

**Department 473 - Housing Finance Agency
House Bill No. 1014**

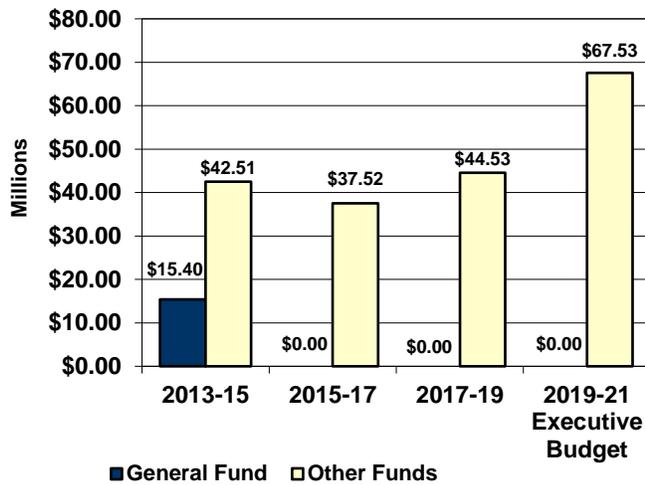
Executive Budget Comparison to Prior Biennium Appropriations

| | FTE Positions | General Fund | Other Funds | Total |
|------------------------------------|---------------|--------------|--------------|--------------|
| 2019-21 Executive Budget | 44.00 | \$0 | \$67,528,525 | \$67,528,525 |
| 2017-19 Legislative Appropriations | 44.00 | 0 | 44,530,239 | 44,530,239 |
| Increase (Decrease) | 0.00 | \$0 | \$22,998,286 | \$22,998,286 |

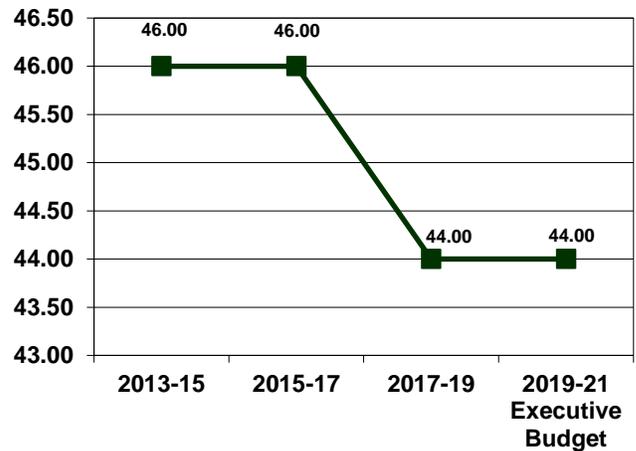
Ongoing and One-Time Other Funds Appropriations

| | Ongoing Other Funds Appropriation | One-Time Other Funds Appropriation | Total Other Funds Appropriation |
|------------------------------------|-----------------------------------|------------------------------------|---------------------------------|
| 2019-21 Executive Budget | \$47,528,525 | \$20,000,000 | \$67,528,525 |
| 2017-19 Legislative Appropriations | 44,530,239 | 0 | 44,530,239 |
| Increase (Decrease) | \$2,998,286 | \$20,000,000 | \$22,998,286 |

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

| | General Fund | Other Funds | Total |
|--------------------------|--------------|--------------|--------------|
| 2019-21 Executive Budget | \$0 | \$47,528,525 | \$47,528,525 |
| 2019-21 Base Level | 0 | 44,530,239 | 44,530,239 |
| Increase (Decrease) | \$0 | \$2,998,286 | \$2,998,286 |

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

| | General Fund | Other Funds | Total |
|---|--------------|--------------|--------------|
| 1. Provides funding for state employee salary and benefit increases of which \$348,730 is for salary increases, \$166,276 is for health insurance increases, and \$44,141 is for retirement increases | \$0 | \$559,147 | \$559,147 |
| 2. Reduces funding for temporary employees | \$0 | (\$57,219) | (\$57,219) |
| 3. Increases funding for mortgage servicing premium expenses | \$0 | \$602,921 | \$602,921 |
| 4. Increases funding for program grants | \$0 | \$20,000 | \$20,000 |
| 5. Adds funding for federal housing grants | \$0 | \$1,651,772 | \$1,651,772 |
| 6. Adds one-time funding from the strategic investment and improvements fund for a transfer to the housing incentive fund | \$0 | \$20,000,000 | \$20,000,000 |

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Transfer to housing incentive fund - Section 18 would provide a transfer of \$20 million from the strategic investment and improvements fund to the housing incentive fund.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Continuing Appropriations

Housing incentive fund - North Dakota Century Code Section 54-17-40 - Provides grants for housing projects.

