



**America's Only Bank - Owned by a State
Serving North Dakota for 104 years**

**Senate Appropriations Committee
March 1, 2023**

Investing in North Dakota

“As America’s only Bank owned by a State, BND, in partnership with local financial institutions, currently has over \$5.4 billion of state revenues loaned to support Farmers, Ranchers, Students, and Businesses in North Dakota.”

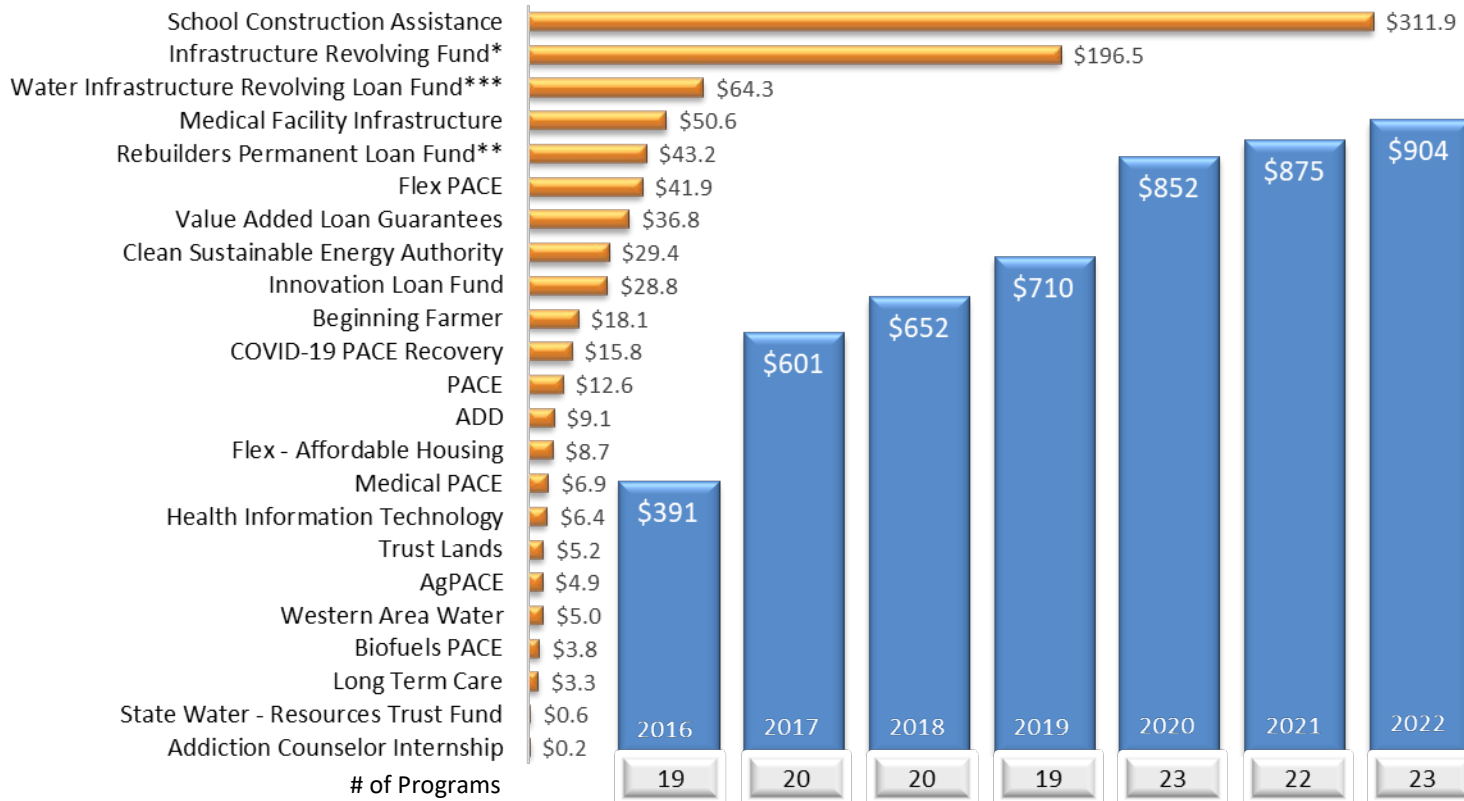


BND 
Bank of North Dakota

Legislatively Directed Loan Programs

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

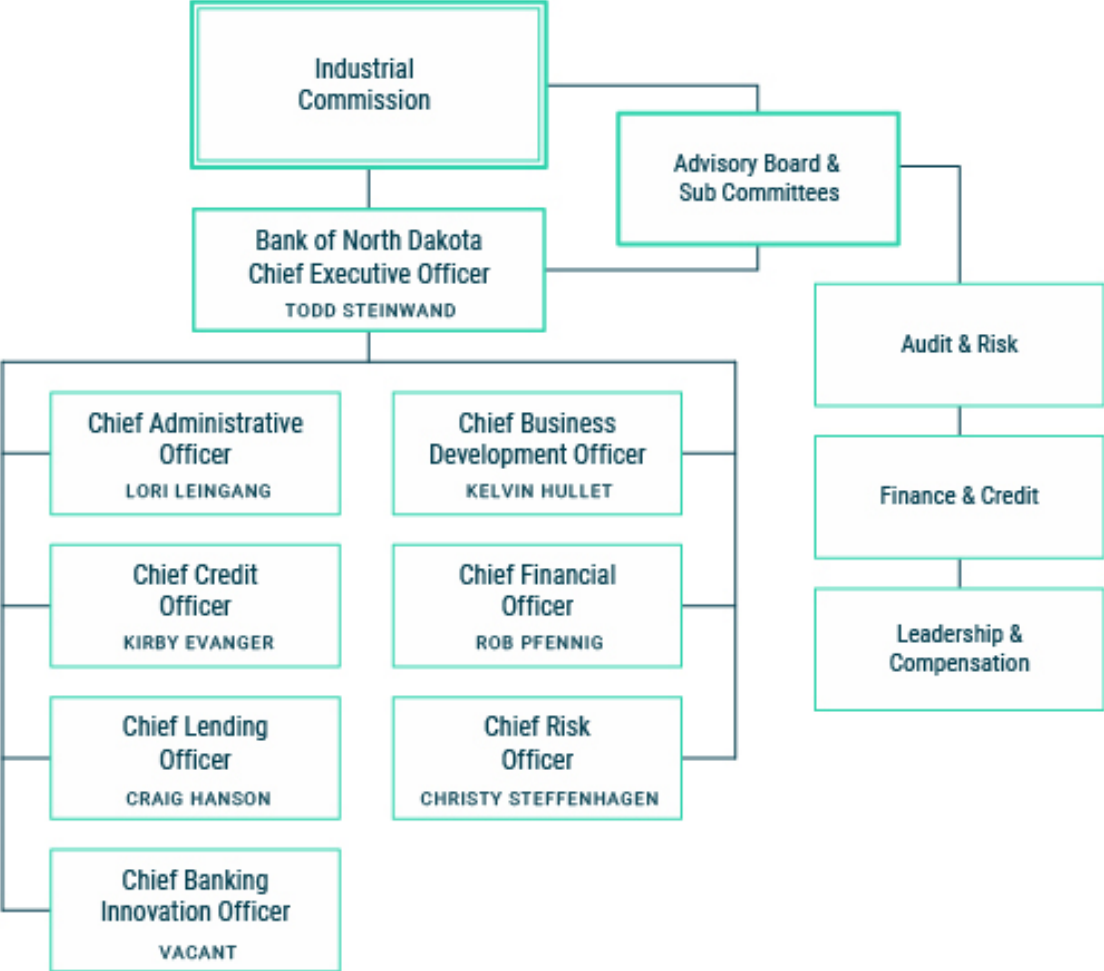
\$ in millions



- BND administers \$904 million in net assets for legislatively directed loan programs. These programs 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.

BND Organizational Structure

ND Century Code 6-09



Key Accomplishments

- Bank assets have grown from \$7.0 billion in 2018 to \$10.2 billion in 2022, a 46% increase while the total number of approved FTE's declined by 4.4%.
- In 2022, BND originated and renewed over \$2.8 billion in loans.
- Assets in the legislative directed programs have grown 131% since 2016 from \$391 million to \$904 million in 2022.
- Our Treasury Department settled 3,400 customer trades for a total number of bond holdings for customers of 14,500. This is a 9% increase from the beginning of the year, and a 44% increase since 2020. When combined with BND's own portfolio, over \$15 billion worth of bonds are held at BND, which far exceeds previous highs.
- Under Legislative direction, BND implemented new administered loan programs for Clean Sustainable Energy Authority, Agriculture Diversification and Development Fund, established a Permanent Rebuilders Loan Fund and as well as merged the BND-Water Infrastructure Loan Fund into the State Water Commission's Water Infrastructure Loan Fund.
- BND played an integral role in the financing structure of the sale of Coal Creek station through our lending department. The use of the Match program, and access to funding from the Legacy Fund provided in HB 1425 was essential to the transaction's success.
- BND continues to administer the various revolving loan funds and disbursed loans for LIFT in coordination with the Department of Commerce.
- No findings on the Bank's 2022 FASB audit.

