

**Bank of North Dakota
Budget No. 471
Senate Bill No. 2014; House Bill Nos. 1431 and 1475**

	FTE Positions	General Fund	Other Funds	Total
2021-23 legislative appropriations	173.00	\$10,000,000¹	\$747,791,179	\$757,791,179
2021-23 base budget	181.50	0	64,357,799	64,357,799
Legislative increase (decrease) to base budget	(8.50)	\$10,000,000	\$683,433,380	\$693,433,380

¹In addition to the amount shown, Section 15 of House Bill No. 1015 (2021) includes a contingent appropriation of \$17.5 million from the general fund to repay the remainder of a loan associated with the Theodore Roosevelt Presidential Library and Museum endowment fund. The funding is available only if the actual July 1, 2021, general fund balance exceeds the legislative estimate by at least \$17.5 million.

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2021-23 legislative appropriations	\$0	\$10,000,000	\$10,000,000
2019-21 legislative appropriations	0	17,500,000 ¹	17,500,000
2021-23 legislative increase (decrease) to 2019-21 appropriations	\$0	(\$7,500,000)	(\$7,500,000)
Percentage increase (decrease) to 2019-21 appropriations	N/A	(42.9%)	(42.9%)

¹The 2019-21 biennium general fund appropriations reflect a deficiency appropriation of \$17.5 million in House Bill No. 1025 (2021). See the **Deficiency Appropriations** section below for additional information.

**SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS
Changes to Base Budget**

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for base payroll changes			\$175,686	\$175,686
Added funding to provide employee salary increases of 1.5 percent on July 1, 2021, with a minimum monthly increase of \$100 and 2.0 percent on July 1, 2022			808,999	808,999
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,428.77 per month			7,751	7,751

Transferred 16 FTE positions to the Information Technology Department for a unification initiative resulting in a decrease in salaries and wages of \$3,287,172 and an increase in operating expenses of \$3,370,515	(16.00)		83,343	83,343
Added 7.5 new undesignated FTE positions to support future growth in Bank of North Dakota operations	7.50		1,024,128	1,024,128
Increased funding for information technology expenses (\$1,811,661) and Microsoft Office 365 licensing expenses (\$21,812)			1,833,473	1,833,473
Decreased funding for Bank contingencies to provide total contingency funding of \$3 million			(500,000)	(500,000)
Added one-time funding from bond proceeds for allocations to infrastructure projects and programs (House Bill No. 1431)			680,000,000	680,000,000
Added one-time funding from the general fund for a transfer to the agriculture diversification and development fund (House Bill No. 1475)		\$10,000,000		10,000,000
Total	<u>(8.50)</u>	<u>\$10,000,000</u>	<u>\$683,433,380</u>	<u>\$693,433,380</u>

FTE Changes

The Legislative Assembly authorized 173 FTE positions for the Bank of North Dakota for the 2021-23 biennium, a decrease of 8.50 FTE positions from the 2019-21 biennium authorized level of 181.50 FTE positions. The Legislative Assembly transferred 16 FTE positions to the Information Technology Department for the IT unification initiative, including 4 FTE technology services specialist positions, 2 FTE project manager positions, 6 FTE application support positions, 1 FTE technology services manager position, 1 FTE information system security analyst position, and 2 FTE bank operations specialist positions. The Legislative Assembly added 7.50 new undesignated FTE positions to support future growth in the Bank of North Dakota's operations.

Deficiency Appropriations

House Bill No. 1025 provides a deficiency appropriation of \$17.5 million from the general fund to the Bank of North Dakota to repay a portion of a loan associated with the Theodore Roosevelt Presidential Library and Museum endowment fund.

Federal COVID-19 Funding - 2019-21 Biennium

In House Bill No. 1395, the Legislative Assembly appropriated \$68,677,183 of federal coronavirus relief funds to the Bank of North Dakota for the 2019-21 biennium for a COVID-19 disaster relief program modeled after the partnership in assisting community expansion (PACE) programs and for a new program to provide one-time grants to businesses to assist with interest expenses associated with debt incurred prior to the COVID-19 pandemic.

