

**Bank of North Dakota
Budget 471
House Bill No. 1014**

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriation (original)	181.50	\$0	\$76,287,301	\$76,287,301
2013-15 legislative appropriation	179.50	0	103,150,147	103,150,147
2015-17 appropriation increase (decrease) to 2013-15 appropriation	2.00	\$0	(\$26,862,846)	(\$26,862,846)
2015-17 general fund budget allotment (4.05 percent)	0.00	0	0	0
Adjusted 2015-17 appropriation after budget allotment	181.50	\$0	\$76,287,301	\$76,287,301

Item Description

General fund budget allotment - In February 2016 the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

FTE position changes - The 2015-17 biennium appropriation includes funding for 181.50 FTE positions, an increase of 2 FTE positions from the 2013-15 biennium authorized level of 179.50 FTE positions. The new positions include a credit analyst position and an information technology security position.

Rebuilders loan program - The Legislative Assembly in 2011 established a rebuilders loan program and loan fund at the Bank of North Dakota. The program provides loans to North Dakota residents affected by a presidentially declared disaster in the state so that impacted residents can rebuild a flood-damaged home or purchase a new home in the disaster-impacted community. Eligible 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, including \$35 million from Bank profits and \$20 million from the general fund.

Status/Result

The budget allotment did not reduce the appropriation authority for the Bank of North Dakota because the Bank did not receive an appropriation from the general fund.

The Bank is in the process of reorganizing the lending division and is waiting to fill the new FTE positions until the reorganization is complete. The Bank anticipates filling the positions by the end of the biennium.

Approximately \$52,000,000 of loans was authorized under the program, including \$32,255,000 from Bank profits. As of December 31, 2015, the outstanding balance of loans for the rebuilders loan program totaled \$40,230,000.

During calendar year 2014, \$6,783,000 was used to replenish the Bank's profits. During calendar year 2015, \$4,103,000 from the repayments was used to replenish the Bank's profits. An additional \$21,369,000 from the repayments will be used to replenish the Bank's profits before repayments to the general fund begin.

Transfer of Bank of North Dakota profits

1. Section 7 of 2015 House Bill No. 1014 provides for a transfer of \$5 million from the current and undivided profits of the Bank of North Dakota to the housing incentive fund.
 2. Section 8 of House Bill No. 1014 provides for a contingent transfer of \$5 million from the current and undivided profits of the Bank to the housing incentive fund if the Bank's profits for calendar year 2015 exceed \$130 million.
 3. Section 9 of House Bill No. 1014 provides for a transfer of \$28 million from the current and undivided profits of the Bank to the partnership in assisting community expansion (PACE) fund. Section 13 of 2015 House Bill No. 1014 requires the Bank to develop an interest rate buydown program for medical infrastructure loans.
 4. Section 10 of House Bill No. 1014 provides for a transfer of \$3 million from the Bank's current earnings and undivided profits to the Ag PACE fund for the 2015-17 biennium.
 5. Section 11 of House Bill No. 1014 provides for a transfer of \$2 million from the current and undivided profits of the Bank to the biofuels PACE fund for the 2015-17 biennium.
 6. Section 12 of House Bill No. 1014 provides for a transfer of \$7 million from the current and undivided profits of the Bank to the beginning farmer revolving loan fund for the 2015-17 biennium.
 7. House Bill No. 1443 (2015) creates an infrastructure revolving loan program administered by the Bank and provides for a transfer of \$100 million from the Bank's profits and a transfer of \$50 million from the strategic investment and improvements fund to the infrastructure revolving loan fund.
 8. Senate Bill No. 2178 (2015) provides for a transfer of \$7,875,000 from the current and undivided profits of the Bank for interest rate buydowns on school construction loans.
1. In September 2015 the Bank transferred \$5 million to the housing incentive fund.
 2. In January 2016 the Bank transferred \$5 million to the housing incentive fund. The Bank's profits for calendar year 2015 were approximately \$130.7 million.
 3. Through February 2016 the Bank transferred \$8.7 million to the PACE fund. Of the \$8.7 million, \$3.1 million was for affordable housing, \$4.2 million was for flex PACE, and \$1.4 million was for PACE. The Bank anticipates transfers for the medical PACE program will begin in the fall of 2016.
 4. As of February 29, 2016, the Bank had transferred \$800,000 to the Ag PACE fund.
 5. Through February 2016 the Bank transferred \$800,000 to the Ag PACE fund.
 6. The Bank transferred \$2.4 million to the beginning farmer revolving loan fund through February 2016.
 7. The Bank had not transferred any profits to the infrastructure revolving loan fund as of February 2016.
 8. Through February 2016 the Bank transferred \$694,000 for the interest rate buydowns.