Significant Audit Findings

The financial statement audit for the Housing Finance Agency conducted by Brady, Martz & Associates, PC, during the 2017-18 interim identified no significant findings.

Major Related Legislation

At this time, no major related legislation has been introduced affecting this agency.

Housing Finance Agency - Budget No. 473
House Bill No. 1014
Base Level Funding Changes

| | Executive Budget Recommendation | | | |
|---|--|-------------------------|------------------------|--------------|
| | FTE Position | General Fund | Other Funds | Total |
| 2019-21 Biennium Base Level | 44.00 | \$0 | \$44,530,239 | \$44,530,239 |
| 2019-21 Ongoing Funding Changes | | | | |
| Base payroll changes | | | \$221,665 | \$221,665 |
| Salary increase | | | 348,730 | 348,730 |
| Health insurance increase | | | 166,276 | 166,276 |
| Retirement contribution increase | | | 44,141 | 44,141 |
| Reduces funding for temporary employees | | | (57,219) | (57,219) |
| Increases funding for mortgage servicing premium expenses | | | 602,921 | 602,921 |
| Increases funding for program grants | | | 20,000 | 20,000 |
| Adds funding for federal housing grants | | | 1,651,772 | 1,651,772 |
| Total ongoing funding changes | 0.00 | \$0 | \$2,998,286 | \$2,998,286 |
| One-time funding items | | | | |
| Transfer housing incentive fund | | | \$20,000,000 | \$20,000,000 |
| Total one-time funding changes | 0.00 | \$0 | \$20,000,000 | \$20,000,000 |
| Total Changes to Base Level Funding | 0.00 | \$0 | \$22,998,286 | \$22,998,286 |
| 2019-21 Total Funding | 44.00 | \$0 | \$67,528,525 | \$67,528,525 |

Other Sections for Housing Finance Agency - Budget No. 473

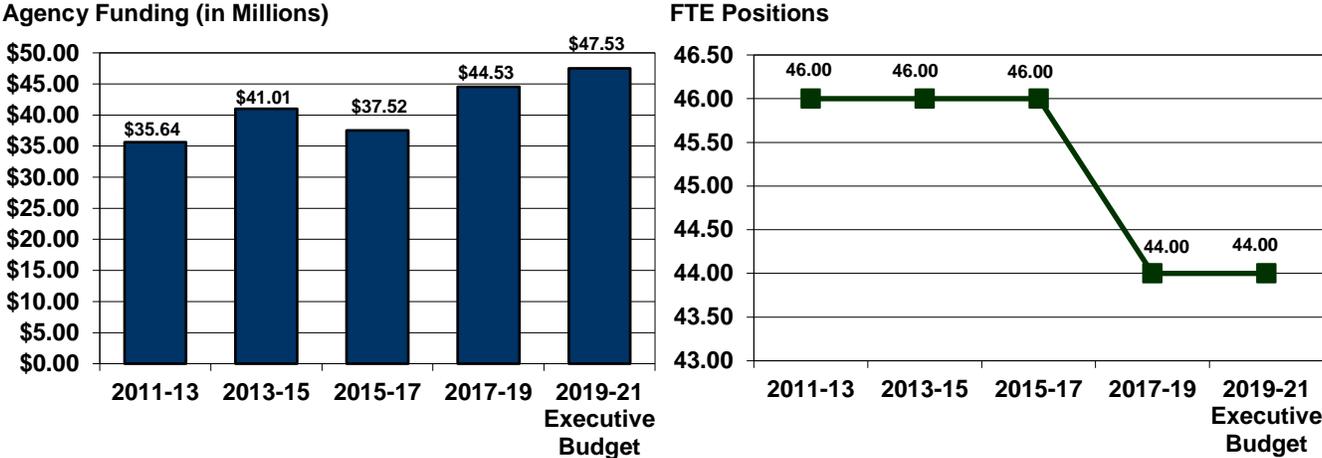
Transfer to housing incentive fund

Executive Budget Recommendation
 Section 18 would provide a transfer of \$20 million from the strategic investment and improvements fund to the housing incentive fund.

