

2019 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2296

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2296
1/22/2019
Job #31175

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the Bank of North Dakota loan guarantee program.

Minutes:

Att. #1-3

Chairman Klein: Opened the hearing on SB 2296. All members were present.

Senator Wanzek, District 29: See attachment #1 for testimony in support of the bill.

(6:00)Senator Roers: You talked about the Dakota spirit ethanol plant and simultaneously Blue Flint? Are those the same thing?

Senator Wanzek: They're affiliated with Midwestern AgEnergy.

Chairman Klein: This was established three sessions ago, you're adding a bit of language to allow the bank to determine the types of projects and then changing the dollar figures?

Senator Wanzek: If you look in the century code, this particular section has a title of fuel production facility, and working with legislative counsel they said you can't change the title. But if you make a statement, the one the bank can utilize to get the funds to make a guarantee that they feel is...

Chairman Klein: They shall establish the types of projects that are eligible. That doesn't interfere with what your goal is to deal with these products?

Senator Wanzek: No, and there are other added values of benched projects that want to work together, cooperate together with like some of these ethanol plants and providing some really neat added value options and opportunities.

Chairman Klein: But the bigger issue would be that we can provide more dollars similar to what we heard earlier. Leveraging dollars, providing more opportunity. This is exactly what you're thinking of but in a different sort of category.

Senator Wanzek: Right, and it does allow the developer with that guarantee, to get a higher percentage of financing and secure the needed funds. And also obviously, a loan to a bank that's guaranteed by the state is gonna have a lower interest rate on it.

Senator Burckhard: What does IMO stand for?

Senator Wanzek: In my opinion.

Senator Piepkorn: That's the first time we've seen a texting acronym in testimony.

Adam Dunlop, Midwest AgEnergy Group: see attachment #2 for testimony in support of the bill.

Senator Piepkorn: You really get the \$85 million worth of corn from the Jamestown area? You don't have to bring any in from the outside?

Adam: Almost all of the corn is secured within about 35 miles of the Spirit Wood area.

Chairman Klein: But the idea here is certainly to develop more value to those products. You were talking about barley, and CO2 capture. I need to have a tour this fall out there. They're not just squeezing corn and putting it in a bucket. The technology is just mind boggling.

(15:26)Al Christianson, Great River Energy: testified in support of the bill. It was very successful in 2013 when we carried that forward. What's more important in this day and age, is why GRE, Great River Energy, is interested in this, both of our locations where we have power plants, we've developed energy parks. We know we have to continue to bring value to coal-fire power plants to keep them viable. So by having an ethanol plant by Coal Creek Station, we sell them steam we sell them water. They have a lower carbon score so they can sell their ethanol into different markets. At Spirit Wood, we did the same thing. That was a project that was brought to us by Governor Hoeven at the time. Herald Newman wanted to build an ethanol plant at Spirit Wood, in, Cargil needed a solution for their high natural gas prices for their barely processing, for their molting plant. We went together, we were able to do it. Herald wasn't able to build the ethanol plant, but we saw the need. We built a power plant which created 65-70 high paying jobs in Jamestown area. The ethanol plant came, we were supplying steam to both the ethanol and to Cargil. Cargil has gone away. We still think this energy park concept is what is going to keep our plants viable. We're looking for any opportunity to bring value to our coal fire power plants. Ethanol plants, they'll supply the steam, the water. They want to put a greenhouse in next to our Coal Creek Station, which we would be able to sell them hot water which is waste heat that you see going out of the cooling towers, CO2 from the ethanol plant. It would be a \$35 million investment. There's also the opportunities they talked about, the CO2, the barley. Anybody that the Bank of North Dakota see as a value added ag, would allow them to fall under this and allow them to do those things. It's very positive for the economy. It's not only gonna help ag, its gonna help energy.

(18:05)Lance Gaebe, North Dakota Ethanol Producers Association: see attachment #3 for testimony in support of the bill.

