



Legislative Directed Loan Programs School Construction



BND Balance Sheet

vs

Legislative Directed Programs

Balance Sheet

\$ in thousands

12/31/2022

Cash and due from banks	<u>405,718</u>
Federal funds sold	<u>44,605</u>
Securities	<u>4,344,352</u>
Loans	
Commercial	3,199,277
Farm	709,866
Residential	351,076
Student	<u>1,104,408</u>
	<u>5,364,627</u>
Less allowance for loan loss	<u>(108,752)</u>
	<u>5,255,875</u>
Other assets	<u>145,265</u>
Total assets	<u>10,195,815</u>
Deposits -	
Non-interest bearing	632,498
Interest bearing	7,679,449
Federal funds purchased and repurchase agreements	205,845
Borrowings -	
Short-term	675,000
Other liabilities	<u>5,835</u>
Total liabilities	<u>9,198,627</u>
Equity	<u>997,188</u>
Total liabilities and equity	<u>10,195,815</u>

Loans "On Balance Sheet" in which BND participates with a Lead FI and takes the Risk / Reward that contributes to the earnings at the end of the year.

The funding for these loans is backed by the "Capital" of BND.

Why "Off Balance Sheet"

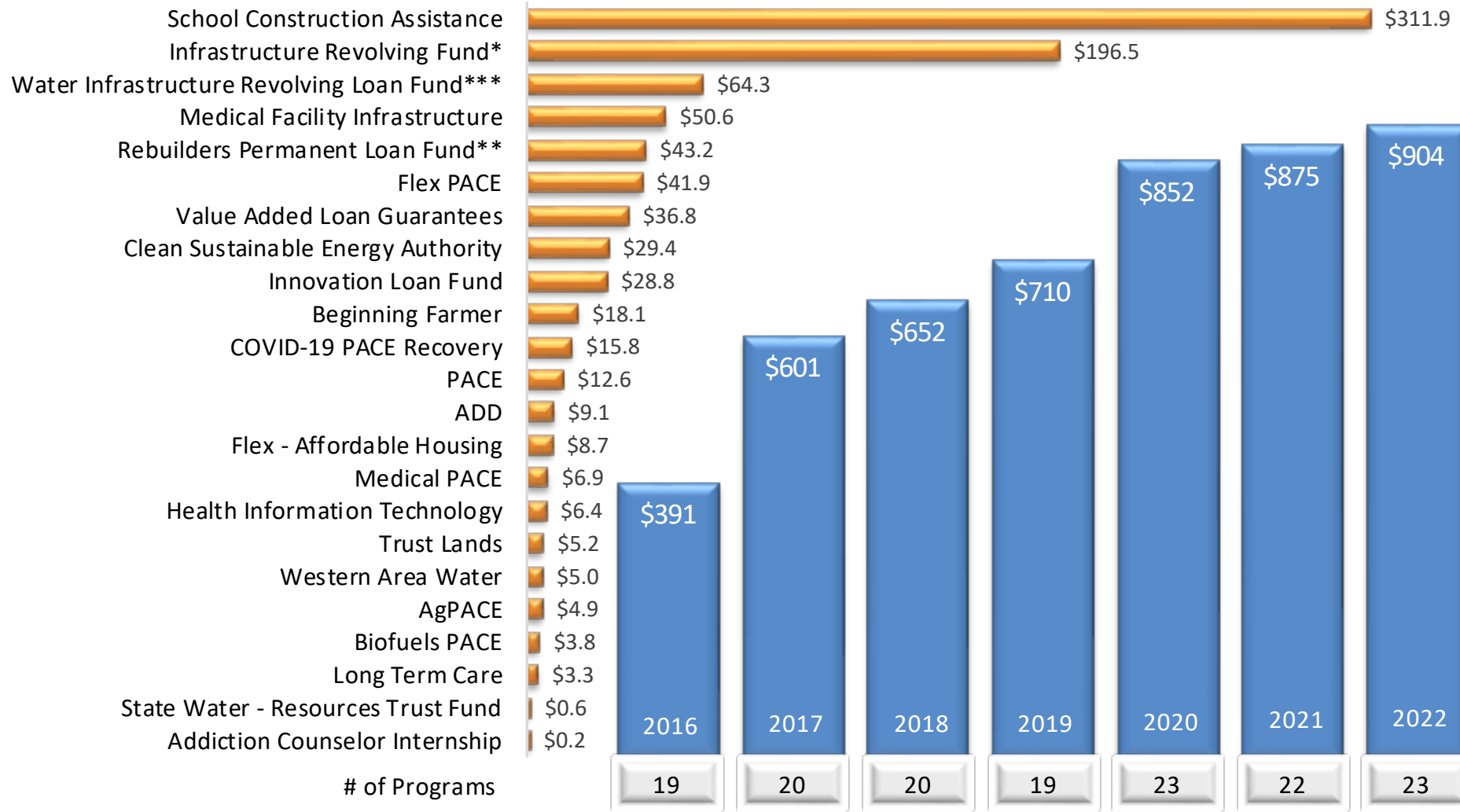
- Established by the Legislature
- Long-term fixed interest rate at 2%.
- Provides for up to 30 / 40 Year Terms

