

**Bank of North Dakota
Budget 471
House Bill No. 1015**

	FTE Positions	General Fund	Other Funds	Total
2003-05 legislative appropriation	178.50	\$8,075,000	\$29,778,279	\$37,853,279
2001-03 legislative appropriation	<u>178.50</u>	<u>8,500,000</u>	<u>30,881,998</u>	<u>39,381,998</u>
2003-05 appropriation increase (decrease) to 2001-03 appropriation	0.00	(\$425,000)	(\$1,103,719)	(\$1,528,719)

Item Description

Bank of North Dakota transfers - Section 9 of Senate Bill No. 2015 provides for the transfer of up to \$60 million of Bank of North Dakota current earnings and accumulated undivided profits to the general fund during the 2003-05 biennium. The section provides that no more than \$15 million of the amount transferred may come from accumulated undivided profits. Section 11 provides that no transfers may be made which would reduce the Bank's capital structure below \$140 million.

Status/Result

As of May 2004, the Office of Management and Budget has not requested the Bank of North Dakota to make any transfers to the general fund. The Bank of North Dakota has made arrangements with the Office of Management and Budget to transfer the \$60 million in two equal transfers of \$30 million on June 30, 2004, and June 30, 2005.

The Bank's profits for calendar year 2003 were \$31.7 million. The Bank anticipates capital growth of \$6 million to \$7 million during the 2003-05 biennium, with an estimated June 30, 2005, capital balance between \$160 million and \$162 million. The following schedule shows an analysis of the Bank's estimated capital structure for the 2003-05 biennium:

June 30, 2003, capital	\$155,200,000
Estimated 2003-05 biennium profits	65,000,000
2003-05 biennium transfers	(60,000,000)
June 30, 2005, estimated capital	<u>\$160,200,000¹</u>

¹Section 10 of Senate Bill No. 2015 provides for contingent transfers from the Bank of North Dakota to the general fund if actual 2003-05 biennium revenues are less than projected. The maximum contingent transfer of \$9 million, if made, would reduce the Bank's estimated June 30, 2005, capital from \$160.2 million to \$151.2 million.

Bank of North Dakota contingent transfers - Section 10 of Senate Bill No. 2015 provides for contingent transfers from the Bank's earnings and accumulated and undivided profits to the general fund. The contingent transfers may not exceed the lesser of \$9 million or the actual revenue shortfall of actual collections compared to the March 2003 legislative forecast. Section 11 provides that no transfers may be made which would reduce the Bank's capital structure below \$140 million.

As of May 2004, no contingent transfers have been made from the Bank of North Dakota to the general fund. Through March 2004, actual general fund revenues have totaled \$660,911,277, \$74,926,054 more than the revenues estimated at the close of the 2003 legislative session of \$585,985,223.

Transfer of information technology employees - House Bill No. 1505 provided for server consolidation and the transfer of one full-time equivalent position relating to information technology services from the Bank of North Dakota to the Information Technology Department.

The Bank of North Dakota was exempted by the Information Technology Department from the transfer of one full-time equivalent position and 13 servers.

Agricultural real estate loan guarantees - House Bill No. 1321 provides for the Bank of North Dakota to guarantee agricultural real estate loans. The Bank may have no more than \$5 million in outstanding loan guarantees under this section and may establish additional terms, conditions, and procedures as necessary to meet the requirements of this section.

Venture capital investments - Senate Bill No. 2335 provides for the Bank of North Dakota to make up to \$5 million available in venture capital. Funds can be invested directly into a project or can be lent to the North Dakota Development Fund for investment in a project.

Truckdriver training student loans - Senate Bill No. 2360 provides for the Bank of North Dakota to make loans for truck driving education.

As of May 2004, the program parameters have been completed, the marketing material has been distributed, and two 75 percent guarantees have been issued on loans of \$80,000 and \$318,000.

The Bank's efforts to establish the fund initially have centered on ways in which the fund can be leveraged to increase the size of the investment pool to make available \$10 million to \$15 million in total. The Bank has analyzed the possibility of creating a small business investment company which would allow funds to be leveraged in a 2-to-1 ratio. The Bank is also reviewing the United States Department of Agriculture (USDA) rural venture capital fund, which was created as part of the federal farm bill and provides matching funds for new venture capital funds. As of the date of this report, however, the rules for the USDA rural venture capital fund have not been finalized. As of May 2004, the Bank has committed \$2.5 million for one project and \$75,000 for another project. The Bank has also received another five applications, and the total for all the commitments and applications is approximately \$4.7 million.

Through April 2004, the Bank has made 28 loans under this program totaling \$73,525.