HB 1014 – Bank of North Dakota

BND is a special fund agency. All expenses, including employee salaries are funded by revenues generated by the Bank.

	Biennium Budget 21-23	HB 1014 Biennium Budget 23-25	Change	% Change
Operations	\$67,306,546	\$74,727,686	\$7,421,138	11.0%
Capital Assets	\$1,510,000	\$1,510,000	-	-
Total	\$68,816,548	\$76,237,686	\$7,421,138	10.7%
FTEs	173	187	14	8.0%

\$ in 000s	Biennium 19-21	Projected Biennium 21-23
Revenue	\$458,142	\$537,099
% Change		17.2%

- Bank revenue has grown by 17.2% to \$537 million over the 19-21 biennium
- \$3,556,866 for 14 additional FTE's – BND only adds FTEs as needed
 - 6 - Lending
 - 2 - Credit Administration
 - 1 - Staff Accountant
 - 5 - Collateral Valuation
- \$1,896,264 - 4%/4% 23-25 salary increases
- \$883,084 - health insurance increase
- \$804,278 - one time IT related enhancements (operations)
- \$280,646 - continuation of the 21-23 legislative salary increases

9 FTEs - BND Growth - 2022 Statistics

Bank Overview

- Bank assets have grown from \$7.0 billion in 2018 to \$10.2 billion in 2022, a 46% increase.
- Total approved FTEs declined by 4.4%.
- BND initiated loans with 70 different lead banks (parent) and 207 different branches.
- In 2022, BND originated and renewed over \$2.8 billion in total loans.
- Combined loan portfolio is now \$5.4 billion
- BND structured investments for the \$2.0 billion in federal funds received

Commercial and Agriculture Lending

- 1,510 applications received. Dispositioned 1,364 loans / modifications.
- BND Total Commercial and Agriculture Loans: \$3.5 billion
- BND Renewal Total: \$1.3 billion
- BND New Origination Total: \$2.2 billion
- 162,004 Loan Payments totaling: \$2.4 billion
- 20,286 Loan Advances totaling: \$2.9 billion
- 32,665 Loan Student Loan Payments/Coupons totaling: \$20.4 million

Treasury and Trust Services

- 14,500 Customers for which BND holds bonds
- Settled 3,400 customer trades
- When combined with BNDs bond portfolio: \$15.0 billion in bonds held at BND, a 9% increase from beginning and year and 44% increase since 2020

Operations Division

- ACH Originations: \$15.8 billion (\$3.7 million originated)
- ACH Received: \$9.1 billion (1,599,557 entries)
- Wire Incoming: \$33.1 billion (19,310 entries)
- Wire Outgoing: \$39.4 billion (23,172 originated)
- Images: \$59.4 billion (19,598,444)

Student Loans

- 78,429 students, borrowers, and families served across all programs
- Total Student Loan portfolio \$1.1 billion
- 10,486 student loans initiated in 2022
- 26,147 phone calls; 12,808 emails; 500 chats; 203,935 visitors to websites for information
- 14,112 brochures and other materials distributed via various access and success touchpoints
- 67 Financial Literacy events with 2,213 students in attendance
- 151 College Application Month (CAM) events

Legislatively Directed Programs

- Legislative directed programs have grown 131% since 2016 from \$391 million to \$904 million
- In 2022, BND provided 74 Legislatively directed loans totaling \$97.5 million
- BND implemented new administered loan programs for Clean Sustainable Energy Authority, Agriculture Diversification and Development Fund, established a Permanent Rebuilders Loan Fund and merged the BND-Water Infrastructure Loan Fund into the State Water Commission's Water Infrastructure Loan Fund.