Department 473 - Housing Finance Agency

Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13



| Ongoing Other Funds Appropriations | | | | | |
|---|--------------|--------------|---------------|--------------|--------------------------|
| | 2011-13 | 2013-15 | 2015-17 | 2017-19 | 2019-21 Executive Budget |
| Ongoing other funds appropriations | \$35,640,046 | \$41,007,497 | \$37,520,089 | \$44,530,239 | \$47,528,525 |
| Increase (decrease) from previous biennium | N/A | \$5,367,451 | (\$3,487,408) | \$7,010,150 | \$2,998,286 |
| Percentage increase (decrease) from previous biennium | N/A | 15.1% | (8.5%) | 18.7% | 6.7% |
| Cumulative percentage increase (decrease) from 2011-13 biennium | N/A | 15.1% | 5.3% | 24.9% | 33.4% |

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- 1. Added funding for grants under the federal Neighborhood Stabilization Program \$4,000,000
- 2. Increased funding for program outreach \$131,000

2015-17 Biennium

- 1. Reduced funding for federal Housing and Urban Development grants (\$2,214,445)
- 2. Reduced funding for housing development grant programs (\$1,287,825)

2017-19 Biennium

- 1. Removed funding for 2 FTE positions and reduced funding for salaries and wages related to a vacant FTE position (\$322,044)
- 2. Increased funding for operating expenses to continue additional expenses relating to increased volume in mortgage servicing premiums during the 2015-17 biennium, which were paid pursuant to additional income appropriation authority in Section 4 of House Bill No. 1014 (2015) \$970,000
- 3. Added funding for federal Housing and Urban Development grants related to distributions from the federal housing trust fund \$6,017,048
- 4. Increased funding for operating expenses \$29,080
- 5. Reduced grant funding for the helping hand program, technical assistance, and program outreach (\$153,000)

2019-21 Biennium (Executive Budget Recommendation)

- 1. Provides funding for state employee salary and benefit increases of which \$348,730 is for salary increases, \$166,276 is for health insurance increases, and \$44,141 is for retirement increases \$559,147
- 2. Reduces funding for temporary employees (\$57,219)
- 3. Increases funding for mortgage servicing premium expenses \$602,921
- 4. Increases funding for program grants \$20,000
- 5. Adds funding for federal housing grants \$1,651,772

**GOVERNOR'S RECOMMENDATION FOR THE
INDUSTRIAL COMMISSION AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state industrial commission and agencies under its control for the purpose of defraying the expenses of the state industrial commission and agencies under its control, for the biennium beginning July 1, 2019, and ending June 30, 2020, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

| | <u>Base level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|--------------------------------|-------------------|--|----------------------|
| Salaries and Wages | \$22,014,084 | \$1,740,329 | \$23,754,413 |
| Operating Expenses | 5,305,888 | 686,099 | 5,991,987 |
| Capital Assets | - | 5,000,000 | 5,000,000 |
| Grants - Bond Payments | 13,210,484 | (2,701,717) | 10,508,767 |
| Contingencies | <u>221,737</u> | <u>(221,737)</u> | <u>0</u> |
| Total all funds | \$40,752,193 | \$4,502,974 | \$45,255,167 |
| Less estimated income | <u>15,343,206</u> | <u>2,671,741</u> | <u>18,014,947</u> |
| Total general fund | \$25,408,987 | \$1,831,233 | \$27,240,220 |
| Full-time equivalent positions | 110.25 | 0.00 | 110.25 |

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

| | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|---------------------------------|-------------------|--|----------------------|
| Bank of North Dakota operations | \$58,489,204 | \$84,826,125 | \$143,315,329 |
| Capital assets | 810,000 | 700,000 | 1,510,000 |
| Total all funds | \$59,299,204 | \$85,526,125 | \$144,825,329 |
| Less estimated income | <u>59,299,204</u> | <u>5,526,125</u> | <u>64,825,329</u> |
| Total general fund | \$0 | \$80,000,000 | \$80,000,000 |
| Full-time equivalent positions | 181.50 | 0.00 | 181.50 |

Subdivision 3.

