

January 6, 2021  
Eric Hardmeyer, President  
Bank of North Dakota  
Testimony on SB 2033

Chairman Schaible and members of the Committee, I am Eric Hardmeyer, President of the Bank of North Dakota. Senate Bill 2033 addresses important issues related to funding capital improvements at institutions of Higher Education in North Dakota. BND is not in a position to comment on the policy proposed in this bill but does want to comment on proposed funding source of BND profits.

In the 2019 Legislative Session, Bank of North Dakota was directed to provide \$17,000,000 in profits to the capital building fund for repairs and deferred maintenance projects at institutions of higher education. While the bill has a matching dollar provision, section 2 of SB2033 requires the transfer of any remaining BND funds to the capital building fund by the end of the current biennium. This transfer is accounted for in BND profits for the 2019-2021 biennium.

To date, BND has distributed:

- \$741,00 of BND profits to the Tier II Pool which is allocated \$10,000,000.
- \$641,000 of BND profits to the Tier III Pool which is allocated \$7,000,000.

Section 3 of SB2033 proposes a transfer of \$17,000,000 in Bank profits to the university system capital building fund in the 2021-2023 biennium.

I reference you to the chart to the right regarding capital draws. This gives you a sense of the magnitude of the reliance on BND profits in the current biennium which was \$255,000,000.

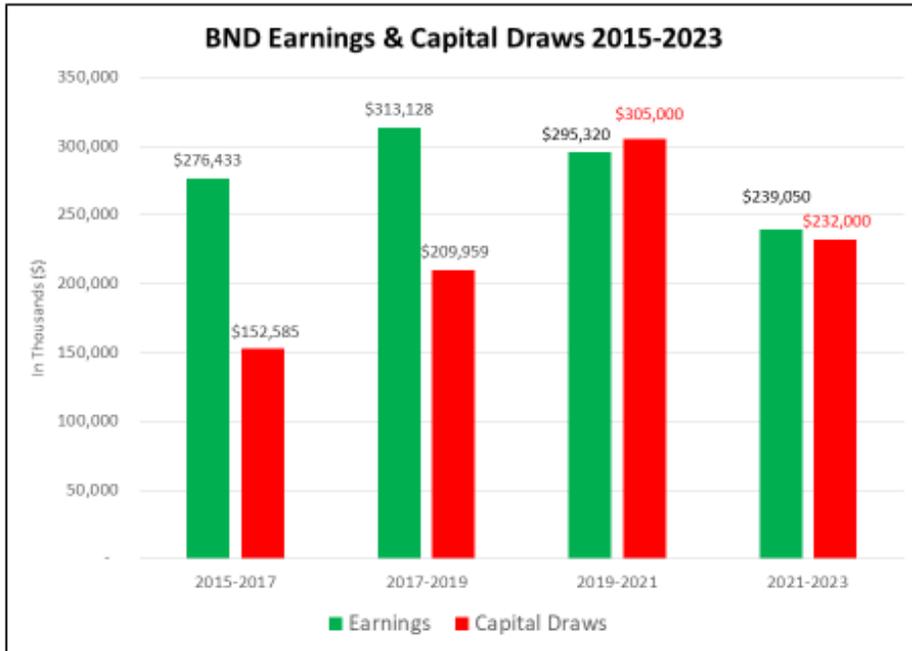
*In addition, due to the Covid-19 pandemic, the Industrial Commission approved a loan program for small businesses (SELF) that allocated another \$50,000,000 in capital. So, the total capital draw in the current biennium could be as high as \$305,000,000.*

For the 2021-2023 biennium, BND is anticipating a dividend of \$140,000,000 for the general fund and \$40,000,000 for BND's PACE buydown programs with \$3,000,000 anticipated for the Agriculture Products Utilization Commission. There is also another \$52,000,000 yet to be drawn for the Infrastructure Revolving Loan fund.

In closing, my role as President of the Bank, is to provide you information as to the amount of dividend that can be utilized by the Legislature without impacting the capital position of BND.

Based on the projected bank profits and the already identified dividends from BND for the 2021-2023 biennium, BND opposes the proposed \$17,000,000 transfer in section 3 of SB2033 and recommends funding to further capitalize the university system capital building fund come from another source.

# BND Biennium Earnings & Capital Draws 2015-2023



## Capital Draws

### 2019-2021

\$140,000,000	General Fund Transfer
\$ 37,000,000	Buy Down Programs
\$ 20,000,000*	NDUS Deferred Maintenance
\$ 20,000,000*	SIRN
\$ 15,000,000	ND Development Fund Transfer
\$ 15,000,000	LIFT Program
\$ 6,000,000*	Skilled Workforce
\$ 2,000,000	APUC Fund Transfer
<u>\$255,000,000</u>	Appropriated Capital Draws
\$ 50,000,000*	Small Employer Loan Fund (SELF)
<b>\$305,000,000</b>	<b>Total Biennium Capital Draw</b>

### 2021-2023—Anticipated Capital Draw

\$140,000,000	Anticipated for General Fund
\$ 40,000,000	Buy Down Programs
\$ 3,000,000	APUC Transfer
<u>\$ 52,000,000*</u>	IRLF Transfer (Remaining of \$100m)
<b>\$235,000,000</b>	

\*Funds not totally Drawn