5 FTEs - Commercial Real Estate Evaluations

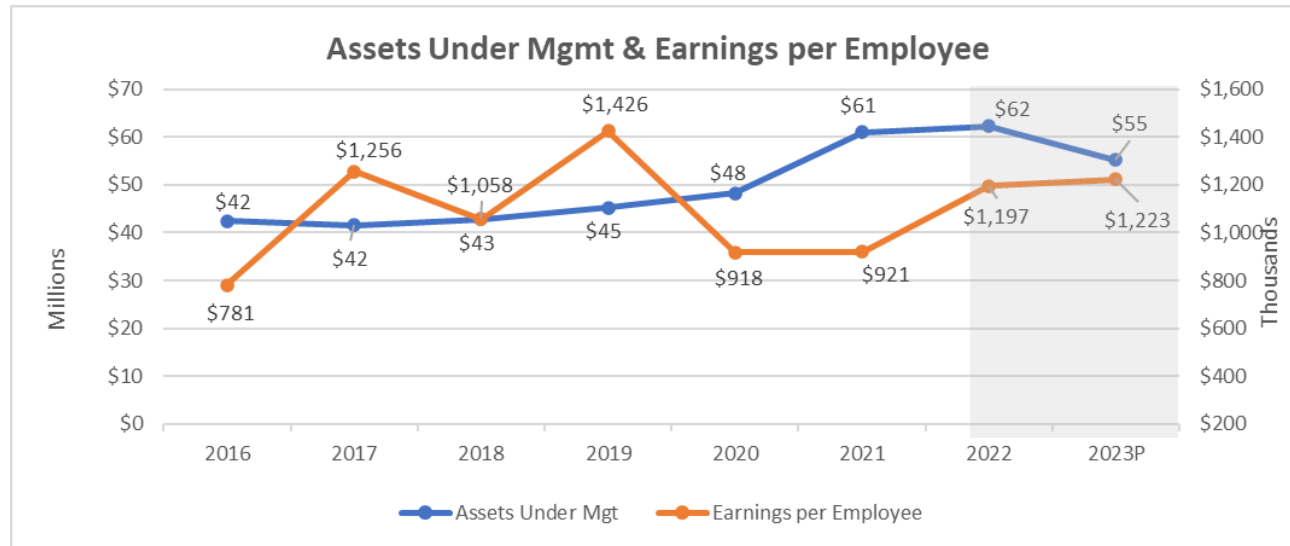
- 5 FTEs are projected to be required to meet demand. BND will hire additional staff only as warranted
- BND's collateral valuation services are paid for by ND financial institutions and will result in a net profit to BND
- A comprehensive feasibility study was completed utilizing various ranges of survey results of expected demand. Commercial evaluation services are the most significant valuation need for financial institutions across North Dakota
- Banks and credit unions, especially smaller ones, often lack the staffing, independence, expertise, and access to market data to complete real estate evaluations

FTEs by Position

# of FTE's	Job Title	Biennium Salary
1	Credit Underwriter IV	\$ 253,976
1	Agricultural Valuation Supervisor	\$ 290,214
1	Credit Underwriter III	\$ 222,652
1	Commercial Valuation Supervisor	\$ 290,214
1	Collateral Valuation III	\$ 217,735
1	Collateral Valuation Analyst IV	\$ 253,976
1	Collateral Valuation IV	\$ 253,976
1	Loan Operations Supervisor	\$ 222,652
1	Loan Servicing Supervisor	\$ 188,381
1	Business Banking Associate I	\$ 139,104
1	Loan Servicing Associate II	\$ 139,104
1	Loan Servicing Associate III	\$ 159,414
1	Business Banking Associate II	\$ 257,933
1	Staff Accountant III	\$ 217,351
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Challenges