One-Time Funding

The following is a summary of one-time funding items for the Bank of North Dakota for the 2021-23 biennium:

	General Fund	Other funds	Total
Bond proceeds appropriated for allocations to infrastructure projects and programs (HB 1431)		\$680,000,000	\$680,000,000
Transfer to a newly created agriculture diversification and development fund (HB 1475)	\$10,000,000		10,000,000
Total	\$10,000,000	\$680,000,000	\$690,000,000

Economic Development

The Legislative Assembly provided funding from transfers of Bank of North Dakota profits for the PACE fund, Ag PACE, biofuels PACE, and the beginning farmer revolving loan fund, as follows:

	2019-21 Biennium	2021-23 Biennium	Increase (Decrease)
PACE fund	\$26,000,000	\$26,000,000	\$0
Ag PACE fund	4,000,000	5,000,000	1,000,000
Biofuels PACE fund	1,000,000	1,000,000	0
Beginning farmer revolving loan fund	6,000,000	8,000,000	2,000,000
Total	\$37,000,000	\$40,000,000	\$3,000,000

Estimated Capital Structure

The following schedule provides an analysis of the Bank of North Dakota's estimated capital structure for the 2021-23 biennium:

	Amount
Estimated beginning capital level (July 1, 2021)	\$913,000,000
Estimated 2021-23 biennium profits	240,000,000 ¹
Estimated capital available before transfers	\$1,153,000,000
Estimated 2021-23 biennium transfers	
Transfer to general fund (Section 8 of Senate Bill No. 2014)	(\$140,000,000)
Transfers relating to economic development (Sections 9 through 12 of Senate Bill No. 2014)	(40,000,000)
Appropriation to the State Board of Higher Education for a tuition scholarship program for dual-credit courses (Section 2 of House Bill No. 1375)	(1,500,000)
Transfer to skilled workforce student loan repayment program fund and skilled workforce scholarship fund (Sections 6 and 7 of Senate Bill No. 2272)	(4,500,000)
Transfer to Agricultural Products Utilization Commission fund (Section 5 of House Bill No. 1009)	(2,700,000)
Transfer to Agriculture Commissioner's operating fund for a soil health cover crop grant program (Section 6 of House Bill No. 1009)	(300,000)
Total estimated 2021-23 biennium transfers	(\$189,000,000)
Estimated ending capital level (June 30, 2023)	\$964,000,000

¹Actual calendar year 2020 profits were \$141 million.

Profits and Transfers of Profits and Accumulated Earnings

The following schedule provides information on the Bank of North Dakota's profits based on calendar years as well as transfers of profits and accumulated earnings to state funds from the 2009-11 biennium to the 2021-23 biennium:

	Based on Calendar Years	
	Bank Profits	Transfers to State Funds
2009-11 biennium - Calendar years 2009 and 2010	\$119,934,000	\$500,000
2011-13 biennium - Calendar years 2011 and 2012	\$151,929,000	\$37,500,000
2013-15 biennium - Calendar years 2013 and 2014	\$205,174,000	\$40,255,000
2015-17 biennium - Calendar years 2015 and 2016	\$266,809,000	\$257,875,000
2017-19 biennium - Calendar years 2017 and 2018	\$303,792,000	\$315,547,000
2019-21 biennium - Calendar years 2019 and 2020	\$310,875,000	\$215,712,000
2021-23 biennium (estimated)	\$240,000,000	\$189,000,000

Bank of North Dakota Loans

The 2021 Legislative Assembly authorized loans from the Bank of North Dakota, as follows:

Bill No.	Description
HB 1015	Industrial Commission - Authorizes a line of credit up to \$250 million to support the clean sustainable energy fund. NOTE: House Bill No. 1015 amended House Bill No. 1452 to authorize the line of credit.
HB 1016	Adjutant General - Authorizes a loan of up to \$2.5 million related to fire emergencies and wildfire response mutual aid.
HB 1020	State Water Commission - Continues the commission's authority to access a line of credit but reduces it from \$75 million to \$50 million.
HB 1187	Creates a rebuilders permanent loan fund to provide loans to those impacted by disasters in the state.
HB 1475	Creates an agriculture diversification and development fund to provide loans to new or expanding value-added agriculture businesses.
SB 2012	Department of Transportation - Provides a contingent loan authorization to match additional federal funds that become available.

