

**Bank of North Dakota
Budget No. 471
House Bill No. 1014**

	FTE Positions	General Fund	Other Funds	Total
2019-21 legislative appropriations	181.50	\$0	\$64,357,799	\$64,357,799
2019-21 base budget	181.50	0	59,299,204	59,299,204
Legislative increase (decrease) to base budget	0.00	\$0	\$5,058,595	\$5,058,595

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS
Changes to Base Budget

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for base payroll changes.			\$230,000	\$230,000
Added funding to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and 2.5 percent on July 1, 2020.			1,088,387	1,088,387
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,426.74 per month.			812,098	812,098
Increased funding for Bank operations related to information technology costs (\$876,800); professional development and services (\$139,508); Microsoft Office 365 licensing costs (\$37,352); and utilities, insurance, and other operating expenses (\$250,000).			1,303,660	1,303,660
Decreased funding for Bank operations related to postage and temporary employees.			(75,550)	(75,550)
Increased funding for Bank contingencies to provide total contingency funding of \$3.5 million.			1,000,000	1,000,000
Added funding for information technology equipment and software to provide total funding of \$1.51 million for capital assets.			700,000	700,000
Total	<u>0.00</u>	<u>\$0</u>	<u>\$5,058,595</u>	<u>\$5,058,595</u>

FTE Changes

The Legislative Assembly approved 181.50 FTE positions for the Bank of North Dakota for the 2019-21 biennium, the same as the 2017-19 biennium.

Economic Development

The Legislative Assembly provided funding from transfers of Bank of North Dakota profits for the partnership in assisting community expansion (PACE) fund, Ag PACE, biofuels PACE, and the beginning farmer revolving loan fund, as follows:

	2017-19 Biennium	2019-21 Biennium	Increase (Decrease)
PACE fund	\$16,000,000	\$26,000,000	\$10,000,000
Ag PACE fund	2,000,000	4,000,000	2,000,000
Biofuels PACE fund	1,000,000	1,000,000	0
Beginning farmer revolving loan fund	6,000,000	6,000,000	0
Total	\$25,000,000	\$37,000,000	\$12,000,000

Estimated Capital Structure

The following schedule provides an analysis of the Bank of North Dakota's estimated capital structure for the 2019-21 biennium:

	Amount
Estimated beginning capital level (July 1, 2019)	\$862,000,000
Estimated 2019-21 biennium profits	300,000,000 ¹
Estimated capital available before transfers	\$1,162,000,000
Estimated 2019-21 biennium transfers	
Transfer to institutions of higher education for capital building fund pools and campus network upgrades (Sections 29, 30, and 32 of House Bill No. 1003)	(\$20,000,000)
Transfer to general fund (Section 9 of House Bill No. 1014)	(140,000,000)
Transfers relating to economic development (Sections 10 through 13 of House Bill No. 1014)	(37,000,000)
Transfer to North Dakota development fund (Section 14 of House Bill No. 1014)	(15,000,000)
Transfer to skilled workforce student loan repayment program fund and skilled workforce scholarship fund (Sections 3 and 4 of House Bill No. 1171)	(6,000,000)
Transfer to innovation loan fund to support technology advancement (Section 2 of House Bill No. 1333)	(15,000,000)
Transfer to statewide interoperable radio network fund (Section 7 of House Bill No. 1435)	(20,000,000)
Transfer to Agricultural Products Utilization Commission fund (Section 9 of Senate Bill No. 2009)	(2,000,000)
Total estimated 2019-21 biennium transfers	(\$255,000,000)
Estimated ending capital level (June 30, 2021)	\$907,000,000

¹Actual calendar year 2018 profits were \$159 million.

Profits and Transfers of Profits and Accumulated Earnings

The following schedule provides information on the Bank of North Dakota's profits based on calendar years as well as transfers of profits and accumulated earnings to state funds from the 2007-09 biennium to the 2019-21 biennium:

	Based on Calendar Years	
	Bank Profits	Transfers to State Funds
2007-09 biennium - Calendar years 2007 and 2008	\$108,130,000	\$60,000,000
2009-11 biennium - Calendar years 2009 and 2010	\$119,934,000	\$500,000
2011-13 biennium - Calendar years 2011 and 2012	\$151,929,000	\$37,500,000
2013-15 biennium - Calendar years 2013 and 2014	\$205,174,000	\$40,255,000
2015-17 biennium - Calendar years 2015 and 2016	\$266,809,000	\$257,875,000
2017-19 biennium - Calendar years 2017 and 2018	\$303,792,000	\$315,547,000
2019-21 biennium (estimated)	\$300,000,000	\$255,000,000

Bank of North Dakota Loans

The 2019 Legislative Assembly authorized loans from the Bank of North Dakota, as follows:

Bill No.	Description
HB 1012	Department of Transportation - Provides contingent authorization for a loan of up to \$50 million to match federal funds.
HB 1028	Public Employees Retirement System - Authorizes a line of credit of up to \$50 million for administering a self-insurance health plan.
HB 1106	Reinsurance Association of North Dakota - Authorizes a line of credit of up to \$25 million to reimburse insurers for eligible claims.
HB 1435	Information Technology Department - Authorizes a line of credit of \$80 million for the statewide interoperable radio network. NOTE: House Bill No. 1435 was amended by House Bill No. 1014 and Senate Bill No. 2015.
SB 2001	Governor - Authorizes a loan of up to \$35 million to provide funding for the Theodore Roosevelt Presidential Library and Museum endowment fund.
SB 2019	Parks and Recreation Department - Provides contingent authorization for a loan of up to \$3 million for capital projects at the International Peace Garden.
SB 2020	State Water Commission - Continues the commission's authority to access a line of credit of \$75 million.

