

**TESTIMONY, HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE
FEBRUARY 3, 2021
HOUSE BILL 1215**

**KYLEE MERKEL – LARGE PROJECT AND GOVERNMENT PROGRAMS BANKER
BANK OF NORTH DAKOTA**

Mr. Chairman and members of the Energy and Natural Resources Committee, I am Kylee Merkel, large project and government programs banker for the Bank of North Dakota. I am testifying in a neutral position on HB1215 but do want to provide an amendment related to the administration of the proposed loan program. The amendment establishes the service fee to provide administrative costs for BND.

40-49-26. Park district loan program - Continuing appropriation.

A park district loan fund is established. The moneys transferred to the park district loan fund under subsection 2 of section 54-17.8-02 are made available to the Bank of North Dakota on a continuing basis for making loans in accordance with this section. [The Bank may use a portion of the interest paid on the outstanding loans as a servicing fee to pay for administrative costs which may not exceed one-half of one percent of the amount of the outstanding loans.](#)

The service fee is a reflection of the fixed costs to the Bank to administer loans shared over the portfolios. Over the last two sessions, in cooperation with the Legislature a “Government Rate” with standardized language for servicing loans and administrated programs on behalf of the legislature was established at .50 basis points or one-half of one percent.

The service fee is determined by accounting for the fixed costs of the Bank including salaries, building expenses, IT & Data Processing, office supplies, etc for services related to the loan portfolio. The administrated programs are counted in with the total loan portfolio balance to create a scale of efficiency. The short math in calculating the service fee is:

BND loan Portfolio Balance	\$4,442,253,551
Administered loans & Programs	<u>\$ 724,500,000</u>
Total Loan Portfolio Balance	<u>\$5,166,753,551</u>
Total Fixed Costs	\$ 26,590,042

The formula to determine the service fee is to divide the fixed costs (\$26,590,042) by the total loan portfolio balance. (\$5,166,753,551) which results in a basis point cost of .51%.

We request your approval of our amendment and I am happy to answer any questions.