Zac Smith, North Dakota Association of Rural Electric Cooperatives: testified in support of the bill. From our perspective this is a win all around for both ag and energy, the two biggest ones in North Dakota. I'm just here to urge a do pass.

(22:46) Dan Wogsland, North Dakota Grain Growers Association: testified in support of the bill. Its all been said. We would echo all the sentiments said here today. The North Dakota Grain Growers would like to offer their support for the bill.

(23:18) Scott Rising, North Dakota Soybean Growers Association: testified in support of the bill. Ditto what he said.

Todd Steinwand, Chief Business Officer, Bank of North Dakota: provided neutral testimony. This program allows the bank to provide up to a 30% guarantee. Once the project is funded, those funds are transferred to the bank. They are invested so while they are in the bank's control there is a return on that investment similar to what's in the original fund. These programs do take a lead lender to originate them, the Bank of North Dakota may or may not participate in them, in the previous project we did we were asked to participate as part of a lender on it, but we wouldn't need to. But we do administer the guarantee. There is a 1% fee, one-time fee up front for the guarantee. And then a fifty basis point ongoing fee for us to administer. It's been an effective program. It's fairly simple, fairly straight forward. Our intent after visiting with the sponsors of the bill is that it would be used for anything value added energy and anything value added ag. To expand that, rather than just a facility guarantee program.

Chairman Klein: The \$25 million that we authorized originally is back in the bank?

Todd: Yes, the loan is paid off. The state investment board, we put the cash back in, and we have some treasury bills right now. We're working with the state investment board they want to take those back and keep hold that security but we're in the processes of transferring that back.

Senator Piepkorn: Is this a total of \$50 million available? Or is that per project?

Todd: That's a total of \$50 million that's available. Under the current statute, it states that we can guarantee the loan, the maximum dollar amount of any single loan guarantee is \$25 million so there would be at least two projects. We work with the lead lender to structure the transaction and it's really a gap financing or a credit enhancement to help the project get done. We work very closely with the lead lender and then we put the guarantee in place really at the minimum amount that it would take to move forward.

Senator Piepkorn: In the history of doing this kind of guarantee, have any of these gone belly up?

Todd: We've only done one and it went very well. It's important to understand that even though we're guaranteeing, we do have lead lenders on these transactions that underwrite it, we also underwrite it. We take collateral. The transactions that you normally look at, are going to be new technology that's trying to emerge, and so that's the reason that the guarantee is in place, and the hope is that the guarantee is in place for it to get up and

running. Once its up and running, they refinance or do things which is the case. And they're off and running and don't need the Bank of North Dakota anymore.

Senator Roers: How did this one get paid off so quickly? What is the term of your commitment?

Todd: The regional term of this particular note started in October of '15. It actually paid off last year. What happened is they were a company that went through a restructure, they looked at restructuring the balance sheet and their debt. And the guarantee was no longer needed. It was strong enough to stand on its own. And the guarantee and the lead lender said we're comfortable doing this transaction without the guarantee.

Senator Roers: The interest rate you were charging, was it more appealing for them to go financiers outside of your relationship because the interest rate probably got better?

Todd: In transactions when companies normally refinance especially projects that successful, you have several lenders that are looking to finance the transaction and that competition does help drive interest rates down. We rely on the lead bank to set those rates. We are just guaranteeing the portion of it. We may take a participation if requested by the lead lender, but the sate provides the guarantee through us.

Chairman Klein: closed the hearing on SB 2296.

Senator Roers: Moved a Do Pass and rerefer to appropriations.

Senator Kreun: Seconded.

A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent.

Motion carried.

Senator Klein will carry the bill.

Date: 1/22
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2296**

Senate Industry, Business and Labor Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☒ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Roers Seconded By Kneun

| Senators | Yes | No | Senators | Yes | No |
|---------------------|-------------------------------------|----|------------------|-------------------------------------|----|
| Chairman Klein | <input checked="" type="checkbox"/> | | Senator Piepkorn | <input checked="" type="checkbox"/> | |
| Vice Chairman Vedaa | <input checked="" type="checkbox"/> | | | | |
| Senator Burckhard | <input checked="" type="checkbox"/> | | | | |
| Senator Kreun | <input checked="" type="checkbox"/> | | | | |
| Senator Roers | <input checked="" type="checkbox"/> | | | | |
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Total (Yes) 6 No 0

Absent 0

Floor Assignment Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2296: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2296 was rereferred to the Appropriations Committee.