MILL AND ELEVATOR ASSOCIATION

| | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|-----------------------------------|-------------------|--|----------------------|
| Salaries and wages | \$39,308,519 | \$7,371,412 | \$46,679,931 |
| Operating expenses | 28,195,000 | 1,642,000 | 29,837,000 |
| Contingencies | 500,000 | 0 | 500,000 |
| Agriculture promotion | <u>210,000</u> | <u>0</u> | <u>210,000</u> |
| Total from mill and elevator fund | \$68,213,519 | \$9,013,412 | \$77,226,931 |
| Full-time equivalent positions | 153.00 | 4.00 | 157.00 |

Subdivision 4.

HOUSING FINANCE AGENCY

Adjustments or

| | <u>Base Level</u> | <u>Enhancements</u> | <u>Appropriation</u> |
|--------------------------------------|---------------------|---------------------|----------------------|
| Salaries and wages | \$7,892,056 | \$723,593 | \$8,615,649 |
| Operating expenses | 4,743,355 | 602,921 | 5,346,276 |
| Grants | 31,794,828 | 21,671,772 | 53,466,600 |
| Housing finance agency contingencies | 100,000 | 0 | 100,000 |
| Total special funds | <u>\$44,530,239</u> | <u>\$22,998,286</u> | <u>\$67,528,525</u> |
| Full-time equivalent positions | 44.00 | 0.00 | 44.00 |

Subdivision 5.

BILL TOTAL

| | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|---------------------------|--------------------|--|----------------------|
| Grand total general fund | \$25,408,987 | \$81,831,233 | \$107,240,220 |
| Grand total special funds | <u>187,386,168</u> | <u>40,209,564</u> | <u>227,595,732</u> |
| Grand total all funds | \$212,795,155 | \$122,040,797 | \$334,835,952 |

SECTION 2. ONE-TIME FUNDING – EFFECT ON BASE BUDGET – REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the grand total appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2017-19</u> | <u>2019-21</u> |
|--|------------------|-------------------|
| Litigation | \$1,000,000 | \$0 |
| Industrial water supply asset study | 150,000 | 0 |
| Soil remediation study | 5,000,000 | 0 |
| Ordinary high-water mark survey review | 800,000 | 0 |
| Housing incentive fund | 0 | 20,000,000 |
| Infrastructure loan fund | 0 | 55,000,000 |
| School construction loan fund | 0 | 25,000,000 |
| Equipment - BND | 0 | 700,000 |
| RBDMS upgrade | 0 | 5,000,000 |
| Rare earth study | 0 | 160,000 |
| Proppant sand study | 0 | <u>110,000</u> |
| Total all funds | \$6,950,000 | \$105,970,000 |
| Total special fund | <u>6,950,000</u> | <u>25,970,000</u> |
| Total general fund | \$0 | \$80,000,000 |

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The industrial commission shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS. The amount of \$10,508,767 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be paid from the following funding sources during the biennium beginning July 1, 2019, and ending June 30, 2021:

| | |
|---|-------------|
| North Dakota university system | \$4,959,448 |
| North Dakota university system - energy conservation projects | 415,664 |
| Department of corrections and rehabilitation | 689,299 |
| Department of corrections and rehabilitation – energy conservation projects | 16,180 |
| State department of health | 644,884 |
| Job service North Dakota | 434,847 |
| Office of management and budget | 567,125 |
| Office of attorney general | 647,500 |

| | |
|---------------------------------|--------------|
| State historical society | 1,177,875 |
| Parks and recreation department | 66,875 |
| Research and extension service | 483,337 |
| Veterans' home | 405,733 |
| Total | \$10,508,767 |

SECTION 4. APPROPRIATION. In addition to the amount appropriated to the housing finance agency in subdivision 4 of section 1 of this Act, there is appropriated any additional income or unanticipated income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 5. APPROPRIATION - ADDITIONAL FUNDS FROM BONDS - EMERGENCY COMMISSION APPROVAL. In addition to the amount appropriated to the state industrial commission in subdivision 1 of section 1 of this Act, there is appropriated, with the approval of the emergency commission, funds that may become available to the commission from bonds authorized by law to be issued by the state industrial commission for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 6. TRANSFER – BANK OF NORTH DAKOTA PROFITS TO THE GENERAL FUND. During the biennium beginning July 1, 2019, and ending June 30, 2021, the industrial commission shall transfer to the state general fund \$140,000,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota. The moneys must be transferred in the amounts and at the times requested by the director of the office of management and budget after consultation with the Bank of North Dakota president.