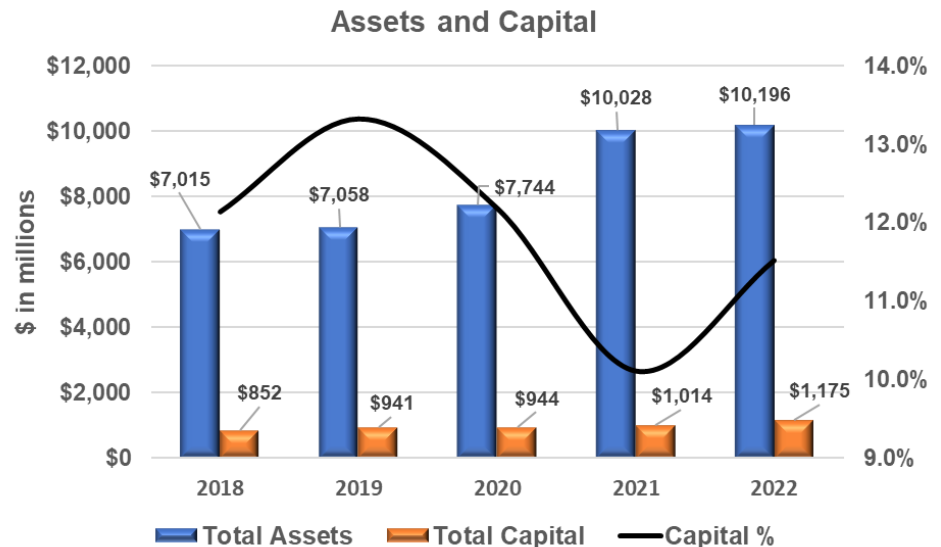
- Capital Constraints
 - Effects lending ability i.e., Lines of Credit to State Agencies and Others
- Retention and Recruitment
 - Lack of meaningful equity raises over the last three biennium's
 - 62% of BND employees are below the salary midpoint
 - BND's turnover rate has increased from 7.0% in 2020 and 9.0% in 2021 to an annualized rate of 11.4% in 2022



\$1.18 million of earnings per FTE

Capital Drives Growth

- What is Bank Capital?
 - Asset minus Liabilities = Capital
 - Profits that are retained at the Bank by the legislative body
 - Internal target of 12%
- Banks are required to have adequate Capital reserves to handle a certain amount of losses before being at risk of becoming insolvent
- Capital determines acceptable levels of lending concentration i.e., diversification
 - Lower levels of capital effect lending ability
 - Lines of credit for state programs and state agencies
 - Letters of credit to support large projects
- BND is participating in much larger transactions
 - The average commercial loan size in 2017 was \$1.3 million; today the average loan is \$2.4 million, an 84% increase
 - ~\$3.0 billion in unfunded commitments



Goal of achieving \$1.5 billion in capital by the end of 2026

BND Capital – General Fund Contributions

- SB 2014 from the 21-23 biennium required BND to transfer \$140mm to the general fund
- To date, BND has made no transfers for the 21-23 biennium
- HB 1014 section 23, the House amended the amount from the 21-23 biennium to \$70mm
- HB 1014 section 10, the House moved the remaining \$70mm to the 23-25 biennium
- With current legislative capital commitments, the Bank's capital ratio will be approximately 11.7% at 6/30/23 moving towards 13% by the end of 2023

Other Requests Effecting BND Capital

- HB 1199 - \$20mm for PACE, remainder of 21-23 biennium (passed both chambers)
- HB 1003 - \$16.5mm: \$15mm Skilled Workforce and \$1.5mm dual credit scholarships
- HB 1242 - \$20mm for Statewide Interoperable Radio Network
- HB 1014/SB2009 - \$3mm for Agriculture Product Utilization Commission
- HB 1014 - \$60mm for PACE Programs (detailed below)
- HB 1014 - \$1.5mm for Small Business Development Center (will propose amendment)

Program	Budget 21-23	HB 1014 23-25	Increase
PACE/Flex PACE	\$26,000,000	\$39,000,000	\$13,000,000
Ag PACE	\$5,000,000	\$5,000,000	-
Biofuels PACE	\$1,000,000	\$1,000,000	-
Beginning Farmer	\$8,000,000	\$15,000,000	\$7,000,000
Total	\$40,000,000	\$60,000,000	\$20,000,000

Retention and Recruitment

HB 1014 Section 17

- Allows the Bank to develop a retention and recruitment plan. The plan must be approved annually by the Bank's Advisory Board and Industrial Commission. Each interim, the Bank must report to legislative management on the status of the plan. The plan must not exceed 1% of the Bank's earnings and earnings must exceed \$100mm for the year.
- BND has developed a conceptual plan designed around:
 - Attracting and retaining talent
 - Limiting risk and enhancing organizational performance
 - Motivating employees to achieve and maintain high performance
 - Ensure competitive and consistent salary practices
- The annual amount earned would be paid out over a three-year period in 1/3 increments

Thank You!



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