

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

	FTE Positions	General Fund	Other Funds	Total
2007-09 executive budget (bills as introduced)	176.50	\$10,100,000	\$38,142,359	\$48,242,359
2007-09 legislative appropriations	176.50	13,600,000¹	38,121,867	51,721,867
Legislative increase (decrease) to executive budget	0.00	\$3,500,000	(\$20,492)	\$3,479,508
Legislative increase (decrease) to 2005-07 appropriations	(2.00)	\$6,700,000	(\$6,453,208)	\$246,792

¹This amount includes \$4.2 million of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$9.4 million.

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. 2189.

	Major Items			Total
	FTE Positions	General Fund	Other Funds	
The legislative action:				
Reduced funding recommended in the executive budget relating to retiree health credit contributions			(\$20,492)	(\$20,492)
Added funding for deposit in the partnership in assisting community expansion (PACE) fund for a total of \$8 million		\$3,500,000		3,500,000
Total	0.00	\$3,500,000	(\$20,492)	\$3,479,508

FTE Changes

The 2007-09 biennium appropriation includes funding for 176.5 FTE positions, a decrease of 2 FTE positions from the 2005-07 biennium authorized level of 178.5 FTE positions. The Legislative Assembly did not change the executive recommendation to remove 2 FTE information technology positions.

Economic Development

The Legislative Assembly increased the recommended level of funding for the PACE fund from \$4.5 million to \$8 million. The Legislative Assembly did not change the recommended funding levels for the agriculture partnership in assisting community expansion (Ag PACE) fund or the beginning farmer revolving loan fund and did not change the executive recommendation to replace the Biodiesel PACE fund with the Biofuels PACE fund. The following is a comparison of the funding for the PACE fund, Ag PACE fund, Biodiesel PACE fund, Biofuels PACE fund, and the beginning farmer revolving loan fund:

	2005-07 Appropriation	Executive Recommendation	2007-09 Appropriation
PACE fund	\$5,700,000	\$4,500,000	\$8,000,000
Ag PACE fund	1,425,000	1,400,000	1,400,000
Biodiesel PACE fund	1,200,000		
Biofuels PACE fund		4,200,000	4,200,000
Beginning farmer revolving loan fund	950,000	950,000	950,000
Total	\$9,275,000	\$11,050,000	\$14,550,000
Funding sources			
General fund	\$6,900,000	\$10,100,000	\$13,600,000
Other funds - Beginning farmer revolving loan fund	\$2,375,000	\$950,000	\$950,000

General Fund Transfers

Section 14 of House Bill No. 1014 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 2007-09 biennium. This is the same amount as the executive recommendation and the same as authorized by the 2005 Legislative Assembly. Section 14 also provides that any transfer authorized from the Bank of North Dakota to the general fund may only be made to the extent that the transfer does not reduce the Bank's capital structure below \$175 million.

The following schedule shows an analysis of the Bank's estimated capital structure for the 2007-09 biennium:

June 30, 2007, estimated capital level	\$190,000,000
Estimated 2007-09 biennium profits	96,000,000
2007-09 biennium transfers to the general fund per Section 14 of House Bill No. 1014	(60,000,000)
Estimated capital on June 30, 2009	\$226,000,000

¹Actual calendar year 2006 profits were \$42.85 million.

One-Time Funding

In Section 4 of House Bill No. 1014, the Legislative Assembly identified the general fund appropriation of \$4.2 million for the Biofuels PACE fund as one-time funding. This amount is not to be considered part of the agency's base budget for preparing the 2009-11 executive budget and the Bank of North Dakota is to report to the Appropriations Committees during the 2009 legislative session on the use of this funding.

Other Sections in Bill

Exemption - Section 8 provides that the amount appropriated to the Bank of North Dakota in the capital assets line item in Sections 3 and 6 of Senate Bill No. 2014 (2005) is not subject to the provisions of North Dakota Century Code (NDCC) Section 54-44.1-11 relating to unexpended appropriations. Any unexpended funds from this appropriation are available for construction of the new Bank building during the 2007-09 biennium.

Bank property - Section 23 amends subsection 6 of NDCC Section 6-09-15 to authorize the Bank to sell real and personal property that has been acquired by the Bank; however, Section 19 provides legislative intent that real estate property at the new Bank location not be sold by the Bank of North Dakota during the 2007-09 biennium.

Biodiesel PACE - Section 24 amends NDCC Section 6-09.17-02 relating to the Biodiesel PACE fund to provide that any unexpended and unobligated balance in the fund at the end of the biennium must be transferred to the Biofuels PACE fund.

PACE fund incentive limitation - Section 25 adds a new section to NDCC Chapter 6-09.17 to provide that a biodiesel production facility or ethanol production facility that receives interest buydown from the Biofuels PACE fund is not eligible to receive interest buydown from the PACE fund for the same project during the same biennium.

Related Legislation

House Bill No. 1061 increases the maximum amount of outstanding agricultural real estate loans held by the Bank of North Dakota from \$5 million to \$8 million.

House Bill No. 1100 expands eligibility for the Bank of North Dakota's farm operating loan program, increases the total dollar amount for loans from the family farm loan program, and allows for a service fee for lead lenders with the Ag PACE loan program.

House Bill No. 1135 provides that up to \$1 million from the beginning farmer revolving loan fund may be transferred each biennium for the purpose of interest buydown on a loan made for investment in a feedlot or dairy operation.

House Bill No. 1503 extends the tribal-state guaranty program for businesses located in the state which contract with a business located in the state which is either owned by one of the five North Dakota Indian tribes or which is an American Indian-owned small business located in this state.

Senate Bill No. 2120 increases the total outstanding loans that the Bank of North Dakota may guarantee for the beginning entrepreneur loan program from \$4 million to \$8 million.