2019 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2296

2019 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Peace Garden Room, State Capitol

SB 2296
3/5/2019
33236

- ☐ Subcommittee
☐ Conference Committee

| |
|-------------------------------|
| Committee Clerk: Ellen LeTang |
|-------------------------------|

Explanation or reason for introduction of bill/resolution:

Bank of ND loan guarantee program.

Minutes:

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|-----------------|
| Attachment 1, 2 |
|-----------------|

Chairman Keiser: Opens the hearing on SB 2296.

Senator Wanzek~District 29: Attachment 1.

5:30

Vice Chairman Lefor: Did we actually take 50 million dollars out the SIIF or did it just stay there?

Sen Wanzek: The 1st time we did this was three sessions ago, we just designated that 25 million sitting in the SIIF that could be accessed by the Bank of ND if they needed it. My hope is that the bank is doing the analysis before they expend that guarantee & vet the loan. We just designated for the risk & never leave the SIIF fund.

Rep Schauer: Why the 50 million?

Sen Wanzek: For some potential for projects to be developed.

Rep Schauer: Will these compete with the private banks?

Sen Wanzek: My understanding it could be a private bank. The Bank of ND will only be providing the guarantee to that bank.

Rep Richter: Since the money is not expended, is it still there? Does it make this request not actually for 50 million new dollars but 25 new & 25 old?

Sen Wanzek: Yes, it's still there.

Chairman Keiser: If we don't use it we have to authorize it?

Sen Wanzek: You're right.

Jeff Zueger~ND Producer Association: They have paid off their Dakota Spirit Ethanol plant project. Explains. We are looking at two projects & explains them. The loan guarantee is essential in putting these projects together.

14:30

Chairman Keiser: Could you walk us through the Dakota Spirit's history?

Jeff Zueger: Explains the history.

Chairman Keiser: You never accessed these dollars, they were there for a backstop?

Jeff Aueger: Yes.

Al Christianson~Great River Energy: This helps the electrical & power plants to become stronger.

18:40

Rep Schauer: What is your biggest threat to your industry?

Al Christianson: The uncertainty of regulations on the federal level.

Chairman Keiser: Did you use any of the guaranteed money for projects?

Al Christianson: It was for a few ethanol plants.

Chairman Keiser: You didn't actually use as SIIF?

Al Christianson: Yes.

Zac Smith~ND Associations of Rural Electric Cooperatives (REC): This is a win for the utility & members of the cooperatives. We urge a do pass.

Chairman Keiser: Sounds great if everything works but what happens if it doesn't work?

Zac Smith: I have a great degree of respect with the Bank of ND with these projects. So far, they are batting 1,000.

Lance Gaebe~Corn Growers & ND Ethanol Producers: I also have a me too testimony. We have a real nice resurgence of value in agriculture & agriculture opportunities.

Chairman Keiser: Has the loss of the ethanol subsidy affected the corn growers in the state?

Lance Gaebe: There was not an ethanol subsidy & there is a conception that there is. They are challenged right now. The margins are pretty tight. It helps because we have the local market.

Dan Wogsland~ND Grain Growers Association: We echo the support for the bill & it's a positive step in the right direction. This is a great opportunity.

Scott Rising~ND Soybean Growers Association: Please pass this bill. It's critical to our people.

Todd Steinwand~Bank of ND: Attachment 2. Goes through the mechanics of how this might work. Bank of ND does not originate these loans. They are originated by a lead lender & we rely on them. We may buy a participation of part of the debt.

