

Testimony before Senate Appropriations

January 30, 2023

Todd Steinwand, President

Bank of North Dakota

Mr. Chairman and members of the Committee. I am Todd Steinwand, President and CEO of the Bank of North Dakota. I am here today to support the proposed amendment to HB1199 providing an appropriation of \$20,000,000 to Bank of North Dakota for its Partnership in Supporting Community Partnership (PACE) programs. The PACE programs are a public-private partnership with local financial institutions and communities intended to support economic development and diversification in the state.

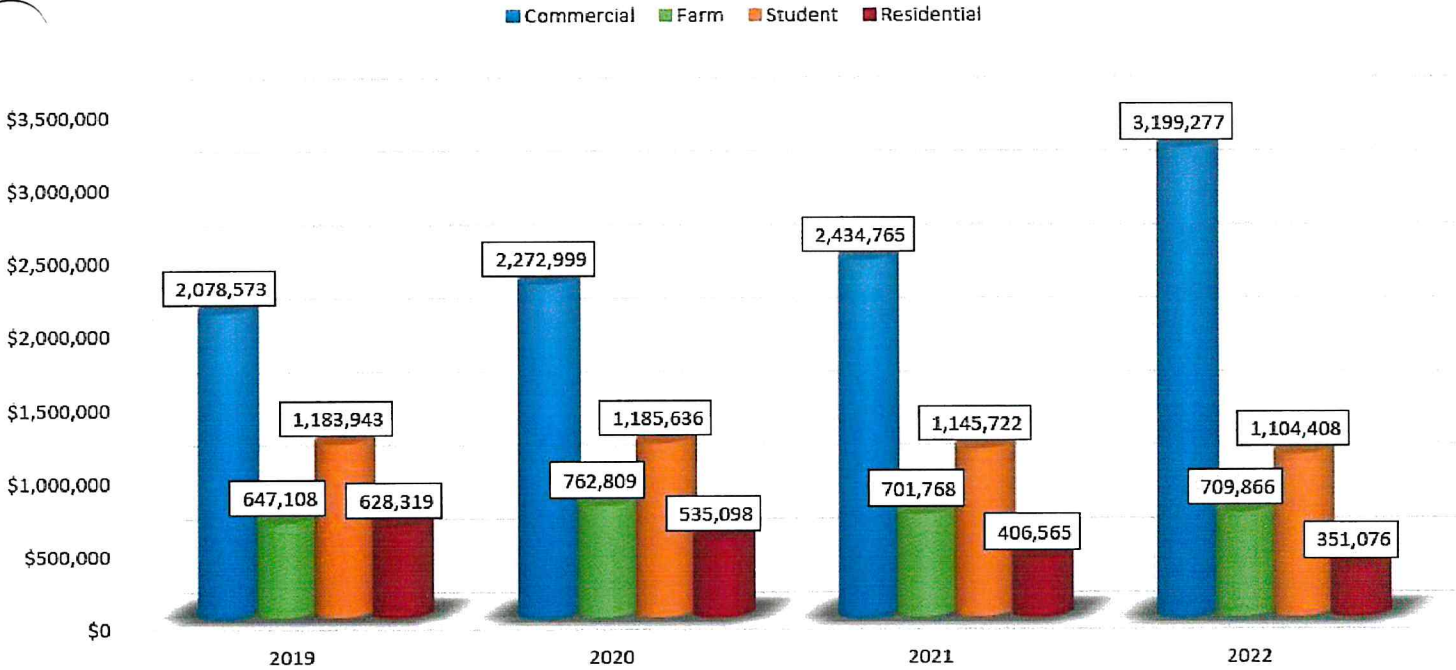
As with almost every BND loan program, a lead financial institution must initiate and underwrite the loan which is then “participated” with BND. The goal of the program is to provide a “buydown” of the interest rate for a project that meets program guidelines. The buydown amount is based on the amount of investment or number of jobs created and requires the community to participate by providing a local contribution amount based on a percentage assigned to the community.

The normal process for allocating funding for the PACE programs is during the legislative session BND will provide, as part of its appropriation request, an amount for the anticipated need during that biennium. This amount is then appropriated from BND’s earnings.

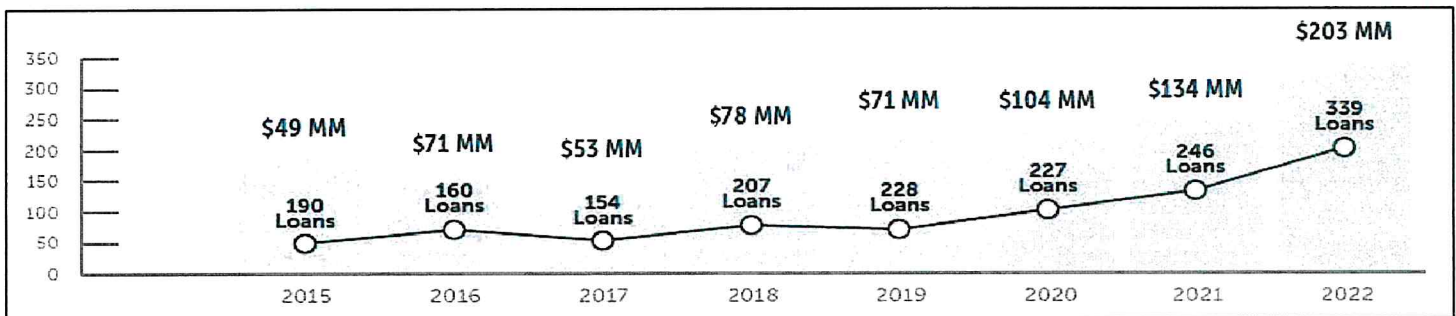
- In the 2019-2021 biennium, the appropriation was \$37,000,000.
- For the current biennium (2021-2023) the appropriation was \$40,000,000.

Normally, the \$40,000,000 appropriated would last the biennium. However, this is not a normal biennium. Over the last 2-years, BND’s total loan volume, based on economic activity in North Dakota increased from \$1.756B in 2021 to \$2,830B in 2022. Today, commercial and Ag loans are almost \$4 with a total loan portfolio of approximately \$5.4B. The graph on the next page provides an overview of activity from the last four years.

BND Loan Portfolio 2019-2022



This substantial growth in the loan portfolio created increased demand on the PACE programs as well. Following is a chart representing the growth in the PACE program loans over the last 7-years. As you can see, in 2022, BND initiated over \$200m in loans in the PACE programs.



As a result of the tremendous growth and demand, the \$40,000,000 appropriated for this biennium was exhausted on January 1 with 6 months remaining in this biennium. Today, BND is requesting an appropriation of \$20m with an emergency clause to ensure the loans currently in process and anticipated for the rest of the biennium can be funded. On the following page, for your information is a chart showing the distribution of PACE loans over the last 7-years.

PACE Loan Originations 2015-2022

Loan types include:
PACE, Flex Pace and Agriculture PACE

