

FISCAL NOTE

Requested by Legislative Council

01/24/2005

REVISION

Bill/Resolution No.: SB 2306

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2003-2005 Biennium | | 2005-2007 Biennium | | 2007-2009 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | (\$7,500,000) | | (\$6,000,000) | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2003-2005 Biennium | | | 2005-2007 Biennium | | | 2007-2009 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Senate Bill 2306 requires Bank of North Dakota to maintain a leverage ratio of 10%. Based on 2004 year-end financial statements, BND had approximately \$2 billion in assets. A 10% leverage ratio would require \$200 million in capital. BND projects to have capital of \$160 million at the end of the 2003-05 biennium. Therefore, to obtain the necessary capital ratio BND would have to increase capital by \$40 million (assuming the bank stays at the same asset structure).

The impact to the general fund would be approximately \$7.5 million for the 2005-07 biennium and \$6 million for the 2007-09 biennium. BND estimates its earnings for the 2005-07 biennium to be \$70 million. This bill restricts the amount of earnings that the BND may transfer to the general fund to 75% of earnings. This would mean that only \$52.5 million could be transferred to the general fund rather than the \$60 million as required in HB 1015. For the 2007-09 biennium we estimate earnings to be \$72 million, and with the same restriction of 75%, only \$54 million could be transferred. Assuming the general fund transfer from BND was again \$60 million for the 2007-09 biennium, the general fund would be shorted by \$6 million.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget.*

Indicate the relationship between the amounts shown for expenditures and appropriations.

Name: Eric Hardmeyer
Phone Number: 328-5674

Agency: Bank of North Dakota
Date Prepared: 01/24/2005