Bond Proceed Distribution

House Bill No. 1431 authorizes the Public Finance Authority to issue up to \$680 million of bonds to support infrastructure projects and programs, and appropriates the bond proceeds to the Bank of North Dakota for distribution. Of the \$680 million of bond proceeds, \$435.5 million is for the Fargo diversion project, \$74.5 million will be transferred to the resources trust fund for repayment of outstanding loans of the Western Area Water Supply Authority, \$50 million is for the infrastructure revolving loan fund, \$70 million will be transferred to the highway fund for highway bridge projects and matching federal funds, and \$50 million is for a North Dakota State University agriculture products development center, including a Northern Crops Institute project.

Other Sections in Senate Bill No. 2014

Transfer to general fund - Section 8 provides for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund during the 2021-23 biennium.

Transfer to PACE fund - Section 9 provides for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund during the 2021-23 biennium.

Transfer to Ag PACE fund - Section 10 provides for a transfer of \$5 million from the Bank's current earnings and undivided profits to the Ag PACE fund during the 2021-23 biennium.

Transfer to biofuels PACE fund - Section 11 provides for a transfer of \$1 million from the Bank's current earnings and undivided profits to the biofuels PACE fund during the 2021-23 biennium.

Transfer to the beginning farmer revolving loan fund - Section 12 provides for a transfer of \$8 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the 2021-23 biennium.

Infrastructure revolving loan fund - Section 17 expands the infrastructure revolving loan fund to include additional eligible projects, longer loan terms, increases in the loan amounts, and approval by the Department of Transportation and the State Water Commission for road and water projects, respectively. Section 36 requires the Bank of North Dakota to report to the Legislative Management regarding the status of the infrastructure revolving loan fund, the legacy infrastructure loan fund, and the water infrastructure revolving loan fund.

Interest rate buydowns for school construction loans - Section 32 authorizes up to \$2.5 million from the school construction assistance revolving loan fund to continue interest rate buydowns on school construction loans held by the Bank of North Dakota.

Related Legislation

House Bill No. 1050 - Business incentives - This bill changes the definition of a business incentive to exempt Bank of North Dakota programs that require job creation.

House Bill Nos. 1015 and 1452 - Clean Sustainable Energy Authority - This bill creates a clean sustainable energy fund from which the Clean Sustainable Energy Authority may recommend financial support for low-emission energy technology projects and authorizes the Bank to provide a line of credit of up to \$250 million to the fund.

House Bill No. 1016 - Disaster borrowing - This bill authorizes the Adjutant General to borrow up to \$2.5 million from the Bank for fire emergencies and wildfire response mutual aid.

House Bill No. 1187 - Rebuilders permanent loan program - This bill creates a rebuilders permanent loan fund to provide loans to those impacted by disasters in the state and consolidates the rebuilders loan program and the rebuilders home loan program in the newly created fund.

House Bill No. 1395 - Federal coronavirus funding - This bill appropriates federal coronavirus relief funds previously authorized by the Emergency Commission and Budget Section.

House Bill No. 1425 - Legacy infrastructure loan program - This bill authorizes the State Investment Board to invest the legacy fund through in-state debt and equity programs and creates a legacy infrastructure loan fund for the Bank to issue loans to political subdivisions for infrastructure projects as an in-state investment program for the legacy fund.

House Bill No. 1475 - Agriculture diversification and development fund - This bill transfers \$10 million from the general fund to a newly created agriculture diversification and development fund from which the Bank of North Dakota may issue loans to new or expanding value-added agriculture businesses.

Senate Bill No. 2012 - Contingent loan for matching federal funds - This bill provides a contingent loan authorization to the Department of Transportation to match additional federal funds that become available.

Senate Bill No. 2033 - Transfer of unspent Bank profits - This bill transfers unspent 2019-21 biennium appropriations, derived from Bank of North Dakota profits, to the University System capital building fund.

Senate Bill No. 2058 - Biofuels PACE expansion - This bill expands the allowable loans for biofuels PACE to include value-added operations in addition to livestock operations.

Senate Bill No. 2230 - Fuel production loan guarantees - This bill increases the reserves held in the strategic investment and improvements fund for fuel production facility loan guarantees.