

**Bank of North Dakota
Budget No. 471
House Bill Nos. 1003 and 1014**

	FTE Positions	General Fund	Other Funds	Total
2023-25 legislative appropriations	187.00	\$0	\$77,077,067	\$77,077,067
2023-25 base budget	173.00	0	68,816,548	68,816,548
Legislative increase (decrease) to base budget	14.00	\$0	\$8,260,519	\$8,260,519

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2023-25 legislative appropriations	\$0	\$0	\$0
2021-23 legislative appropriations ¹	0	27,500,000	27,500,000
2023-25 legislative increase (decrease) to 2021-23 appropriations	\$0	(\$27,500,000)	(\$27,500,000)
Percentage increase (decrease) to 2021-23 appropriations	N/A	(100.0%)	(100.0%)

¹Section 15 of House Bill No. 1015 (2021) included a contingent appropriation of \$17.5 million from the general fund to the Bank of North Dakota to repay the remaining balance of a loan associated with the Theodore Roosevelt Presidential Library and Museum endowment fund, which was available if the actual general fund beginning balance exceeded the forecast by at least \$17.5 million. The contingency was met and the funding was available for the repayment.

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			\$280,646	\$280,646
Added funding to provide employee salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024			2,685,488	2,685,488
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,643 per month			863,226	863,226
Added FTE positions as follows:	14.00		3,106,682	3,106,682
• 1 FTE credit underwriter IV position (\$253,976)				
• 1 FTE agricultural valuation supervisor position (\$290,214)				
• 1 FTE credit underwriter III position (\$222,652)				

- 1 FTE commercial valuation supervisor position (\$290,214)
- 1 FTE collateral valuation III position (\$217,735)
- 1 FTE collateral valuation analyst IV position (\$253,976)
- 1 FTE collateral valuation IV position (\$253,976)
- 1 FTE loan operations supervisor position (\$222,652)
- 1 FTE loan servicing supervisor position (\$188,381)
- 1 FTE business banking associate I position (\$139,104)
- 1 FTE loan servicing associate II position (\$139,104)
- 1 FTE loan servicing associate III position (\$159,414)
- 1 FTE business banking associate II position (\$257,933)
- 1 FTE staff accountant III position (\$217,351)

Transferred funding for new FTE positions and estimated savings from vacant FTE positions to a new and vacant FTE funding pool in the Office of Management and Budget.			(5,429,985)	(5,429,985)
Increased funding for shared software and service rate increases (\$44,660) and Information Technology Department rate changes (\$405,524)			450,184	450,184
Added one-time funding for information technology projects			804,278	804,278
Added one-time funding from the economic diversification research fund for grants to institutions under the control of the State Board of Higher Education (House Bill No. 1003)			5,500,000	5,500,000
Total	<u>14.00</u>	<u>\$0</u>	<u>\$8,260,519</u>	<u>\$8,260,519</u>

FTE Changes

The Legislative Assembly authorized 187 FTE positions for the Bank of North Dakota for the 2023-25 biennium, an increase of 14 FTE positions from the 2021-23 biennium authorized level of 173 FTE positions. The Legislative Assembly authorized 1 FTE credit underwriter IV position, 1 FTE agricultural valuation supervisor position, 1 FTE credit underwriter III position, 1 FTE commercial valuation supervisor position, 1 FTE collateral valuation III position, 1 FTE collateral valuation analyst IV position, 1 FTE collateral valuation IV position, 1 FTE loan operations supervisor position, 1 FTE loan servicing supervisor position, 1 FTE business banking associate I position, 1 FTE loan servicing associate II position, 1 FTE loan servicing associate III position, 1 FTE business banking associate II position, and 1 FTE staff account III position.

One-Time Funding

One-time funding for the 2023-25 biennium for the Bank of North Dakota totals \$6,304,278 for the following:

- \$804,278 from Bank of North Dakota operations for information technology projects; and
- \$5,500,000 from the economic diversification fund for grants to institutions under the control of the state board of higher education.

Deficiency Appropriations

House Bill No. 1199 (2023) transfers \$20 million from the Bank's profits to the partnership in assisting community expansion (PACE) fund for the 2021-23 biennium related to additional interest buydown requests.

