

**Bank of North Dakota
Senate Bill No. 2015**

	FTE Positions	General Fund	Other Funds	Total
2001-03 executive budget (Governor Schafer) (bill as introduced)	178.50	\$8,500,000	\$30,780,867	\$39,280,867
2001-03 legislative appropriations	178.50	8,500,000	30,780,867	39,280,867
Legislative increase (decrease) to executive budget	0.00	\$0	\$0	\$0
Legislative increase (decrease) to 1999-2001 appropriations	0.00	(\$67,000)	\$3,338,428	\$3,271,428
2001-03 Governor Hoeven's recommendation	178.50	\$8,500,000	\$30,780,867	\$39,280,867
Legislative increase (decrease) to Governor Hoeven's recommendation	0.00	\$0	\$0	\$0

GOVERNOR HOEVEN'S RECOMMENDATIONS

The Hoeven recommendation did not change the Schafer recommendation.

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET (SCHAFFER) AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Bank of North Dakota is in accordance with legislative salary and fringe benefits guidelines as contained in House Bill No. 1015. In addition to the above appropriations, agencies may receive additional funding from the \$5 million appropriated in Section 1 of House Bill No. 1015 for special market equity adjustments for classified state employees whose salaries are the furthest from their respective salary range midpoints.

Major Items

The Legislative Assembly did not change the executive recommendation for funding for the Bank of North Dakota.

FTE Changes

The Legislative Assembly did not change the executive recommendation which included funding for 178.5 FTE positions, the same as the 1999-2001 biennium.

Economic Development

The Legislative Assembly did not change the recommended funding levels for the partnership in assisting community expansion (PACE) fund, the agriculture partnership in assisting community expansion (Ag PACE) fund, or the beginning farmer revolving loan fund. The following is a comparison of the funding for the PACE fund, Ag PACE fund, and the beginning farmer revolving loan fund:

	1999-2001 Appropriation	Executive Recommendation	2001-03 Appropriation
PACE fund	\$6,000,000	\$6,000,000	\$6,000,000
Ag PACE fund	1,500,000	1,500,000	1,500,000
Beginning farmer revolving loan fund	1,000,000	1,000,000	1,000,000
Total	<u>\$8,500,000</u>	<u>\$8,500,000</u>	<u>\$8,500,000</u>

Section 13 of Senate Bill No. 2015 allows the Industrial Commission to transfer any unobligated funds between the beginning farmer revolving loan fund and the Ag PACE fund during the period beginning January 1, 2003, and ending June 30, 2003.

Transfers to the General Fund

Sections relating to the transfer of funds from the Bank of North Dakota to the general fund were included in Senate Bill No. 2015 and House Bill No. 1015, the appropriations bill for the Office of Management and Budget.

Section 14 of Senate Bill No. 2015 provides that any transfer from the Bank of North Dakota to the state general fund may only be made to the extent that the transfer does not reduce the Bank's capital structure below \$140 million.

Section 11 of House Bill No. 1015 provides for transfers of up to \$60 million of Bank of North Dakota current earnings and accumulated and undivided profits to the general fund during the 2001-03 biennium. This is \$10 million more than the executive recommendation of \$50 million and the \$50 million of transfers authorized by the 1999 Legislative Assembly. The section provides that no transfers may be made which would reduce the Bank's capital structure below \$140 million and that no more than \$15 million of the amount transferred may come from accumulated and undivided profits.

Section 12 of House Bill No. 1015 provides for additional contingent transfers from the Bank's earnings and accumulated and undivided profits to the general fund. The additional contingent transfers may not exceed the lesser of \$25 million or the revenue shortfall of actual collections compared to the March 2001 legislative forecast. The \$25 million represents the amount included in the executive recommendation and is \$15 million less than the \$40 million of contingent transfers authorized by the 1999 Legislative Assembly. The section also provides that no transfers may be made which would reduce the Bank's capital structure below \$140 million.

The following schedule shows an analysis of the Bank's estimated capital structure for the 2001-03 biennium:

June 30, 2001, estimated capital level	\$170,000,000
Estimated 2001-03 biennium profits	64,000,000 *
2001-03 biennium transfers to the general fund per Section 11 of House Bill No. 1015	(60,000,000)
Maximum contingent transfers per Section 12 of House Bill No. 1015	<u>(25,000,000)</u>
Estimated capital on June 30, 2003, assuming contingent transfers of \$25 million are necessary due to general fund revenue shortfalls	<u>\$149,000,000</u>

* Actual calendar year 2000 profits were \$32.6 million.

Related Legislation

Senate Bill No. 2349 changes the limit of loans which may be guaranteed under the beginning entrepreneur program from \$500,000 to \$4,000,000 and requires the Bank of North Dakota to report on the status of the beginning entrepreneur loan guarantee program to the standing appropriations committees of each house of the 2003 Legislative Assembly.