

ANALYSIS OF THE BEGINNING FARMER REVOLVING LOAN FUND CASH BALANCE FOR THE 2003-05 AND 2005-07 BIENNIUMS

| | <u>2003-05 Biennium</u> | <u>2005-07 Biennium</u> |
|---|--|--|
| Beginning balance - Cash | \$8,522,835 | \$10,062,835 |
| Add estimated revenues | | |
| Investment interest income | \$142,000 | \$240,000 |
| Principal and interest payments on loans | 4,944,000 | 3,400,000 |
| Transfers from the general fund (2003 HB 1015) | 950,000 | |
| Transfers from Ag PACE fund | <u>1,300,000</u> | |
| Total estimated revenues | <u>7,336,000</u> | <u>3,640,000</u> |
| Total available | \$15,858,835 | \$13,702,835 |
| Less estimated expenditures and transfers | | |
| Operating expenses | \$96,000 | \$110,000 |
| Buydown interest disbursed | 2,100,000 | 2,700,000 |
| New chattel loans funded | 3,600,000 | 4,750,000 |
| Transfer to Ag PACE for interest buydown (2005 SB 2014) | | 1,425,000 |
| Transfer to Public Service Commission for the rail rate complaint case (2005 HB 1008) | | 800,000 |
| Transfer to the agriculture fuel tax fund for the Agricultural Products Utilization Commission (2005 SB 2018) | | 425,000 |
| Total estimated expenditures and transfers | <u>5,796,000</u> | <u>10,210,000</u> |
| Estimated ending balance - Cash | <u><u>\$10,062,835¹</u></u> | <u><u>\$3,492,835^{2, 3}</u></u> |

NOTE: Subsection 8 of North Dakota Century Code (NDCC) Section 6-09-15.5 provides that notwithstanding any other provision of law, the Bank of North Dakota may transfer any unobligated funds between funds that have been appropriated by the Legislative Assembly for interest buydown in the beginning farmer revolving loan fund and the agriculture partnership in assisting community expansion (Ag PACE) fund.

¹In addition to the cash balance as of June 30, 2005, the beginning farmer revolving loan fund is estimated to have net loans outstanding of \$8.3 million.

²In addition to the cash balance as of June 30, 2007, the beginning farmer revolving loan fund is estimated to have net loans outstanding of \$10.6 million.

³Pursuant to subsection 8 of NDCC Section 6-09-15.5, a transfer of up to \$800,000 from the beginning farmer revolving loan fund to the Ag PACE fund may occur if the Ag PACE fund does not have sufficient funds to make the \$800,000 transfer to the Main Research Center for the beef systems center of excellence provided for in Section 8 of 2005 Senate Bill No. 2020. If this transfer occurs, the June 30, 2007, cash balance in the beginning farmer revolving loan fund would be reduced to \$2,692,835.

FUND HISTORY

The beginning farmer revolving loan fund originated in 1983 with passage of Senate Bill No. 2220, now codified as NDCC Section 6-09-15.5, and was established by a \$5 million transfer from the Bank of North Dakota. The loan fund was established for the purpose of making or participating in loans to North Dakota beginning farmers for the purchase of agricultural real estate, equipment, and livestock. The fund is a revolving fund, and all money transferred into the fund, interest upon money in the fund, and payments to the fund of principal and interest on loans made from the fund are appropriated for the purpose of providing loans and to supplement the interest rate on loans to beginning farmers. A loan made from the fund may not exceed 85 percent of the appraised value of the agricultural collateral, with the actual percentage to be determined by the Bank of North Dakota. The maximum term of a real estate loan is 25 years, and the maximum term of a farm equipment or livestock loan is 7 years.

The Bank of North Dakota supervises and administers the beginning farmer revolving loan fund and the loans made by the fund. Four programs have been established under the fund, including two direct loan programs--direct real estate loans and direct chattel loans--and two interest buydown programs-- interest buydowns on real estate loans and interest buydowns on chattel loans.