Procedurally:

- BND underwrites and administers loans
- Principal and interest returned to the funds
- BND receives a .50bp service fee
- Audits of the Funds

Legislatively Directed Loan Programs

BND administers 23 programs and \$904 million in assets for the Legislature

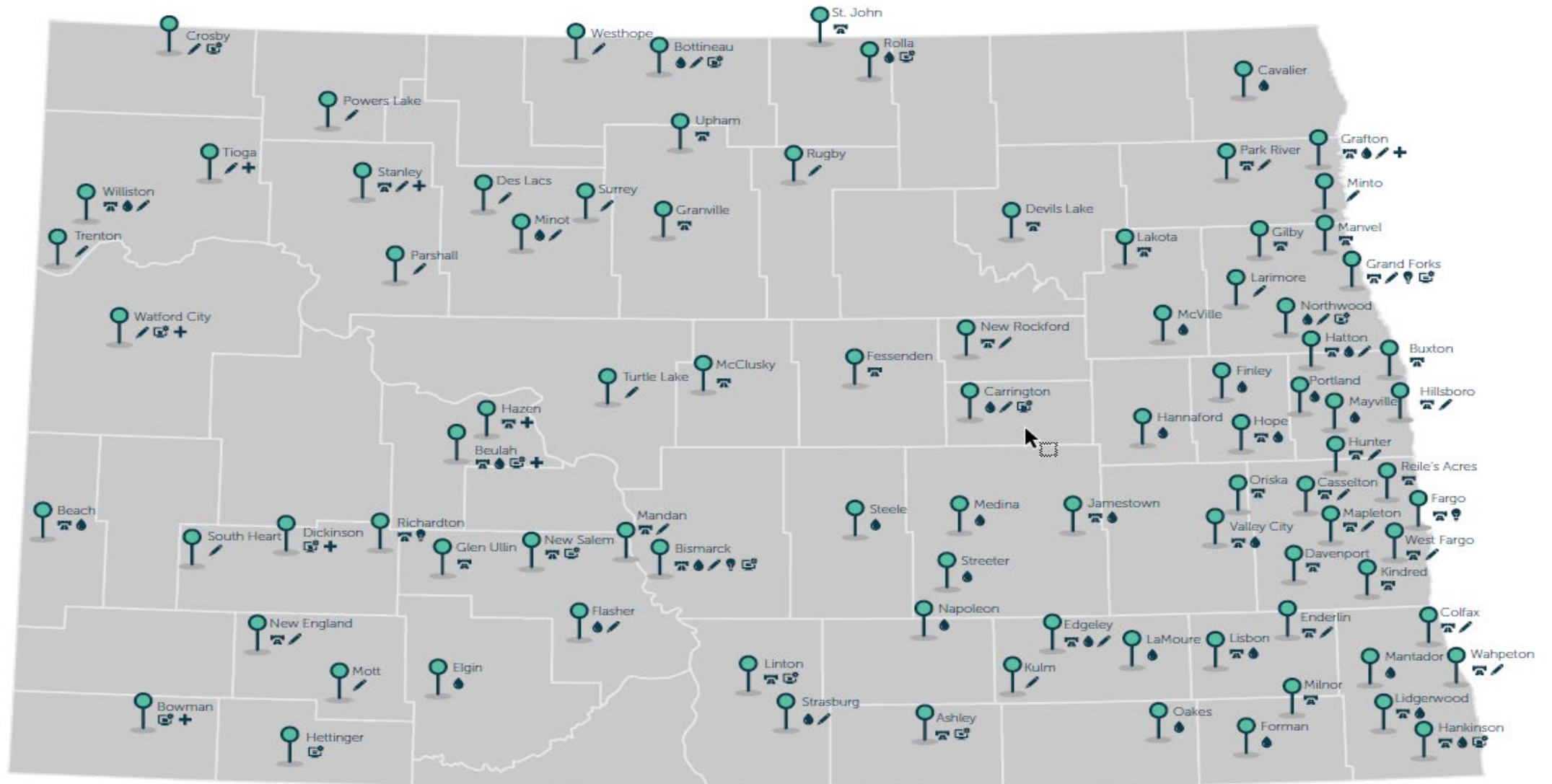



➤ BND currently administers programs that serve a wide range of purposes, including school construction, water projects, general and medical infrastructure, and disaster recovery.


➤ *Infrastructure Revolving Fund includes \$52 million to be transferred from BND's capital.


➤ ** HB 1187 created The Rebuilders Permanent Loan Fund (RPLF) during the 67th Legislative Session. This permanent revolving loan fund was established by transferring \$50 million in loans and cash from the Small Employer Loan Fund (SELF) created by BND during the Covid 19 pandemic to the RPLF.


➤ ***The Water Infrastructure Revolving Loan Fund was created by HB 1431. The Fund combined previously reported Community Water and State Water – Revolving Loan Fund.





 Infrastructure Revolving Loan Fund

 Water Infrastructure Revolving Loan Fund

 School Construction Assistance Revolving Loan Fund

 Innovation Loan Fund

 Health Information Technology Fund

 Medical Infrastructure Loan Fund

Timeline of School Construction Revolving Loan Fund

2015 Legislative Session

- Legislature made a decision to offer a low interest revolving loan fund for schools
- Put legislation in place to enable BND to offer the demonstration program utilizing a buydown approach (5% down to 2%)
- In the 2015-2017 Biennium, BND made \$123,000,000 in loans to school districts.

