

**Bank of North Dakota
Budget 471
House Bill Nos. 1014, 1206; Senate Bill No. 2371**

	FTE Positions	General Fund	Other Funds	Total
2011-13 legislative appropriation	176.50	\$54,400,000 ¹	\$56,853,155	\$111,253,155
2009-11 legislative appropriation	<u>176.50</u>	<u>11,100,000</u>	<u>44,317,274</u>	<u>55,417,274</u>
2011-13 appropriation increase (decrease) to 2009-11 appropriation	0.00	\$43,300,000	\$12,535,881	\$55,835,881

¹This amount includes \$45 million of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$9.4 million.

Item Description

One-time funding - In Section 3 of 2011 House Bill No. 1206, the Legislative Assembly identified \$25 million from the general fund for a loan to the Western Area Water Supply Authority as one-time funding. This amount is not to be considered part of the agency's base budget for preparing the 2013-15 executive budget and the Bank of North Dakota is to report to the Appropriations Committees during the 2013 legislative session on the use of the funding.

Section 8 of 2011 Senate Bill No. 2371 provides for a contingent transfer of \$20 million from the general fund to the rebuilders loan program fund if the \$30 million transferred to the rebuilders loan program fund from the Bank is fully obligated prior to June 30, 2013. This funding is considered to be one-time funding for the 2011-13 biennium.

Rebuilders loan program - Section 1 of 2011 Senate Bill No. 2371 establishes a rebuilders loan program and loan fund at the Bank. The program is to provide loans to North Dakota residents affected by a presidentially declared disaster in the state in an area eligible for Federal Emergency Management Agency individual assistance for the purpose of the resident rebuilding the resident's flood-damaged home or purchasing a new home in the disaster-impacted community. Individual assistance designated counties include Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland, and Ward.

Section 7 of Senate Bill No. 2371 provides for a transfer of \$30 million from the current and undivided profits of the Bank to the rebuilders loan program fund. Section 8 of Senate Bill No. 2371 provides for a contingent transfer of \$20 million from the general fund to the rebuilders loan program fund if the \$30 million transferred to the rebuilders loan program fund from the Bank is fully obligated prior to June 30, 2013.

Status/Result

The following is a summary of the status of the Bank's one-time funding:

- Western Area Water Supply - See **Western Area Water Supply Authority** section below
- Rebuilders loan program - See **Rebuilders loan program** section below

As of March 2012, 540 loans totaling \$15,947,259 have been closed, 289 additional loans totaling \$8,146,210 have been approved but not closed, and 64 loans totaling \$1,920,000 are being processed. The Bank anticipates using both the initial \$30 million transfer of Bank profits and the contingent \$20 million transfer from the general fund.

Of the 829 approved loans, 95 percent are for residents in the Minot area, 4 percent are for residents in the Bismarck area, and 1 percent is for residents in the Mandan area.

Twenty-one loan requests have been denied for various reasons, including no damage, no ownership in damaged property, or property is covered by flood insurance.

Section 9 of Senate Bill No. 2371 appropriates \$10 million from the state disaster relief fund to the Adjutant General for providing:

1. Additional rebuilders loan program funding to the Bank.
2. Funding to political subdivisions for flood-impacted housing rehabilitation. Funding must be used as deemed most effective in that community to assist homeowners in rehabilitation or replacement of their flood-damaged homes and to retain homeowners in the community.

Western Area Water Supply Authority - House Bill No. 1206 (2011) establishes the Western Area Water Supply Authority to treat, store, and distribute water to western North Dakota and to provide for the supply and distribution of water to the people of western North Dakota for domestic, rural water, municipal, livestock, industrial, oil and gas development, and other purposes. The bill provides that the Bank provide a loan of \$50 million to the authority for the construction of the project. The State Water Commission is required to make available from funding appropriated to the commission \$25 million as a zero interest loan to the authority. The bill also appropriates \$25 million from the general fund to the Bank to provide a loan to the authority for a maximum term of eight years from the completion of the \$50 million loan from the Bank at 5 percent interest per year. The bill appropriates \$10 million from the resources trust fund to the Bank for the purpose of providing a loan to the authority for a maximum term of two years from the completion of the \$25 million loan from the general fund at 5 percent interest per year. The bill provides that this funding must be structured so that funding is provided, as needed, in the following order:

1. The \$25 million zero interest loan from the State Water Commission;
2. The \$50 million loan from the Bank;
3. The \$25 million loan from the general fund; and
4. The \$10 million loan from the resources trust fund.

