

**TESTIMONY, HOUSE APPROPRIATIONS COMMITTEE
FEBRUARY 1, 2021
HOUSE BILL 1451**

**TIM PORTER – CHIEF FINANCIAL OFFICER
BANK OF NORTH DAKOTA**

Mr. Chairman and members of the Appropriations Committee, I am Tim Porter, Chief Financial Officer for the Bank of North Dakota. I am testifying in a neutral position on HB1431 but do want to express Bank of North Dakota's concern related to Section 2, bullet point 5 establishing the administrative service fee for the proposed Water Infrastructure Revolving Loan Fund at a fixed rate of .25% in the code.

The service fee is a reflection of the fixed costs to the Bank to administer loans shared over the portfolios. HB1431 proposes for BND to set a fixed rate of one-quarter of one percent of the outstanding loan balance as a service fee for administering the fund. In cooperation with the legislature over the last two sessions, a "Government Rate" with standardized language for servicing loans and administrated programs on behalf of the legislature was established by setting aside up to .50% of the outstanding loan balance to cover the administrative fee for these programs. The standard set for infrastructure loans charges an interest rate of 2%, so the revolving loan fund retains 1.50% of the 2% that can be used to fund additional projects.

The service fee is determined by accounting for the fixed costs of the Bank including salaries, building expenses, IT & Data Processing, office supplies, etc for services related to the loan portfolio. The administrated programs are counted in with the total loan portfolio balance to create a scale of efficiency. The short math in calculating the service fee is:

BND loan Portfolio Balance	\$4,756,542,387
Administered loans & Programs	<u>\$ 795,300,000</u>
Total Loan Portfolio Balance	<u>\$5,551,842,387</u>
Total Fixed Costs	\$ 31,064,000

The formula to determine the service fee is to divide the fixed costs (\$31,064,000) by the total loan portfolio balance. (\$5,551,842,387) which results in a basis point cost of .56%.

Our hope is this provides some insight into how BND determines the service fee for its administrated loan portfolio. I am happy to answer any questions.