

2019 SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE

SCR 4006

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SCR 4006
1/30/2019
Job #31795

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

A concurrent resolution to recognize Monday, February 25, 2019 as "Bank of North Dakota Day" and to congratulate the Bank of North Dakota on its 100th anniversary.

Minutes:

Att. 1-2

Chairman Klein: Opened the hearing on SCR 4006. A quorum was present.

Joan Heckaman, District 23: See attachment #1 for testimony in support of the resolution.

Eric Hardmeyer, President/CEO, Bank of North Dakota: See attachment #2 for testimony in support of the bill.

(4:55 Senator Burckhard): Are there any previous President and CEOs of the bank still alive?

Eric: There's only one other living former-president, John Hoeven.

Chairman Klein: And ahead of him was?

Eric: Joe Lamb, Herb Thorndal was before him.

Senator Piepkorn: Had I read the book in its entirety I would know this already, but maybe you can tell us about it, I know there have been movements in the past about the efforts to privatize the bank?

Eric: Well the early history is it barely survived a 1922 recall on the IC, and it survived a resolution to close down the bank. In 1987, during the session, there was a banker from a large corporate bank had decided that the Bank of North Dakota, the purpose that it had been serving was largely now absorbed by the private sector. That there really wasn't a use for it. And at that time the independents rose to the defense of the bank and said that is not our desire and they quelled that pretty early. Bank of North Dakota has been a model of interest around the country. There has been a renaissance of public banking, so now 20 states are looking at state owned banks as well as political subs, the notion of public banking has become a little bit in vogue over the years as a reaction to the financial crisis.

Chairman Klein: During the depression there wasn't anything that happened to the bank?

Eric: The bank certainly was a significant lender at the time, one of the nice things you'll read during the book, they entered into leases or rental agreements that allowed farmers to stay on the farms and eventually buy them back once they could. Really what we've done since 1997 when we started financing disaster recovery starting in the Grand Forks flood area and continuing through the Minot issue and other emergencies. It's been a very successful organization, really serving its intended purpose.

Chairman Klein: The line about not competing with other banks, the smaller banks came to us recently and said hey we work well with them please let us do that. And those are good things to hear. When everyone is trying to privatize, but here we're saying we're doing really well with what we've got.

Eric: That's the secret sauce to the Bank of North Dakota, with the financial institutions. Our ability to deliver a program in Minot, for example on the rebuilders program, was really done because of the work done at the local level with the financial institutions in Minot who originated 3,000 of these loans and sold them to the bank. So our ability to work our program around the state, is largely successful because of our outreach to the 80-90 banks across the state. It is because that really special relationship that really makes us successful.

Senator Burckhard: Speaking of the flood of 2011, \$30,000 loans at 1%, no collateral. Are people paying those, has it been pretty successful?

Eric: If you'll remember, during the special session to deal with that the Bank of North Dakota along with the legislature devised a rebuilders program that allowed for residents in both Minot and Bismarck/Mandan that were flooded, to receive these loans at 20 years, no payment the first 2-3 years. In addition to that, there was another \$20 million put into that by the general fund, so there was a total of \$50 million. And I can tell you there have been some charge offs, the Bank of North Dakota will fully recover the funds that we've lent. The general fund will also get back \$5-10 million of the 20 million it donated. It met the spirit of what it was intended to do. And it provided that assistance that it just could not get from FEMA and SBA.

Senator Kreun: Having gone through the flood of '97, we wouldn't have recovered in the way we had without the Bank of North Dakota. In that I learned the founding principles of the bank, and as long as we stay within those principles, I think that's the goals we need to follow. I commend over the years everybody that's been involved with it.

Chairman Klein: Once again, open house tomorrow from 4-6.

(16:32)Barry Haugen, president, ICBND: testified in support of the resolution. It's hard to imagine what we would be without the bank. Our small town banks are still able to serve its customers, we love the partnership, our preference is the Bank of North Dakota whenever possible.