Repayment of loans must be structured in the following order:

1. The \$50 million loan from the Bank;
2. The \$25 million loan from the general fund with deposit of the principal in the general fund and interest in the resources trust fund;
3. The \$10 million loan from the resources trust fund for deposit in the resources trust fund; and
4. The \$25 million zero interest loan from the State Water Commission for deposit in the resources trust fund.

Transfer of Bank of North Dakota profits

1. Section 4 of 2011 House Bill No. 1021 provides for a transfer of \$5 million from the current and undivided profits of the Bank to the health information technology planning loan fund or to the health information technology loan fund. Section 6 of House Bill No. 1021 amends Chapter 519, Section 8, of the 2009 Session Laws to extend the \$8 million transfer to the health information technology loan fund

The Bank will manage the cashflows and service the loans to the Western Area Water Supply Authority. The authority has received \$18 million from the \$25 million State Water Commission loan. The Bank anticipates providing the remainder of the \$25 million State Water Commission loan and a first advance from the \$50 million Bank loan by June 30, 2012.

1. As of March 2012, the Health Information Technology Office director has requested a transfer of \$500,000 of the \$8 million to the electronic health information exchange fund and a transfer of \$100,000 of the \$5 million to the health information technology planning loan fund.

or to the electronic health information exchange fund provided for the 2009-11 biennium into the 2011-13 biennium.

2. Section 1 of 2011 Senate Bill No. 2150 provides for a transfer in an amount to be determined by the Superintendent of Public Instruction to reimburse school districts for excess costs relating to special education and related services.
3. Section 7 of 2011 Senate Bill No. 2371 provides for a transfer of \$30 million from the current and undivided profits of the Bank to the rebuilders loan program fund.

2. As of March 2012, the Department of Public Instruction has not made a request for a transfer for special education costs.
3. For information on the transfer relating to the rebuilders loan program, see the **Rebuilders loan program** section above.

Estimated 2011-13 Bank of North Dakota capital structure

The following schedule shows an analysis of the Bank's estimated capital structure for the 2011-13 biennium:

June 30, 2011, capital	\$359,660,000
Estimated 2011-13 biennium profits	145,500,000 ¹
Estimated 2011-13 biennium transfers to the health information technology-related funds per Sections 4 and 6 of 2011 House Bill No. 1021	(13,000,000) ²
Estimated 2011-13 biennium transfers to the rebuilders loan program fund per Section 7 of 2011 Senate Bill No. 2371	(30,000,000)
Estimated capital on June 30, 2013	\$462,160,000

¹Actual calendar year 2011 profits were \$70.3 million.
²House Bill No. 1021 provides for a transfer of \$5 million from the Bank profits to the health information technology planning loan fund or to the health information technology loan fund and amends Chapter 519, Section 8, of the 2009 Session Laws, to extend the \$8 million transfer provided for the 2009-11 biennium into the 2011-13 biennium.

Legislative intent - Land purchase - Section 4 of 2011 House Bill No. 1014 provides legislative intent that to the best of its ability the Bank ensure that properties adjacent to Bank property northwest of West Street in Bismarck are developed for uses that are consistent with the mission and purpose of the Bank.

The Bank has purchased the adjacent properties at a cost of \$514,620. The Bank plans to prepare the lots for future development.

Flex partnership in assisting community expansion (PACE) - Section 22 of 2011 Senate Bill No. 2371 provides that the Bank utilize the Flex PACE program to assist in financing of affordable multifamily housing units for individuals in areas of North Dakota affected by oil and gas production and distribution.