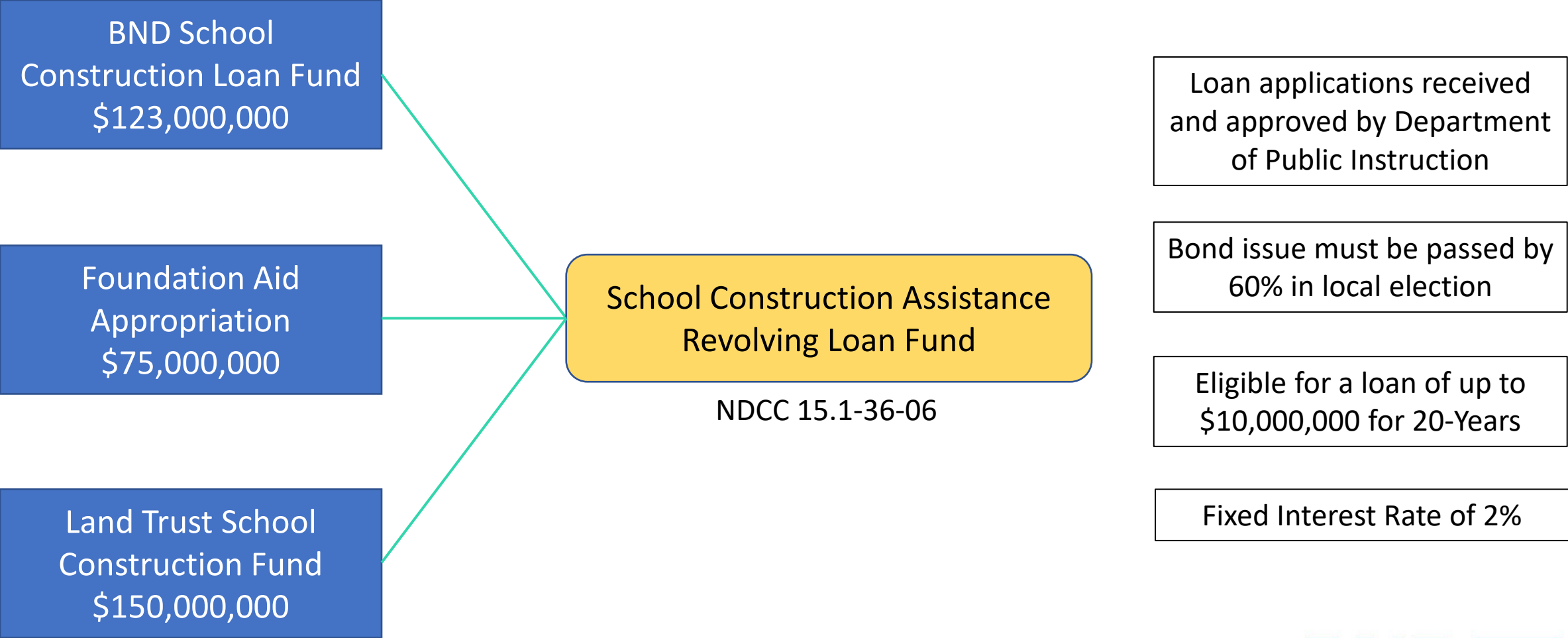


2016 Ballot Measure

- Legislature Passed SCR4003 to place a measure on the ballot
- Measure 2 passed in the 2016 general election enabling legislature to access excess revenues in the Foundation Aid Stabilization Fund for education purposes.

Timeline of School Construction Revolving Loan Fund

2017 Became the “Merge” Session



Current Status of SCARLF—January 2023

Cash Balance		38,498,289.00
Repayments through 6/30/2023		15,393,970.00
Available Funds		53,892,259.00
In Construction Commitments		8,716,425.00
Approved Commitments		30,000,000.00
Pending Applications		10,000,000.00
Current Available		5,175,834.00
2023 - 2025 Repayments		45,000,000.00
Available for New Loans 2023-2025		50,175,834.00

Total Loans Outstanding: \$311,000,000

Proposed Change in HB1186

As drafted, the maximum loan amount for which a school district may qualify for a loan from SCARLF would increase from \$10 million to \$20 million.

- Increasing the maximum loan amount from \$10 million to \$20 million, the SCARLF will reduce the number of loans that can be funded at the current level of funding.
- Assuming loans are for the maximum amount:
 - SCARLF can currently fund 4.5 new loans at \$10 million, per loan.
 - An increase to a \$20 million maximum at current funding level is 2.25 new loans.

Policy Question:

If current funding level is maintained...is the Legislature willing to decrease the number of loans that can be funded each biennium?

Proposed Change in HB1186

As drafted, the current 2% interest rate charged to school districts will decrease to 1%.

- Today, the fund receives repayments on existing loans; Biennial repayments total approximately \$45 million. These repayments are available to make new loans.

Example

- \$45 million of new loans generates \$10 million in interest when accrued at 2%, over a 20-year term.
- \$45 million of new loans generates \$4.8 million in interest when accrued at 1% over a 20-year term.

