

March 10, 2021

Bank of North Dakota
Testimony on HB1425
Senate Finance and Tax Committee

Position: Support

Madam Chair and members of the Senate Finance and Tax Committee, I am Todd Steinwand, Chief Business Development Officer for the Bank of North Dakota. I am testifying in support of HB1425 because of the positive impact it could provide to economic development and infrastructure projects in North Dakota.

As we look forward, North Dakota is reaching an interesting flex point. For years, discussions in the state have centered on the need to diversify the economy and enhance the oil and soil components with value added projects and companies. BND anticipates in the next three to five years, several large scale projects will begin development building on the economic diversification of the state. While bound by confidentiality agreements, BND is in discussion with companies for Match loans that could exceed \$450,000,000.

One question asked of the Match program is that while \$400 million is committed, only \$50m or \$100m is actually out in loans. I want to make a couple of points on this issue.

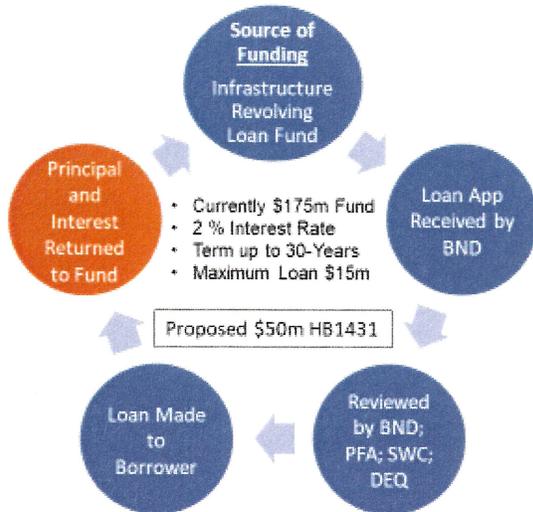
1. The size and scale of the projects under discussion will exceed \$2 billion dollars. These projects take not just months, but years to develop to the point of execution. While the funding may not go out immediately, it is essential to commit to these companies as they compose their financing models.
2. The Match program is a program specifically targeted to large-scale, economic diversification projects being driven by investment rated companies. The intent is to provide such companies with a loan that is comparable to corporate bonds, without the cost of issuance of fees.

I want to take a moment to address the Infrastructure Revolving Loan Fund created in HB1425 that will receive up to 40% of the 10% for fixed income investments. As proposed, the Legacy Infrastructure Loan Fund is a companion fund to the existing revolving loan fund administered by Bank of North Dakota.

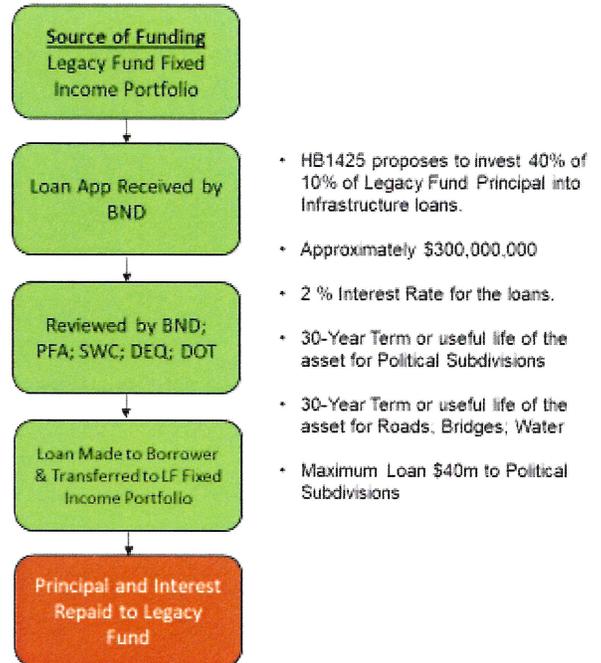
The existing fund is just over \$175,000,000 providing a maximum loan of \$15,000,000 for up to 30-years with an interest rate of 2%. The political subdivisions utilizing the program can speak to the impact on their communities.

The following charts demonstrate the mechanics of the existing revolving loan fund and the Legacy Infrastructure Loan Fund proposed in HB1425. The two programs have almost identical project definitions, review structure, length of term and interest rate. The substantial difference is on where the repayment of the loan is received. Existing loans go into the revolving loan fund. As proposed in HB1425, the loans will become part of the Legacy Fund fixed investment portfolio with principal and interest payments made to the Legacy Fund.

Existing Infrastructure Revolving Loan Fund
Administered by BND in 6-09-49



Legacy Infrastructure Loan Fund Proposed In HB1425
Utilizing LF Fixed Income Portfolio—6-09.49.1



Notes

- The intent is to create a uniform definition and loan terms between current and proposed infrastructure funding mechanisms.
- Includes the definition for "useful life of the asset" to match loan term with asset life.
- Proposes to increase maximum loan to \$40 million as a place holder until second half of session.

It should be noted that the definitions of essential infrastructure utilized in HB1425 are nearly identical to the definitions utilized in Operation Prairie Dog. The two differences are:

- In letter (j) in Section 1, the provision excluding broadband is removed. As the last year has demonstrated, access to broad band services can be considered an essential service.
- The addition of letter (k) in section 1 to include emergency service facilities, excluding hospitals. BND suggests this provision as a frequent call received is to assist in the financing of rural fire department buildings. And, many times, the courthouse, fire department and ambulance service are all housed in one facility. (k) creates the ability to assist in financing these facilities.

Thank you for consideration of HB1425 and I will be happy to answer any questions.