Estimated Capital Structure

The following schedule provides an analysis of the Bank of North Dakota's estimated capital structure for the 2023-25 biennium:

	Amount
Estimated beginning capital level (July 1, 2023)	\$997,000,000
Estimated 2023-25 biennium profits	393,000,000 ¹
Estimated capital available before transfers	\$1,390,000,000
Estimated 2023-25 biennium transfers	
Transfer to general fund (HB 1014)	(\$140,000,000)
Transfers relating to economic development (See the Economic Development section below)	(61,500,000)
Transfer to the State Board of Higher Education for a tuition scholarship program for dual-credit courses (HB 1003)	(1,500,000)
Transfer to skilled workforce student loan repayment program fund (HB 1003)	(3,400,000)
Transfer to skilled workforce student loan repayment program fund and skilled workforce scholarship fund (HB 1003)	(3,400,000)
Transfer to the statewide interoperable radio network fund (HB 1242)	(20,000,000)
Transfer to Agricultural Products Utilization Commission fund (SB 2009)	(3,000,000)
Total estimated 2023-25 biennium transfers	(\$232,800,000)
Estimated ending capital level (June 30, 2025)	\$1,157,200,000

¹Actual calendar year 2022 profits were \$191 million.

Economic Development

The Legislative Assembly provided funding from transfers of Bank of North Dakota profits for economic development programs, as follows:

	2021-23 Biennium	2023-25 Biennium	Increase (Decrease)
PACE fund (2021 SB 2014; 2023 HB 1199 and 2023 HB 1014) ¹	\$46,000,000	\$39,000,000	(\$7,000,000)
Ag PACE fund (2021 SB 2014; 2023 HB 1014)	5,000,000	5,000,000	0
Biofuels PACE fund (2021 SB 2014; 2023 HB 1014)	1,000,000	1,000,000	0
Beginning farmer revolving loan fund (2021 SB 2014; 2023 HB 1014)	8,000,000	15,000,000	7,000,000
North Dakota small business development center (2023 HB 1014)	0	1,500,000	1,500,000
Total	\$60,000,000	\$61,500,000	\$1,500,000

¹Senate Bill No. 2014 (2021) included \$26 million for the PACE fund, and House Bill No. 1199 (2023) provides an additional \$20 million for the 2021-23 biennium. House Bill No. 1014 (2023) provides \$39 million for the PACE fund for the 2023-25 biennium.

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
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	\$310,250,000	\$217,659,000
2021-23 biennium - Calendar years 2021 and 2022	\$335,321,000	\$209,000,000
2023-25 biennium (estimated)	\$393,000,000	\$232,800,000

Bank of North Dakota Loans

The 2023 Legislative Assembly authorized loans from the Bank of North Dakota, as follows:

Bill No.	Description
HB 1012	Department of Transportation - Provides contingent loan authorization for a contingent loan of up to \$50 million to match additional federal funds that become available for the US Highway 85 project and for a contingent loan of up to \$28.5 million for matching funds from Minnesota or other sources for northern Red River Valley transportation projects
HB 1014	Industrial Commission - Increases a line of credit up to support the clean sustainable energy fund from \$250 million to \$390 million
HB 1199	Department of Career and Technical Education - Authorizes a line of credit of up to \$68,276,228 for a statewide area and career center initiative grant program
SB 2008	Public Service Commission - Provides a line of credit of up to \$900,000 to pay any costs associated with a rail rate complaint case
SB 2015	State Water Commission - Provides a line of credit of up to \$100 million for a transfer to the water infrastructure revolving loan fund
SB 2018	State Historical Society - Authorizes a line of credit of up to \$20 million for the construction of a military museum and related expansion projects
SB 2019	Parks and Recreation Department - Provides a line of credit of up to \$70 million to support activities related to the Theodore Roosevelt Presidential Library project
SB 2020	State Water Commission - Continues the commission's authority to access a line of credit and increases the line of credit from \$50 million to \$100 million

Other Sections in House Bill No. 1014

Transfer to general fund - Section 1 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 2023-25 biennium.

