

**Bank of North Dakota
House Bill No. 1015**

	FTE Positions	General Fund	Other Funds	Total
2003-05 executive budget (bills as introduced)	178.50	\$8,075,000	\$30,419,966	\$38,494,966
2003-05 legislative appropriations	178.50	8,075,000	29,778,279	37,853,279
Legislative increase (decrease) to executive budget	0.00	\$0	(\$641,687)	(\$641,687)
Legislative increase (decrease) to 2001-03 appropriations	0.00	(\$425,000)	(\$1,103,719)	(\$1,528,719)

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Bank of North Dakota is in accordance with legislative salary and fringe benefits guidelines as contained in Senate Bill No. 2423, which allows agencies to provide salary increases of up to 1 percent on January 1, 2004, and up to 2 percent on January 1, 2005, to be funded in part from pooled savings accumulated from agency FTE position reductions.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Removed funding recommended in the executive budget for state employee salary increases			(\$176,363)	(\$176,363)
Reduced funding recommended in the executive budget for state employee health insurance premiums from \$493 to \$488.70 per month per policy			(18,989)	(18,989)
Reduced funding for information technology. The amount reduced represents a reduction in information technology funding of approximately 5 percent. (See Related Legislation section below)			(446,335)	(446,335)
Total	0.00	\$0	(\$641,687)	(\$641,687)

FTE Changes

The Legislative Assembly did not change the executive recommendation which included funding for 178.5 FTE positions, the same as the 2001-03 biennium.

Economic Development

The Legislative Assembly did not change the recommended funding levels for the partnership in assisting community expansion (PACE) fund, the agriculture partnership in assisting community expansion (Ag PACE) fund, or the beginning farmer revolving loan fund. The following is a comparison of the funding for the PACE fund, Ag PACE fund, and the beginning farmer revolving loan fund:

	2001-03 Appropriation	Executive Recommendation	2003-05 Appropriation
PACE fund	\$6,000,000	\$5,700,000	\$5,700,000
Ag PACE fund	1,500,000	1,425,000	1,425,000
Beginning farmer revolving loan fund	1,000,000	950,000	950,000
Total	\$8,500,000	\$8,075,000	\$8,075,000

General Fund Transfers

Section 9 of Senate Bill No. 2015 provides for transfers of up to \$60 million of Bank of North Dakota current earnings and accumulated and undivided profits to the general fund during the 2003-05 biennium. This is the same amount as the executive recommendation and the same as authorized by the 2001 Legislative Assembly.

Section 10 of Senate Bill No. 2015 provides for additional contingent transfers from the Bank's earnings and accumulated and undivided profits to the general fund. The additional contingent transfers may not exceed the lesser of \$9 million or the revenue shortfall of actual collections compared to the March 2003 revenue forecast. This is \$16 million less than the executive recommendation of \$25 million and the \$25 million of contingent transfers authorized by the 2001 Legislative Assembly for the 2001-03 biennium. This section also provides that the director of the Office of Management and Budget may determine what portion of the shortfall will be covered by the transfer pursuant to this section and what portion will be covered by allotment pursuant to Section 54-44.1-12.

The following schedule shows an analysis of the Bank's estimated capital structure for the 2003-05 biennium:

June 30, 2003, estimated capital level	\$150,000,000 ¹
Estimated 2003-05 biennium profits	61,000,000 ²
2003-05 biennium transfers to the general fund per Section 9 of Senate Bill No. 2015	(60,000,000)
Maximum contingent transfers per Section 10 of Senate Bill No. 2015	(9,000,000)
Estimated capital on June 30, 2005, assuming contingent transfers of \$9 million are necessary due to general fund revenue shortfalls	\$142,000,000
¹ The Bank of North Dakota estimates this amount to be between \$150 million and \$155 million, depending on the amount of the \$25 million contingent transfer that is actually transferred to the general fund at the end of the 2001-03 biennium. The March 2003 revenue forecast estimated the contingent transfer to be \$17.4 million.	
² Actual calendar year 2002 profits were \$32.2 million.	

Section 11 of Senate Bill No. 2015 provides that any transfer from the Bank of North Dakota to the state general fund may only be made to the extent that the transfer does not reduce the Bank's capital structure below \$140 million.

Other Sections in Bill

Section 13 of House Bill No. 1015 provides that the Bank of North Dakota contingencies appropriation in Chapter 40 of the 2001 Session Laws is not subject to the provisions of section 54-44.1-11, and that any unexpended funds from that appropriation are available for the continued development and implementation of systems that provide the Bank of North Dakota and student loans of North Dakota customers with the ability to perform business activity electronically.

Related Legislation

Authority to borrow funds for a disaster - Section 2 of House Bill No. 1012 authorizes the Department of Transportation, subject to Emergency Commission approval, to borrow money from the Bank of North Dakota to match federal emergency relief funds.

Authority to guarantee loans - House Bill No. 1116 changes the authority of the Bank of North Dakota regarding trust preferred securities transactions to include the authority to make, purchase, guarantee, or hold loans to an investment company created for completing a trust preferred securities transaction for the benefit of a financial institution located in this state.

Transfer of funds - House Bill No. 1118 provides that notwithstanding any other provision of law, the Bank of North Dakota may transfer any unobligated funds between funds that have been appropriated by the Legislative Assembly for interest buydown in the beginning farmers loan fund and the Ag PACE fund.

Beef systems center of excellence - Section 9 of House Bill No. 1021 provides for a transfer of \$800,000 from the Ag PACE fund to the Main Research Center, after \$1 million of federal funds and \$1 million of special funds from private contributions have been collected, for the establishment of a beef systems center of excellence.

Agricultural real estate loan guarantees - House Bill No. 1321 provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans.

Information technology position transfer - House Bill No. 1505 provides for 1 FTE position relating to information technology services, including electronic mail, file and print server administration, data base administration, storage, application server, and hosting services to be reduced from the Bank of North Dakota and transferred to the Information Technology Department.

Special funds transfer - Section 2 of House Bill No. 1505 authorizes the Office of Management and Budget to transfer \$300,000 of the \$446,335 of special funds reduced from the Bank of North Dakota's information technology budget to the Information Technology Department for funding a portion of the Information Technology Department's operating budget.

Truckdriver training programs - Senate Bill No. 2360 provides that the Bank of North Dakota shall administer a loan program to assist residents of this state during the period in which the residents are enrolled as students in a truckdriver training program offered in this state.