Policy Question

Is the Legislature willing to lower the interest rate on loans to school districts to 1% which revolves funds at a slower rate?

Policy Proposal in SB2284

SECTION 9. AMENDMENT. Subsection 5 of section 15.1-36-08 of the North Dakota Century Code is amended and reenacted as follows:

- 1 5. If the superintendent of public instruction approves the loan, the Bank of North Dakota
- 2 shall issue a loan from the school construction assistance revolving loan fund. For a
- 3 loan made under this section:
 - 4 a. The if the school construction project totals less than seventy-five million dollars,
 - 5 the maximum loan amount for which a school district may qualify is ten million
 - 6 dollars. However, if a school district's unobligated general fund balance on the
 - 7 preceding June thirtieth exceeds the limitation under section 15.1-27-35.3, the
 - 8 loan amount under this section may not exceed eighty percent of the project's
 - 9 cost up to a maximum loan amount of eight million dollars;
 - 10 b. If the school construction project totals seventy-five million dollars or more, the
 - 11 maximum loan amount for which a school district may qualify is fifty million
 - 12 dollars. However, if a school district's unobligated general fund balance on the
 - 13 preceding June thirtieth exceeds the limitation under section 15.1-27-35.3, the
 - 14 loan amount under this section may not exceed eighty percent of the project's
 - 15 cost up to a maximum loan amount of forty million dollars;
 - 16 c. The term of the loan is twenty years, unless the board of the school district
 - 17 requests a shorter term in the written loan application; and
 - 18 e.d. The interest rate of the loan may not exceed two percent per year.

School Construction Project Under \$75m remains at \$10m loan limit

School Construction Project Over \$75m increases loan limit to \$50m



Policy Proposal in SB2284

19 **SECTION 10. TRANSFER - FOUNDATION AID STABILIZATION FUND TO SCHOOL**
20 **CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND.** The office of management and
21 budget shall transfer the sum of \$75,000,000 from the foundation aid stabilization fund to the
22 school construction assistance revolving loan fund during the biennium beginning July 1, 2023,
23 and ending June 30, 2025.

SCALF with \$75 million appropriation from SB 2284
Allows for \$85 million of new loans per biennium

	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Cash	\$ 5,175,834.00	\$ 63,929,930.25	\$ 47,710,923.98	\$ 34,031,810.99	\$ 22,905,587.08	\$ 14,345,248.04	\$ 8,363,789.68	\$ 4,974,207.80
Appropriation	\$ 75,000,000.00							
Draws Funded	\$ (40,000,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)	\$ (42,500,000.00)
Admin Fee	\$ (1,694,239.22)	\$ (1,766,501.74)	\$ (1,825,768.46)	\$ (1,872,039.38)	\$ (1,905,314.51)	\$ (1,925,593.83)	\$ (1,932,877.35)	\$ (1,927,165.08)
Repayments	\$ 25,448,335.47	\$ 28,047,495.47	\$ 30,646,655.47	\$ 33,245,815.47	\$ 35,844,975.47	\$ 38,444,135.47	\$ 41,043,295.47	\$ 43,642,455.47
Ending Cash	\$ 63,929,930.25	\$ 47,710,923.98	\$ 34,031,810.99	\$ 22,905,587.08	\$ 14,345,248.04	\$ 8,363,789.68	\$ 4,974,207.80	\$ 4,189,498.19
Beginning Loans	\$ 324,296,178.84	\$ 338,847,843.37	\$ 353,300,347.90	\$ 365,153,692.43	\$ 374,407,876.96	\$ 381,062,901.49	\$ 385,118,766.02	\$ 386,575,470.55
Draws Funded	\$ 40,000,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00	\$ 42,500,000.00
Repayments	\$ (25,448,335.47)	\$ (28,047,495.47)	\$ (30,646,655.47)	\$ (33,245,815.47)	\$ (35,844,975.47)	\$ (38,444,135.47)	\$ (41,043,295.47)	\$ (43,642,455.47)
Ending Loans	\$ 338,847,843.37	\$ 353,300,347.90	\$ 365,153,692.43	\$ 374,407,876.96	\$ 381,062,901.49	\$ 385,118,766.02	\$ 386,575,470.55	\$ 385,433,015.08