Secondly, we don't guarantee 100% of the debt is guaranteed. The maximum is 30% of a project or loan. We want equity & for the business to have some skin in the game. That's where this guarantee comes into place on the newer projects.

It does expand the power of the Bank of ND as we set out the rules to include not only value added ag but value added energy. We've seen a renewed interest in a lot of value added ag & energy that look like great projects.

The way it works is the lead bank originates the loan, structures with the Bank of ND, we take whatever the amount of the guarantee is, money is transferred from the SIIF fund into the Bank of ND. However, the state land board directs what we invest that money in. It's still in the SIIF fund, it is held by us as a backup. It is owned by the SIIF & is held in a separate account with us. As the loan gets paid back & the guarantee amount goes down, the state land board can request that we transfer that back to them.

Chairman Keiser: You were holding up to 25 million, never used it, at the completion of the project, you then can transfer that money back?

Todd Steinwand: That is correct.

Chairman Keiser: It was never used?

Todd Steinwand: It was never used to pay any loan back; it just was held by us until the loan was paid in full.

Rep D Ruby: Was there a fee related to that?

Todd Steinwand: We change a onetime fee of 1% guarantee fee on the first project up front that is paid by the borrower. Going forward, there is a 50 basis servicing fee & that is paid out of the income of the fund.

Rep Schauer: The next guarantee is 30% of the loan, how is the other 70% breakout?

Todd Steinwand: It depends upon the project & how it's structured.

Rep Schauer: The risk factor for the lead banks, what is their skin in the game?

Todd Steinwand: If we guarantee 30% of the loan, they got 70% of less equity.

Rep Schauer: How concerned that in 2021 for regulations for energy?

Todd Steinwand: We look & analyze all things including the political, yes, we take that into consideration for loan decisions. It's impossible to get away from the fossil fuel business. It wouldn't be replaced for a fairly long time.

Rep Richter: Line 11 & 12, does that mean that it could be other projects other than agriculture based.

Todd Steinwand: Yes, it broadens the language now.

Chairman Keiser: It doesn't say that.

Todd Steinwand: That's correct. It's up to the bank to do the guidelines.

Rep P Anderson: Is the 50 million for "first hand"?

Todd Steinwand: It's a balancing act, it could be first in.

Rep P Anderson: If one goes south, what happens with the guarantee?

Todd Steinwand: They would go through the normal liquidation process.

Rep P Anderson: You wouldn't lose the whole guarantee?

Todd Steinwand: Yes, the money is paid to the lead bank, the money would be gone.

Chairman Keiser: Can you talk about the dynamics of the guarantee there versus if it's not there?

Todd Steinwand: Explains. Higher the risk, higher the rate. This brings down the rate back down to a normal rate.

Vice Chairman Lefor: Do you deal with other guarantee programs separate from this?

Todd Steinwand: Yes, we have a beginning farm real-estate loan program & beginning entrepreneur programs. Those are the two guarantee programs we do guarantee.

Vice Chairman Lefor: If this passes, I would request that the BND will need to report back in two years.

Todd Steinwand: We would be happy to provide you with that.

Chairman Keiser: There are certain members the house that would like to see this number decrease. We can fight for the 50 million, but we need to know that there is a real need. Without disclosing any preparatory information, do we need the 50 million?

Todd Steinwand: There was four projects mentioned here & I know of three or four other big projects that could be coming. These big projects take a lot & a long time to put together, 50 million would be great but we will take anything. The first project was 18 million.

Chairman Keiser: The 50 million, I can stand there & say that we need it.

Todd Steinwand: Yes, we've had interest in a lot of projects.

Chairman Keiser: Anyone else here to testify on SB 2296? Closes the hearing. What are the wishes of the committee?

Rep Bosch: Moves a Do Pass.

Rep Louser: Second.

Chairman Keiser: Further questions?

Rep Schauer: Why doesn't this have added value age & energy in it?

Chairman Keiser: They want the flexibility if it's on the margin to be able to do the project, would be my guess.

Todd Steinwand: That's correct.