Transfers for economic development - Section 12 provides the following transfers from the Bank's profits during the 2023-25 biennium:

- \$39 million to the PACE fund;
- \$5 million to the Ag PACE fund;
- \$1 million to the biofuels PACE fund;
- \$15 million to the beginning farmer revolving loan fund; and
- \$1.5 million to the University of North Dakota for the North Dakota small business development center for the purpose of matching federal funds.

Employee recruitment and retention incentive program study - Section 25 requires the Bank of North Dakota and Industrial Commission to study the feasibility and desirability of creating an employee recruitment and retention incentive program for the Bank and requires the Industrial Commission to provide a report to the Legislative Management by March 31, 2024.

Legislative intent for use of Bank profits - Section 28 provides a statement of legislative intent that the Legislative Assembly consider developing procedures or adopting legislative rules for introducing bills and amendments related to the use of Bank of North Dakota profits.

Related Legislation

House Bill No. 1003 - Skilled workforce - Transfers \$8.3 million from the Bank's profits to the North Dakota University System office for State Board of Higher Education scholarships (\$1.5 million), to the skilled workforce student loan repayment program fund (\$3.4 million), and to the skilled workforce scholarship fund (\$3.4 million).

House Bill No. 1012 (2023) - Road project contingent loan authorization - Provides contingent loan authorization to the Department of Transportation for up to \$50 million to match additional federal funds that become available for the US Highway 85 project and for up to \$28.5 million for matching funds from Minnesota or other sources for northern Red River Valley transportation projects.

House Bill No. 1199 - Career center line of credit - Authorizes the Department of Career and Technical Education to access a line of credit of up to \$68,276,228 for a statewide area and career center initiative grant program.

House Bill No. 1242 (2023) - Statewide interoperable radio network fund - Transfers \$20 million from the Bank's profits to the statewide interoperable network fund.

House Bill No. 1276 (2023) - Agriculture diversification and development fund loans - Clarifies the Bank of North Dakota's authorization to provide loans from the agriculture diversification and development fund and authorizes the Agriculture Commissioner to distribute grants from the fund.

House Bill No. 1292 (2023) - Infrastructure revolving loan fund - Expands the types of projects eligible for a loan from the infrastructure revolving loan fund to include infrastructure required to service recreation and community facility, but not the construction of a building or recreational amenity.

Senate Bill No. 2009 (2023) - Agricultural products utilization fund - Transfers \$3 million from the Bank's profits to the agricultural products utilization fund for the 2023-25 biennium.

Senate Bill No. 2015 (2023) - Funding pools - Includes funding pools from which the agency may receive allocations, including the:

- Employer retirement contribution pool from which the agency is to receive \$181,939 from other funds in accordance with provisions of Section 23 of Senate Bill No. 2015 for the 1 percent employer retirement contribution increase provided for in House Bill No. 1040 (2023);
- New and vacant FTE funding pool from which the agency may request funding when hiring new FTE positions or if the agency does not realize sufficient savings from vacant FTE positions in accordance with provisions of Section 22 of Senate Bill No. 2015; and
- Targeted market equity pool from which the agency may receive an allocation as determined by the Office of Management and Budget in accordance with provisions of Section 20 of Senate Bill No. 2015.

Senate Bill No. 2015 - Water infrastructure revolving loan fund line of credit - Provides a line of credit to the State Water Commission of up to \$100 million for transfer to the water infrastructure revolving loan fund.

Senate Bill No. 2018 (2023) - Military museum line of credit - Authorizes a line of credit to the State Historical Society of up to \$20 million for the construction of a military museum and related expansion projects.

Senate Bill No. 2019 (2023) - Theodore Roosevelt Presidential Library line of credit - Provides a line of credit to the Parks and Recreation Department of up to \$70 million to support activities related to the Theodore Roosevelt Presidential Library project.

Senate Bill No. 2020 (2023) - Water project line of credit - Increases the line of credit available to the State Water Commission from \$50 million to \$100 million.

Senate Bill No. 2233 (2023) - Audit of Bank of North Dakota loan programs - Clarifies the provisions for auditing loan programs administered by the Bank of North Dakota.