Rail rate complaint case - Section 6 of 2015 Senate Bill No. 2008 provides for a transfer of up to \$900,000 from the Bank of North Dakota beginning farmer revolving loan fund to the Public Service Commission to pay for costs associated with a rail rate complaint case. If any amount is spent, the Public Service Commission is to reimburse the beginning farmer revolving loan fund using amounts from damages or proceeds received, net of legal fees, from a successful outcome of a rail rate complaint case.

The Bank had not transferred any funds from the beginning farmer revolving loan fund as of February 29, 2016, related to a rail rate complaint case.

Estimated 2015-17 Bank of North Dakota capital structure

The following schedule shows an analysis of the Bank's estimated capital structure for the 2015-17 biennium:

June 30, 2015, capital	\$652,000,000
Estimated 2015-17 biennium profits	240,000,000 ¹
Estimated 2015-17 biennium transfers	(157,875,000) ²
Estimated capital on June 30, 2017	\$734,125,000

¹Actual calendar year 2015 profits were \$130.7 million.

²House Bill No. 1443 provided for a transfer of up to \$100 million of Bank profits to the infrastructure revolving loan fund, and Senate Bill No. 2178 provided for interest rate buydowns from Bank profits related to school construction loans. House Bill No. 1014 provides for the following transfers from Bank profits:

- \$5 million to the housing incentive fund;
- \$5 million to the housing incentive fund (contingent upon the Bank's profits for calendar year 2015 exceeding \$130 million);
- \$28 million to the PACE fund;
- \$3 million to the Ag PACE fund;
- \$2 million to the biofuels PACE fund; and
- \$7 million to the beginning farmer revolving loan fund.

Partnership in assisting community expansion - House Bill No. 1014 provides \$28 million for PACE, \$3 million for Ag PACE, and \$2 million for biofuels PACE from Bank of North Dakota profits.

In House Bill No. 1014, the Legislative Assembly required the Bank of North Dakota to develop an interest rate buydown program for medical infrastructure loans for the 2015-17 biennium. The funding for the buydowns is from Bank profits that were designated for transfers to PACE funds in prior bienniums, but were not utilized.

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 2016 the Bank has transferred \$11.1 million from its profits to PACE programs, including \$1.4 million for PACE, \$4.2 million for flex PACE, \$3.1 million for affordable housing, \$800,000 for biofuels PACE, and \$800,000 for Ag PACE.

The Bank identified \$10.25 million of unutilized profits designated for PACE funds from prior bienniums for the medical PACE program. As of February 2016, the Bank had not transferred any profits to the medical PACE fund because the medical infrastructure loan payments are not anticipated to begin until the fall of 2016.

Bank of North Dakota loans

1. House Bill No. 1049 (2015) directs the Bank of North Dakota to develop an addiction counselor internship loan program. The Legislative Assembly provided for a transfer of \$200,000 from the student loan trust fund for the program. Applicants are limited to loans of \$7,500, and the loan interest rate may not exceed 6 percent.
2. Section 2 of House Bill No. 1112 (2015) allows the Adjutant General to borrow from the Bank to respond to a state disaster in which the criteria for a presidentially declared disaster were met, but the request was denied.

1. Through February 2016 the Bank issued \$44,500 of loans under the addiction counselor internship loan program.
2. The outstanding balance of the loan issued to the Adjutant General was \$77,523 on February 29, 2016. The loan is related to grass fires in Burleigh County in April 2015.