Vice Chairman Lefor: We need to do things like this. The risk is there & there are other projects that need this.

Rep P Anderson: I would agree.

Chairman Keiser: We will fight the battle but don't be surprised when appropriations will suggest that we might reduce that amount. We could win this one on the floor to get it back. It will be an interesting discussion.

Al Christianson: It didn't have to go to appropriations because there is no fiscal note. In the senate it did not go to appropriations because it was a repeat.

Roll call was taken on SB 2296 for a Do Pass with 11 yes, 0 no, 3 absent & Rep D Ruby is the carrier.

Date: Mar 5, 2019Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. SB2296

House _____ Industry, Business and Labor _____ Committee

☐ SubcommitteeAmendment LC# or
Description: _____

Recommendation

- ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions

☐ Reconsider☐ _____Motion Made by Rep Bosch Seconded By Rep Louser

| Representatives | Yes | No | Representatives | Yes | No |
|---------------------|-----|----|-----------------|-----|----|
| Chairman Keiser | X | | Rep O'Brien | Ab | |
| Vice Chairman Lefor | X | | Rep Richter | X | |
| Rep Bosch | X | | Rep D Ruby | X | |
| Rep C Johnson | X | | Rep Schauer | X | |
| Rep Kasper | Ab | | Rep Adams | X | |
| Rep Laning | X | | Rep P Anderson | X | |
| Rep Louser | X | | Rep M Nelson | Ab | |
| | | | | | |
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Total (Yes) 11 No 0Absent 3Floor
Assignment Rep Ruby

REPORT OF STANDING COMMITTEE

SB 2296: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING).
SB 2296 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SB 2296

Senate Bill 2296 Testimony
Senator Terry Wanzek
1/22/2019

Chairman Senator Klein and IBL committee members. Three sessions ago we passed a loan guarantee program similar to this bill that allowed BND to guarantee a loan up to \$25 million for a fuel production facility. That effort resulted into a successful development project in the Dakota Spirit Ethanol plant in Spiritwood ND. Dakota Spirit provides good paying jobs, economic activity for the Jamestown area and a stable market for corn, purchasing 30-40 million bushels of corn per year from our local area farmers. And you can say that it did not cost the state anything! Funds were set aside in the SIIF fund for the purpose of providing risk capital for the BND to be able to provide the guarantee on the loan. However the loan has been paid off and the funds remain in the SIIF fund to be used again.

This bill is simply asking to extend that opportunity again. To provide for a loan guarantee from BND. It increases the amount of risk capital by 2X to \$50 million and expands the scope of the BND's authority to include other added value Agriculture ventures beyond fuel production facilities. It is my understanding there are other projects in the works that could benefit from this proposal. Projects that will add value to our Ag industry here in ND. There are folks here today that can elaborate more on that topic.

The loan guarantee provides benefits to the developers of the project by enabling them to secure more financing and also secure a reduction in costs by reducing interest rates for the cost of capital. The BND will be administering the loan guarantee and will oversee with due diligence the risk potential before they guarantee a loan. If all goes well there will no cost to the state other than to set aside the funds to backup the Bank's loan guarantee for a period of time. Mr. Chairman and IBL committee members, IMO it's a risk I believe worth pursuing. It can assist in the process of adding economic value to our already dynamic agriculture industry in our great state, with minimal risk and possibly no cost.



SB2296 1/22/19 Att# 2 pg. 1

2841 3rd St SW
Underwood, ND 58576
(701) 442-7500

Testimony of Adam Dunlop
Director of Regulatory and Technical Services
Midwest AgEnergy Group
In Support of SB 2296
January 22, 2019

Chairman Klein and members of the committee:

I am here today to voice support for SB 2296. My name is Adam Dunlop and I am the Director of Regulatory and Technical Services for Midwest AgEnergy Group (MAG).

MAG is an upper midwest biofuels enterprise consisting of Blue Flint Ethanol near Underwood, ND and Dakota Spirit Agenergy near Spiritwood, ND. Midwest AgEnergy is owned by Great River Energy and other accredited investors, including banks and international, agricultural and industrial businesses. Together, with our partners, we are building a renewable energy future for the country, increasing demand for North Dakota farmers and bringing prosperity to our communities.