The Bank anticipates transferring \$5 million, including \$1 million from biofuels PACE, \$1 million from Ag PACE, and \$1 million from the beginning farmer revolving loan fund, to the Flex PACE fund. Approximately \$3 million will be used to provide assistance in financing of affordable multifamily housing units for individuals in areas of North Dakota affected by oil and gas production and distribution. The remaining amount will be used for other Flex PACE uses, including interest buydown.

Bank of North Dakota loans

1. House Bill No. 1003 (2011) provides that Williston State College may borrow up to \$1,725,000 from the Bank for a workforce training building project during the 2011-13 biennium.
 2. House Bill No. 1004 (2011) provides that the State Department of Health may borrow up to \$500,000 from the Bank for the purpose of defraying the expenses associated with possible litigation and other administrative proceedings involving the Environmental Protection Agency during the 2011-13 biennium.
 3. House Bill No. 1012 (2011) provides that the Department of Transportation may borrow up to \$120 million from the Bank for the purpose of providing funding for emergency relief projects on the state highway system for the remainder of the 2009-11 biennium and the 2011-13 biennium. Any federal funding received for projects receiving borrowed funds must be used to repay the loan from the Bank. Section 5 of 2011 Senate Bill No. 2371 amends of Chapter 12, Section 4, of the 2011 Session Laws, to increase the amount of funding that the Department of Transportation may borrow from the Bank during the 2011-13 biennium for emergency relief projects to \$200 million.
 4. House Bill No. 1015 (2011) provides that the Department of Corrections and Rehabilitation may borrow up to \$1.1 million from the Bank for the purpose of defraying the expenses of the Penitentiary project during the 2011-13 biennium.
 5. House Bill No. 1206 (2011) establishes the Western Area Water Supply Authority. The bill authorizes the Western Area Water Supply Authority borrowing authority of \$50 million for a construction loan. The bill also provides for a \$25 million general fund appropriation to the Bank and a \$10 million special fund appropriation from the resources trust fund for providing loans to the Western Area Water Supply Authority.
 6. Senate Bill No. 2078 (2011) authorizes the Bank to establish a residential mortgage loan program for mortgages where private sector mortgage loan services are not reasonably available.
 7. Senate Bill No. 2306 (2011) requires the Bank to establish and maintain an adequate guarantee reserve fund for the fuel production facility loan guarantee program. The Bank may request the Office of Management and Budget to transfer funds from the lands and minerals trust fund to maintain 25 percent of the guarantee reserve fund balance. The extent of the loan guarantee may not exceed 25 percent of the total loan. The maximum dollar amount for any guarantee on a single loan may not exceed \$12.5 million, and the value of all loan guarantees may not, at any one time, exceed \$25 million. House Bill No. 1451 (2011) discontinues the use of the lands and minerals trust fund and provides for maintenance of the guarantee reserve fund to be from the strategic investment and improvements fund.
1. As of March 2012, Williston State College has not requested a loan for a workforce training building project.
 2. As of March 2012, the State Department of Health has not requested a loan.
 3. As of March 2012, the \$120 million line of credit is available with no outstanding debt. The Department of Transportation has not made a formal request to add the additional \$80 million to the line of credit.
 4. As of March 2012, the Department of Corrections and Rehabilitation has not requested a loan.
 5. See **Western Area Water Supply Authority** section above for more information.
 6. As of March 2012, the Bank has provided two loans totaling \$211,200. An additional six loans totaling \$824,000 are being processed and applications for four loans totaling \$793,000 are being reviewed.
 7. As of March 2012, no guarantees have been issued.

8. Senate Bill No. 2308 (2011) provides that the Bank shall extend a line of credit not to exceed \$2.56 million to the Highway Patrol to establish an online electronic permit system. The Highway Patrol is to repay the line of credit with funds in the motor carrier electronic permit transaction fund.

8. As of March 2012, the Highway Patrol has requested the loan and the loan is being processed.