Rick Clayburgh, President/CEO, North Dakota Bankers Association: testified in support of the resolution. I look back to 2009 and the sub-prime lending debacle that occurred not by

community banks but by unregulated mortgage brokers. But it really shook the underpinnings of the financial industry. And the Bank of North Dakota being able to purchase some loans of a lot of our community banks, were able to put them in a solid equity position. That they rode out those difficult times and we haven't had a failure in 30 years. A lot of that is because of the wonderful partnership with the Bank of North Dakota's support of our local community banks. Banking marijuana is a new issue coming up lately that even our bank can't properly address. I think the important thing that our message is, we are very appreciative of what Bank of North Dakota does for us.

Chairman Klein: closed the hearing on SCR 4006.

Senator Burckhard: Moved a Do Pass.

Senator Kreun: Seconded.

A Roll Call Vote Was Taken: 5 yeas, 0 nays, 1 absent.

Motion Carried.

Senator Burckhard will carry the bill.

REPORT OF STANDING COMMITTEE

SCR 4006: Industry, Business and Labor Committee (Sen. Klein, Chairman)
recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
SCR 4006 was placed on the Eleventh order on the calendar.

2019 HOUSE INDUSTRY, BUSINESS AND LABOR

SCR 4006

2019 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

SCR 4006
2/18/2019
32872

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang

Explanation or reason for introduction of bill/resolution:

Recognize Monday, February 25, 2019 as "Bank of North Dakota Day" & to congratulate the Bank of North Dakota on its 100th anniversary.

Minutes:

Attachment 1, 2

Chairman Keiser: Opens the hearing on SCR 4006.

Rep Joan Heckaman~District 23: Attachment 1 Introduces the resolution.

2:00

Eric Hardmeyer~President & CEO – Bank of North Dakota: Attachment 2.

5:30

Rep P Anderson: How long have you been in the profession?

Eric Hardmeyer: I started in September of 1985.

Rep P Anderson: How long have you been CEO?

Eric Hardmeyer: July of 2000.

Rep P Anderson: So the 15 years of earnings growth was under your leadership?

Eric Hardmeyer: Yes.

Chairman Keiser: What are the biggest challenges & past great challenges you have met?

Eric Hardmeyer~President & CEO of the Bank of ND: Dealing with the ups & downs of our economy in trying how the Bank of ND should fit in the economy. We continue to diversify our economy. The biggest challenge is how do we marshal the assets & deposits to best meet the needs of the state of ND. That's the fun & joy is how to make this bank better.

Biggest challenge is retaining & attracting talent to the Bank of ND.

Rick Clayburgh~President & CEO of the ND Bankers Association: We don't want to compete with the other banks. There are a lot of states that would like to have a state owned bank. We have not had a failure of the partnerships of other banks in the down turn. Do a quick Do Pass & get this to the floor.

Rep Laning: How does the connection work with the community banks?

Rick Clayburgh: The local community banks are the lead institution & we partnership by backing them up.

Erik Hardmeyer: Introduces Gary Peterson-Cornerstone Bank & Stan Benson who work for the Bank of ND.

Chairman Keiser: Anyone else here to support, opposition, neutral position? Closes the hearing on SCR 4006. Closes the hearing.

Vice Chairman Lefor: Moves a Do Pass.

Rep Bosch: Second.

Chairman Keiser: Further discussion?

Roll call was taken on SCR 4006 for a Do Pass with 12 yes, 1 no, 1 absent & Vice Chairman Lefor is the carrier.

Date: Feb 18, 2019

Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 4006

House _____ Industry, Business and Labor _____ Committee

Subcommittee

Amendment LC# or
Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions

- Reconsider
- _____

Motion Made by Rep Lefor Seconded By Rep Bosch

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep O'Brien	X	
Vice Chairman Lefor	X		Rep Richter	X	
Rep Bosch	X		Rep Ruby		X
Rep C Johnson	X		Rep Schauer	X	
Rep Kasper	X		Rep Adams	X	
Rep Laning	X		Rep P Anderson	X	
Rep Louser	X		Rep M Nelson	Ab	

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep Lefor

REPORT OF STANDING COMMITTEE

SCR 4006: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING).
SCR 4006 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SCR 4006

SCR 4006 1/30/19 AH#1

SENATE INDUSTRY, BUSINESS, AND LABOR COMMITTEE

January 30, 2019

SCR 4006

Chairman Klein and Members of the Committee:

I am State Senator Joan Heckaman, D-23 and I am here today to introduce you to SCR 4006. I am pleased to join leadership from both chambers in support of this resolution.