North Dakota Financial Center Project

House Bill No. 1014 (2015) provided \$17 million from Bank of North Dakota assets for the construction of a financial center building on the Bank's property. Due to a revenue shortfall and budget allotments during the 2015-17 biennium, the project was delayed until the 2019-21 biennium pursuant to Senate Bill No. 2014 (2017). The 2019 Legislative Assembly did not change the authorization for the project. Construction is anticipated to begin in the summer of 2019.

Other Sections in House Bill No. 1014

Transfer to general fund - Section 9 provides for a transfer of \$140 million from the Bank of North Dakota's current earnings and undivided profits to the general fund during the 2019-21 biennium.

Transfer to PACE fund - Section 10 provides for a transfer of \$26 million from the Bank's current earnings and undivided profits to the PACE fund during the 2019-21 biennium.

Transfer to Ag PACE fund - Section 11 provides for a transfer of \$4 million from the Bank's current earnings and undivided profits to the Ag PACE fund during the 2019-21 biennium.

Transfer to biofuels PACE fund - Section 12 provides for a transfer of \$1 million from the Bank's current earnings and undivided profits to the biofuels PACE fund during the 2019-21 biennium.

Transfer to the beginning farmer revolving loan fund - Section 13 provides for a transfer of \$6 million from the Bank's current earnings and undivided profits to the beginning farmer revolving loan fund during the 2019-21 biennium.

Transfer to the North Dakota development fund - Section 14 provides for a transfer of \$15 million from the Bank's current earnings and undivided profits to the North Dakota development fund during the 2019-21 biennium with the requirement that the funding be used to move existing venture capital assets from the Bank to the development fund.

Rebuilders home loan program - Section 15 transfers \$3.75 million from the principal payments under the rebuilders loan program, which are designated to replenish the Bank's profits, to a newly created rebuilders home loan program. Section 20 establishes the rebuilders home loan program for individuals affected by a flooding event providing loans of up to \$75,000 with a 1 percent interest rate and a 20-year term for eligible costs associated with home repairs. Section 31 provides an emergency clause related to the transfer and creation of the program.

Statewide interoperable radio network fund - Section 23 amends House Bill No. 1435 to clarify the transfer of Bank profits to the statewide interoperable radio network is after other sources of funding have been used; however, this section was subsequently amended in Section 26 of Senate Bill No. 2015 to clarify the transfer of Bank profits is after \$25 million of the line of credit has been used.

Hedging strategies study - Section 29 requires the Bank to study hedging strategies related to the volatility of oil prices and to report to the Appropriations Committees of the 67th Legislative Assembly.

Related Legislation

House Bill No. 1012 - Provides contingent authorization to the Department of Transportation for a loan of up to \$50 million from the Bank of North Dakota to match federal funds.

House Bill No. 1028 - Requires the Bank to provide a \$50 million line of credit to the Public Employees Retirement System for the administration of a self-insurance health plan.

House Bill No. 1092 - Clarifies the Bank's authorization to use funds to support the Bank's education programs, including the higher education savings plan.

House Bill No. 1106 - Requires the Bank to provide a \$25 million line of credit to the Reinsurance Association of North Dakota to provide reimbursements to insurers participating in an invisible reinsurance pool for the individual health insurance market.

House Bill No. 1141 - Exempts officers and employees of the Bank from the employee classification system.

House Bill No. 1171 - Creates a skilled workforce student loan repayment program and a skilled workforce scholarship program and transfers \$6 million of Bank profits (\$3 million to each program) to provide grants to repay eligible student loans and to provide scholarships.

House Bill No. 1333 - Creates an innovation loan fund to support technology advancement and transfers \$15 million of Bank profits to provide low-interest rate loans to qualifying new or expanding businesses.

House Bill No. 1435 - Requires the Bank to provide a \$80 million line of credit to the Information Technology Department for the development of the statewide interoperable radio network.

Senate Bill No. 2001 - Establishes a Theodore Roosevelt Presidential Library and Museum endowment fund and authorizes the Governor to obtain a loan of up to \$35 million from the Bank to provide a portion of the funding for the newly created endowment fund.

Senate Bill No. 2008 - Section 3 provides for a transfer of up to \$900,000 from the beginning farmer revolving loan fund to the Public Service Commission for costs associated with a rail rate complaint case.

Senate Bill No. 2019 - Provides contingent authorization to the Parks and Recreation Department for a loan of up to \$3 million from the Bank for capital projects at the International Peace Garden.

Senate Bill No. 2098 - Removes requirements specifying the terms, rates, and maximum amounts for residential loans issued by the Bank.

Senate Bill No. 2099 - Removes a requirement for the Governor to establish a task force to review loan applications under the Bank's medical facility infrastructure loan fund.

Senate Bill No. 2197 - Clarifies the interest rates that the Bank may charge on loans issued to family farmers.

Senate Bill No. 2214 - Authorizes the Bank to use up to \$5 million from the school construction assistance revolving loan fund to continue interest rate buydowns on school construction loans held by the Bank.

Senate Bill No. 2296 - Increases the limit for fuel production facility loan guarantees to \$50 million.