In 2013 MAG was able to utilize about \$18 million from a BND loan guarantee program when securing financing to construct the Dakota Spirit Agenergy biorefinery. Dakota Spirit started operations in 2015 and was the first corn ethanol plant to be built since the Energy Independence and Security Act of 2007 required corn-based ethanol plants to meet a 20 percent greenhouse gas (GHG) reduction requirement. It is a state of the art plant which features a highly integrated distillation, dehydration and evaporation system that provides for energy usage lower than the balance of industry. The DSA project was highly leveraged and the BND loan guarantee was beneficial in getting the project financing completed. Today, DSA is in a strong financial position and purchases around \$85 million worth of corn from the surrounding community each year.



SB 2296 1/22/19 Att# 2 pg. 2

2841 3rd St SW
Underwood, ND 58576
(701) 442-7500

SB 2296 will help other qualified and well deserving projects secure more favorable financing options. MAG is currently contemplating numerous diversification projects or technological advancements which will enhance our long term viability as well as the local economies we help support. Types of projects include the creation of high value protein concentrate from barley, capture and beneficial use of CO₂ from fermentation, and utilization of crop residue or waste products to produce advanced or cellulosic biofuels. Estimated capital expenditures for these opportunities range from about \$5-50 million each.

Securing financing for these types of projects can be very challenging. A BND loan guarantee will help projects secure better terms on loans potentially reducing the amount of equity required and ultimately reduce the cost of capital. SB 2296 increases loan guarantee to qualifying projects from BND up to \$50 million. By helping secure project financing we see this bill enabling value creation in rural communities that would produce the feedstocks, provide the employees, and utilize or transport the finished goods created.

Thank you for the opportunity to testify today. I urge you to support SB 2296 and the economic opportunities it can help unlock in value added agriculture.





Testimony of Lance Gaebe
Executive Director

In Support of SB 2296
January 22, 2019

Chairman Klein and members of the committee:

My name is Lance Gaebe, I am the executive director of the North Dakota Ethanol Producers Association, which represents North Dakota's five ethanol plants and industry stakeholders. I am here today to support SB 2296, which is advanced by the ethanol plants to provide critical financing assistance to additional value-added opportunities.

North Dakota's ethanol industry contributes more than \$623 million annually to the state's economy and provides thousands of direct and indirect jobs. North Dakota's economy is dependent on agriculture and ethanol is a big deal here- the industry converts 200 million bushels of corn (40% of the state's average corn crop) into 523 million gallons of ethanol and 1.5 million tons of dried distillers grains for livestock feed. Thanks to North Dakota's innovative private sector investments and supportive state government programs, the state's ethanol production is more than five times the production a decade ago.

The Ethanol Producers endorse state value-added programs and incentives that support investments in next generation value-added agriculture, including:

- Agriculture product and by-product processing
- Bio-based chemicals
- CO2 capture and utilization
- Starch conversion
- Food processing

The Ethanol Producers Association has worked with the sponsors of SB 2296 to reestablish a Bank of North Dakota (BND) loan guarantee program that was previously specific to biofuels production facilities.

In 2013, the legislature created a biofuels facility loan guarantee program that assisted a major ethanol plant with its commercial credit terms and was instrumental in encouraging this business investment in North Dakota. The biofuels specific component of the program has expired, but the statutory language to allow the BND provide loan guarantees remains in NDCC Section 6-09.7-02. Senate Bill 2296 would reserve up to \$50 million of the SIIF (Strategic Investment and Improvements Fund) available for loan guarantee programs managed by the BND.

The Ethanol Producers Association likes this bill because it can help create better lending terms and reduced credit costs for additional value-added projects and expansions. The loan guarantee fund could be another tool to support agriculture projects in the state.