This bill comes at the request of the Bank of North Dakota. It is my pleasure to ask your support for a resolution congratulating the Bank on its 100th anniversary of service to North Dakota.

While February 25th will be the actual date of the anniversary, we are in cross over recess that day and of course we will want to celebrate early by considering this resolution today, so we can get it over to the House for their consideration.

The Bank was established February 25, 1919 by the North Dakota Legislative Assembly to encourage and promote agriculture, commerce, and industry in North Dakota. What a wonderful partner they have been in carrying out their mission.

You will note in the resolution the dollars that the Bank has infused into our state with transferring over \$1 billion to the general fund as well as supplementing other programs.

The Bank is also instrumental in partnering with over 300 financial institutions in their mission to this state.

Let's recognize the work the Bank has done to continue to provide loans to students to pursue their careers.

It is through the work of the Bank and its many employees over the years who have helped shape and expand our economy. Thanks, employees, for your work.

Please join me in recognizing February 25, 2019 as "Bank of North Dakota Day" and urge all citizens of North Dakota to acknowledge this important milestone.

That completes my testimony and I would be glad to stand for any questions.

**TESTIMONY, SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE
JANUARY 30, 2019
SENATE CONCURRENT RESOLUTION NO. 4006**

ERIC HARDMEYER – PRESIDENT & CEO - BANK OF NORTH DAKOTA

As Bank of North Dakota entered its 100th year, it reported capital reserves of \$825 million and total assets of \$7 billion. It's highly unlikely our forefathers could have imagined the impact legislation signed into law February 25, 1919 would have on the state.

Life was challenging for North Dakota farmers in the early 1900s. Many felt they were being unfairly treated by eastern bankers charging high interest rates, the railway imposing excessive transportation fees and elevators downgrading the grain quality. This dissatisfaction fueled the Nonpartisan League to select candidates that supported a platform that ultimately included the Industrial Commission, Bank of North Dakota (BND) and the State Mill and Elevator.

Employees were hired, and policies established. The Bank opened its doors on the corner of 7th Street and Main Avenue in Bismarck, North Dakota July 28, 1919. It remained in that location for 90 years.

The founding principles of the Bank stated:

Therefore, the policy of Bank of North Dakota is to be established essentially along the following lines:

- To promote agriculture, commerce and industry
- To be helpful to and assist in the development of ... financial institutions and public corporations within the state and not, in any manner, to destroy or to be harmful to existing financial institutions
- To redeposit in the state, so far as is consistent with the operation of the Bank, such public funds
- To stabilize interest rates

In 2019, the Bank still adheres to these founding principles by serving as the depository for state funds, providing interest rate buydown programs and partnering with financial institutions across the state to grow local economies.

Only student loans and two agriculture loan programs are made directly to residents. All other loans are made in participation with local lenders, allowing them to utilize BND's capacity to better serve their customers and grow their local economies.

BND's profits are reinvested to generate capital and can be designated by the North Dakota Legislature to balance the General Fund and support special needs such as a disaster relief effort or building infrastructure. Since inception, the Bank has returned more than \$1 billion to the state.

A team of 46 employees opened the Bank, and today there are 180 employees. After 90 years at its original location, the Bank was moved to its current location which houses a museum commemorating its first 100 years.

Attachment 1
Feb 18, 2019

HOUSE INDUSTRY, BUSINESS, AND LABOR COMMITTEE

SCR 4006

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You will note in the resolution the dollars that the Bank has infused into our state with transferring over \$1 billion to the general fund as well as supplementing other programs.

The Bank is also instrumental in partnering with over 300 financial institutions in their mission to this state.

Let's recognize the work the Bank has done to continue to provide loans to students to pursue their careers.

It is through the work of the Bank and its many employees over the years who have helped shape and expand our economy. Thanks, employees, for your work.

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TESTIMONY, HOUSE INDUSTRY, BUSINESS

AND LABOR COMMITTEE

FEBRUARY 18, 2019

SENATE CONCURRENT RESOLUTION NO. 4006

ERIC HARDMEYER – PRESEIDENT & CEO – BANK OF NORTH DAKOTA

Bank of North Dakota celebrates its first 100 years

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