Summary Slide

- HB1186 suggests two policy proposals the SCARLF
 1. Increase the maximum loan amount from \$10m per applicant to \$20m per applicant.
 - Without additional funding, the maximum number of projects that could be funded is reduced from 4.5 to 2.25
 2. Decrease the current 2% interest rate on school construction loans to 1%.
 - Decreasing the interest rate will reduce the amount of funding revolving back into the fund via repayments. \$45,000,000 in new loans will generate \$5,200,000 less, at 20-year loan terms, at 1% than at 2%.
- SB 2284 proposes to make policy changes to SCARLF
 1. For project under \$75m...retain the \$10m cap.
 2. For projects over \$75m, increase the cap to \$50m.
 3. Appropriate \$75m from Foundation Aid to the SCARLF in the 2023-2025 biennium.

Existing School Construction Loans

School Construction Assistance

January 2023

Name	City	State	Original Note Date	Principal Balance
PARK RIVER AREA SCHOOL DIST #8	PARK RIVER	ND	8/6/2015	\$5,902,983.19
MINTO PUBLIC SCH DISTRICT #20	MINTO	ND	8/7/2015	\$3,536,858.58
KULM PUBLIC SCHOOL DISTRICT #7	KULM	ND	9/15/2015	\$2,698,718.99
WILLISTON BASIN SCHOOL DIST007	WILLISTON	ND	9/25/2015	\$13,634,675.44
NEDROSE SCHOOL DISTRICT #4	MINOT	ND	10/27/2015	\$7,244,605.90
ALEXANDER PUBLIC SCHL DIS NO 2	ALEXANDER	ND	12/15/2015	\$5,674,695.07
GRENORA PUBLIC SCHOOL DIST #99	GRENORA	ND	12/2/2015	\$3,339,911.00
DICKINSON PUBLIC SCHOOL DIS #1	DICKINSON	ND	4/1/2016	\$7,940,734.47
HILLSBORO PUBLIC SCHOOL DIST#9	HILLSBORO	ND	8/11/2016	\$791,417.83
SOUTH HEART SCHOOL DIST 9	SOUTH HEART	ND	9/1/2016	\$5,183,677.98
STRASBURG PUBLIC SCHOOL DIST	STRASBURG	ND	10/12/2016	\$2,086,839.17
BISMARCK PUBLIC SCHOOL DIST	BISMARCK	ND	6/29/2017	\$4,232,096.45
CARRINGTON PUBLIC SCHOOL DIST	CARRINGTON	ND	11/15/2016	\$7,633,382.12
FLASHER PUBLIC SCHOOL DIST #39	FLASHER	ND	12/1/2016	\$3,640,644.50
DIVIDE COUNTY PUB SCHOOL DIST	CROSBY	ND	2/1/2017	\$5,272,800.78