3. House Bill No. 1443 (2015) creates an infrastructure revolving loan program administered by the Bank and provides for a transfer of \$100 million from the Bank's profits and a transfer of \$50 million from the strategic investment and improvements fund to the infrastructure revolving loan fund.
4. Section 6 of Senate Bill No. 2018 (2015) authorizes the State Historical Society to obtain a loan of up to \$1.25 million from the Bank for defraying the expenses of repairs to the Double Ditch Historic Site. The authorization for the loan is contingent upon the State Historical Society being unable to obtain assistance to contract with the Adjutant General for the repairs.
5. Section 7 of Senate Bill No. 2020 (2015) requires the State Water Commission to obtain a loan of up to \$56 million from the Bank to pay off or defease the remaining outstanding bond issues of the State Water Commission.
6. Section 32 of Senate Bill No. 2020 (2015) creates a new section to North Dakota Century Code Chapter 61-02 to direct the Bank to extend a \$200 million line of credit at a rate not to exceed 1.75 percent to the State Water Commission for water supply projects in suspense, water supply projects identified in Section 19 of the bill, and water supply projects approved before June 30, 2017, and flood control projects that have approval for funding before June 30, 2017. The State Water Commission may access the line of credit as needed.
7. Senate Bill No. 2039 (2015) establishes a school construction assistance revolving loan fund and authorizes the Bank to use up to \$200 million from the fund for school construction loans contingent upon voter approval of the provisions of Senate Concurrent Resolution No. 4003. The total of all loans may not exceed \$100 million prior to July 1, 2018.
8. Senate Bill No. 2178 (2015) provides the Bank may make available up to \$250 million to eligible school districts for school construction loans under an interest rate buydown program, and provides for a transfer of \$7,875,000 from the Bank's profits for school construction loan interest rate buydowns. The total of all loans provided by the Bank may not exceed \$125 million during the first year of the 2015-17 biennium.
3. The Office of Management and Budget transferred \$50 million from the strategic investment and improvements fund. As of March 2016 the Bank had approved approximately \$34.5 million in loans and had not yet transferred any profits to the infrastructure revolving loan fund. The Bank is uncertain when the profits will be transferred to the fund because the amount of loans that will be authorized from the fund is unknown.
4. As of February 29, 2016, the Bank had no outstanding loans to the State Historical Society related to Double Ditch Historic Site repairs. The State Historical Society intends to borrow \$1.25 million from the Bank by the end of the 2015-17 biennium because the agency has not been able to obtain assistance for the project through the Adjutant General.
5. The outstanding balance of the loan issued to the State Water Commission was \$45,840,221 as of February 29, 2016.
6. Through February 2016 the State Water Commission had not accessed the line of credit. The State Water Commission has not yet determined if the line of credit will be needed during the 2015-17 biennium.
7. As of February 29, 2016, the Bank had not issued any loans from the \$200 million authorized from the school construction assistance revolving loan fund because Senate Concurrent Resolution No. 4003 will not be on the ballot until November 2016.
8. The outstanding balance of the loans issued for school construction totaled \$64,123,858 through February 2016. The Bank is in the process of evaluating additional applications for school construction loans. The Bank anticipates the loan requests will not reach the \$250 million authorized. Through February 2016 the Bank transferred \$694,000 of profits for the interest rate buydowns.

North Dakota financial center - In House Bill No. 1014, the Legislative Assembly provided contingent one-time funding of \$17 million from the Bank's assets for a financial center building project. Section 16 of the bill requires the Bank to make payments in lieu of taxes on a financial center building constructed on the Bank's property. Section 26 provides that the funding is available only if the Bank's profits for calendar year 2015 exceed \$125 million. Section 26 of the bill also allows the funding for the construction of a financial center to continue in the 2017-19 biennium and requires the Bank to report to the Legislative Management on the progress of the project.

The Bank's profits for calendar year 2015 were approximately \$130.7 million. The Bank is in the process of finalizing plans for the construction of the building, and through February 2016 the Bank spent \$47,000 on architectural services. However, at the direction of the Industrial Commission, the Bank has not started construction on the building because of the state's revenue shortfall. The start date for construction is unknown.