I will offer an example of adding value in a less traditional sense. The North Dakota ethanol industry produces 18 pounds of nearly pure CO₂ for every bushel of corn processed. The Renewable Energy Council, along with private industry dollars, have invested in research to help commercialize emerging CO₂ capture technologies. Our industry recognizes an opportunity capture that CO₂ and use it to generate additional revenue.

Red Trail Energy in Richardton, which is working in coordination with the Energy and Environmental Research Center in Grand Forks on a Carbon Capture and Storage project, estimates the economic impact of its project to be tens of millions of dollars per year. It has the promise of bringing significant impact to North Dakota and extending value to numerous industries. This project not only provides an additional revenue opportunity for use of the CO₂, but capturing the carbon improves the Carbon Intensity (CI) value of the ethanol as evaluated by several West Coast markets. Ethanol produced with a lower CI score is differentiated from other ethanol and is worth more in California and Oregon due to their Low Carbon Fuel Standards.

Projects like these, or to further process ethanol, corn or other agriculture products into higher-value products, help generate additional revenue for the 900+ North Dakota owners of Red Trail and our other ethanol plants. These investments are good for farmers, communities and North Dakota.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of SB 2296. The ethanol producers appreciate your affirmative consideration of SB 2296.

Senate Bill 2296 Testimony
Senator Terry Wanzek
3/05/2019

Attachment 1

Good afternoon Chairman Keiser and House IBL committee members. My name is Terry Wanzek, district 29 State Senator. Three sessions ago we passed a loan guarantee program, similar to this bill before you today, that allowed BND to guarantee a loan up to \$25 million for a fuel production facility. That effort resulted into a successful development project in the Dakota Spirit Ethanol plant in Spiritwood ND. Dakota Spirit provides good paying jobs, economic activity for the Jamestown area and a stable market for corn. They purchase roughly 30 million bushels of corn per year from our local area farmers. It had a positive effect on the local corn market by increasing the basis price of corn (difference in local price vs. Chicago board of trade price) by 50 cents per bushel per year. That's 30 million bushels times 50 cents or \$15 million per year more in the local communities farmers pocket and the local economy. Those \$ get turned over roughly 4 to 5 times or \$60 to \$75 million of economic impact per year. And you can say that it did not cost the state anything! Funds were set aside in the SIIF fund for the purpose of providing risk capital for the BND to be able to provide the guarantee on this loan. The loan has since been paid off and the funds remain in the SIIF fund to be used again.

This bill is simply asking to extend that opportunity again. To provide for a loan guarantee from BND. It increases the amount of risk capital by 2X to \$50 million and expands the scope of the BND's authority to include other added value Agriculture ventures beyond fuel production facilities. It is my understanding there are other projects in the works that could benefit from this proposal. Projects that will add value to our Ag industry here in ND. There are folks here today that can elaborate more on that topic.

The loan guarantee provides benefits to the developers of the project by enabling them to secure more financing and also secure a reduction in costs by reducing interest rates for the cost of capital. The BND will be administering the loan guarantee and will oversee with due diligence the risk potential before they guarantee a loan. If all goes well there will no cost to the state other than to set aside the funds to backup the Bank's loan guarantee for a period of time. Mr. Chairman and IBL committee members, IMO it's a risk I believe worth pursuing. It can assist in the process of adding economic value to our already dynamic agriculture industry in ND, with minimal risk and possibly no cost.

From: Steinwand, Todd J.
Sent: Wednesday, March 06, 2019 11:34 AM
To: Ruby, Dan J.
Cc: NDLA, H IBL - LeTang, Ellen
Subject: SB 2296

Representative Ruby, I promised you I would summarize some of the projects that BND is aware are being discussed and could be candidates for the guaranteed loan program under SB 2296. There are 4 value added ag projects totally over \$900 million in total project cost. I am also aware of 3 other value added energy projects totaling over \$800 million. Most of these projects are showing 50% equity so that the total loan financing needed will be closer to \$850 million. Let me know if you need any further information or would like information on the mechanics of the program. Thanks again.

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