MAPLETON PUBLIC SCHOOL DIST	MAPLETON	ND	2/22/2017	\$3,891,976.85
MOTT REGENT SCHOOL DIST #1	MOTT	ND	3/1/2017	\$4,401,420.77
EDGELEY PUBLIC SCHOOL DIST #3	EDGELEY	ND	5/3/2017	\$2,180,326.76
CENTRAL CASS PUBLIC SCHOOL	CASSELTON	ND	6/30/2017	\$6,501,048.44
HATTON EIELSON DISTRICT 7	HATTON	ND	8/1/2018	\$5,128,962.75
STANLEY PUBLIC SCHOOL DIST #2	STANLEY	ND	6/25/2015	\$3,492,478.53
MANDAN PUBLIC SCHOOL DIST	MANDAN	ND	8/1/2013	\$6,458,616.18
NORTHERN CASS PUB SCHOOL #97	HUNTER	ND	8/1/2013	\$1,035,899.79
WEST FARGO PUB SCHOOL DIST #6	WEST FARGO	ND	6/1/2020	\$9,165,268.46
WEST FARGO PUB SCHOOL DIST #6	WEST FARGO	ND	8/1/2013	\$10,385,149.52
WEST FARGO PUB SCHOOL DIST #6	WEST FARGO	ND	4/1/2014	\$5,704,772.42
RICHLAND PUBLIC SCHOOL DIS #44	COLFAX	ND	8/1/2013	\$2,465,133.61
NEW ENGLAND PUB SCHOOL DIS #9	NEW ENGLAND	ND	8/15/2013	\$641,792.92
NEW ENGLAND PUB SCHOOL DIS #9	NEW ENGLAND	ND	7/1/2019	\$4,941,537.73
SURREY PUBLIC SCHOOL DIST #41	SURREY	ND	8/15/2013	\$555,880.48
TURTLE LAKE-MERCER DIST #72	TURTLE LAKE	ND	11/1/2013	\$1,084,803.99

GRAND FORKS PUB SCHOOL DIST #1	GRAND FORKS	ND	12/2/2013	\$8,950,211.40
WAHPETON PUBLIC SCHOOL DIST#37	WAHPETON	ND	1/22/2014	\$11,483,755.52
GRAFTON PUBLIC SCHOOL DIST #18	GRAFTON	ND	4/1/2014	\$8,419,965.62
BISMARCK PUBLIC SCHOOL DIST	BISMARCK	ND	6/30/2014	\$9,831,385.53
BISMARCK PUBLIC SCHOOL DIST	BISMARCK	ND	9/19/2018	\$8,213,861.28
POWERS LAKE PUB SCHOOL DIST#27	POWERS LAKE	ND	7/1/2014	\$1,254,165.56
MINOT PUBLIC SCHOOL DIST #1	MINOT	ND	11/13/2014	\$12,796,281.06
SOUTH PRAIRIE SCHOOL DIST 70	MINOT	ND	11/14/2014	\$5,577,147.22
TIOGA PUBLIC SCHOOL DIST #15	TIOGA	ND	12/1/2014	\$4,379,255.42
WESTHOPE PUB SCHOOL DIST #17	WESTHOPE	ND	12/1/2014	\$1,963,922.74
MCKENZIE COUNTY SCHOOL DIST #1	WATFORD CITY	ND	1/28/2015	\$4,570,287.48
MCKENZIE COUNTY SCHOOL DIST #1	WATFORD CITY	ND	3/1/2020	\$9,064,775.54
CENTRAL CASS PUBLIC SCHOOL	CASSELTON	ND	12/1/2017	\$7,717,816.35
UNITED PUBLIC SCHOOL DISTRICT	DES LACS	ND	5/15/2018	\$7,998,255.26
EIGHT MILE PUBLIC SCHOOL DIST6	TRENTON	ND	6/1/2018	\$7,305,001.71
NEW ROCKFORD SHEYENNE SCHOOL 2	NEW ROCKFORD	ND	6/1/2018	\$2,646,125.35

PARSHALL SCHOOL DISTRICT	PARSHALL	ND	8/9/2018	\$4,614,652.01
BOTTINEAU PUBLIC SCHOOL DIST	BOTTINEAU	ND	8/1/2019	\$6,524,286.48
NORTHWOOD SCHOOL DISTRICT #129	NORTHWOOD	ND	8/1/2019	\$5,042,208.14
ENDERLIN AREA PSD #24	ENDERLIN	ND	6/18/2020	\$1,267,858.10
RUGBY PUBLIC SCHOOL DIST. NO 5	RUGBY	ND	7/1/2022	\$1,824,253.96
LARIMORE PSD NO 44	LARIMORE	ND	7/1/2022	\$435,672.72