOANS

MY ACCOUNT

## Farm Loan Programs

[Beginning Farmer](#) · [Established Farmer](#) · [Family Farm](#) · [Farm Operating](#) · [FSA](#) · [ENVEST](#) · [Ag PACE](#) · [Bank Participation](#) · [First Time Farmer](#) · [Farm Real Estate Loan Guarantee](#) · [Feedlot](#) · [Livestock Waste](#)

### ENVEST - (Value-Added Agriculture Equity Loan Program)

**Lead Lender** - The lead lender may be a bank, bank holding company, state or federally chartered lending agency or institution, or any other financial institution.

**Borrower** - The borrower must be a North Dakota resident. To be eligible under this program, the borrower may own no more than 10% of the project.

**BND Funding Limit** - BND's funding limit is up to 70% of the total loan amount.

**Use of Proceeds** - The proceeds of the loan shall be used for the purchase of shares in an ag processing plant intended to process North Dakota grown products. It is desirable that the plant be located in North Dakota; however, exceptions may be made based on the overall economic benefits to the state. Project ownership may be other than a cooperative business structure if the intent of this loan program is met.

**Interest Rate** - The interest rate on BND's portion is to float at BND base rate less 1%. The interest rate charged by the lead financial institution on its share of the loan may not exceed BND's base rate plus 3%.

**Term** - The term of the loan will be five to seven years depending on the security being offered. Principal payments may be deferred up to two years; however, interest must be paid at least annually.

**Application Process** - Application by a lead lender is required for BND's participation. See application for additional documentation required when submitting a request to BND. Lead lender is responsible for servicing the loan.

**Collateral** - Adequate collateral will be required. Acceptable collateral may consist of machinery, farm land or similar items with a determinable market value.

**Credit Criteria** - The borrower must meet the bank's standard credit criteria including demonstrated repayability of all debt.

**Maximum Amount** - The maximum amount is negotiable.

For more information on this program or other Bank of North Dakota programs, contact:

Bank of North Dakota  
700 East Main Ave  
PO Box 5509  
Bismarck ND 58502-5509  
(701) 328-5624  
1-800-472-2166 ext. 5624  
TDD (Telephone Device for the Deaf) 1-800-643-3916

[↑TOP](#)

[Investments & Trust](#) | [Lending Services](#) | [Retail & Operations](#) | [Student Loans](#) | [Privacy Statement](#) | [USA Patriot Act](#) | [About BND](#) | [Contact Us](#) | [News & Events](#) | [Site Map](#) | [BND Home](#) | [Home](#)

Roger Johnson  
Agriculture Commissioner  
www.agdepartment.com



Phone (701) 328-2231  
Toll Free (800) 242-7535  
Fax (701) 328-4567



600 E Boulevard Ave., Dept. 602  
Bismarck, ND 58505-0020

**Testimony of Roger Johnson  
Agriculture Commissioner  
House Bill 1135  
Senate Appropriations Committee  
Harvest Room  
3:00 P.M.  
March 6, 2007**

---

---

Chairman Holmberg and members of the Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of HB 1135, which will allow the Bank of North Dakota (Bank) to transfer up to one million dollars per biennium from the Beginning Farmer Revolving Fund to the Value-Added Agriculture Equity Loan Program (ENVEST).

The ENVEST Loan Program provides loans to any North Dakota resident for the purpose of investing in agricultural value-added ventures. However, the program does not provide interest buydown assistance. The transfer of funds provided for in this bill would allow the Bank to provide interest buydown assistance on ENVEST loans made for investments in feedlot and dairy operations only. The purpose is to provide an incentive to further the feedlot and dairy industries in the state.

The Bank has determined that this transfer amount will not reduce the Beginning Farmer Revolving Fund balance to a level that jeopardizes beginning farmer loan activities. However, the fund will need to be monitored and a minimum balance maintained to fund beginning farmer requirements. The North Dakota Credit Review Board has also endorsed this legislation.

As you know, we are at just the beginning of a burgeoning renewable fuels industry in North Dakota. North Dakota is currently home to four operating ethanol facilities with a combined annual production capacity of 135.5 million gallons. Additional projects totaling 200 million gallons of production capacity have also been announced.

As renewable energy projects come online, more and more feed stocks are going to become available for local livestock feeding opportunities. Current estimates show that when all current and planned ethanol plants are up and running, more than one million tons of dry distillers grains (DDGs) will be available for livestock feed.

The addition of a new canola-based biodiesel facility at Velva will also yield additional livestock feed in the form of canola meal. More than 450,000 tons of canola meal will be available from the Velva facility alone to feed cattle and other livestock.

Vern Anderson, Carrington Research Extension Center, is conducting substantial research on the feeding of bio-fuel byproducts. The research is confirming the common sense notion that local feeding of bio-fuel byproducts is the most financially efficient use of the byproducts. Reduced

transportation costs and the ability to utilize raw and wet byproducts are significant advantages over drying and shipping the byproducts out of state.

The Ag Products Utilization Committee recently awarded a grant to Great River Energy for a study to create a comprehensive blueprint for the co-development of bio-fuel plants and feedlots. Great River Energy has promised that the study will be made available for public use beyond a potential feedlot development near their new ethanol plant.

Senate Bill 2104 is also designed to help grow animal agriculture in the state. The original bill amended the Livestock Guarantee Program to expand the Bank's loan guarantee authority to include dairy cattle, feedlot and dairy equipment and facilities in addition to feeder cattle and feed. The Senate amended and passed the bill making all livestock feeding and dairy projects eligible for the program. These two bills will complement each other in efforts to grow the feedlot and dairy industries.

If the state's livestock industry is to thrive and grow along with the opportunities provided by the renewable energy industry, we need these and other programs available to assist with the growth.

Chairman Holmberg and committee members, I urge a do pass on HB 1135. I would be happy to answer any questions you may have.