SECTION 7. TRANSFER – INFRASTRUCTURE REVOLVING LOAN FUND. The Bank of North Dakota and total general fund line items in subdivision 2 of section 1 of this Act includes the sum of \$55,000,000 which the office of management and budget shall transfer to the infrastructure revolving loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 8. TRANSFER – SCHOOL CONSTRUCTION LOAN FUND. The Bank of North Dakota and total general fund line items in subdivision 2 of section 1 of this Act includes the sum of \$25,000,000 which the office of management and budget shall transfer to the school construction loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 9. TRANSFER – ENTITIES WITHIN THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND. The sum of \$1,184,893, or so much of the sum as may be necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the state industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers shall be made during the biennium beginning July 1, 2019, and ending June 30, 2021, upon order of the commission. Transfers from the student loan trust must be made to the extent permitted by sections 54-17-24 and 54-17-25.

SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$26,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the partnership in assisting community expansion fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 11. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of \$3,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the agriculture partnership in assisting community expansion fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 12. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION. The Bank of North Dakota shall transfer the sum of

\$1,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the biofuels partnership in assisting community expansion fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 13. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER REVOLVING LOAN FUND. The Bank of North Dakota shall transfer the sum of \$6,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 14. TRANSFER - BANK OF NORTH DAKOTA – SCHOOL CONSTRUCTION LOAN FUND. The Bank of North Dakota shall transfer the sum of \$5,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the school construction loan fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 15. ESTIMATED INCOME – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$5,000,000 from the strategic investment and improvements fund for a risk based data management system upgrade.

SECTION 16. ESTIMATED INCOME – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$160,000 from the strategic investment and improvements fund for a rare earth research project.

SECTION 17. ESTIMATED INCOME - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND. The less estimated income line item in subdivision 1 of section 1 of this Act includes \$110,000 from the strategic investment and improvements fund for a proppant sand research project.

SECTION 18. SPECIAL FUNDS TRANSFER – STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO HOUSING INCENTIVE FUND. The less estimated income line item in subdivision 4 of section 1 of this Act includes the sum of \$20,000,000, or so much of the sum as may be necessary, from the strategic investment and improvements fund which may be transferred at the direction of the housing finance agency for the purpose of a transfer to the housing incentive fund during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 19. TRANSFER – BANK OF NORTH DAKOTA – TRANSFER TO THE NORTH DAKOTA DEVELOPMENT FUND INC. The Bank of North Dakota shall transfer the sum of \$15,000,000, from the Bank's current earnings and undivided profits to the North Dakota Development Fund Inc. during the biennium beginning July 1, 2019 and ending June 30, 2021. The funding must be used in accordance with N.D.C.C. 10-30.5 and to purchase existing New Venture Capital assets held by the Bank of North Dakota.

SECTION 20. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM - LIGNITE MARKETING FEASIBILITY STUDY. The amount of \$4,500,000 from the lignite research fund, or so much of the amount as may be necessary, may be used for the purpose of contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and industry jobs or that will lead to increased development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. Moneys appropriated pursuant to this section may also be used for the purpose of contracting for nonmatching studies and activities in support of the lignite vision 21 program; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for the purposes stated in this section are available to the commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

SECTION 21. EXEMPTION – INDUSTRIAL COMMISSION FUND. The amount appropriated to the industrial commission in the special funds appropriation line item in section 1 of chapter 39 of the 2017 Session Laws and transferred pursuant to section 8 of chapter 39 of the 2017 Session Laws is not subject

to the provisions of section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for administrative services rendered by the commission during the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 22. EXEMPTION – ORDINARY HIGH-WATER MARK SURVEY REVIEW. The amount appropriated to the industrial commission in section 1 of chapter 39 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from this appropriation are available to the industrial commission for expert legal testimony relating to the review during the biennium beginning July 1, 2019, and June 30, 2021.