

Industrial Commission of North Dakota

Biennial Report
July 1, 2019 to June 30, 2021



Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

**North Dakota Industrial Commission
2019-2021 Biennial Report**

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Administration

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3726 www.nd.gov/ndic/

Bank of North Dakota

1200 Memorial Highway, Bismarck, ND 58504
Phone: 701-328-5600 www.bnd.nd.gov

Building Authority

1200 Memorial Highway, Bismarck, ND 58504
Phone: 701-328-7100 www.nd.gov/ndic/ba-info.htm

Clean Sustainable Energy Authority (effective July 1, 2021)

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3726 www.nd.gov/ndic/

Department of Mineral Resources

Inside Mailing Address: State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Physical Address: 1016 E Calgary, Bismarck, ND 58503 www.dmr.nd.gov

Geological Survey

Maps & Publication Orders: www.dmr.nd.gov/ndgs/
Phone: 701-328-8000 Fax: 701-328-8010 www.dmr.nd.gov/ndgs/

Oil and Gas Division

Phone: 701-328-8020 Fax: 701-328-8022 www.dmr.nd.gov/oilgas/

Housing Finance Agency

Inside Mailing Address: State Capitol, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Physical Address: 2624 Vermont Avenue, Bismarck, ND 58502-1535
Phone: 701-328-8080 Fax: 701-328-8090 www.ndhfa.org

Lignite Research, Development & Marketing Program

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3726 www.nd.gov/ndic/lrc-infopage.htm

Mill & Elevator

1823 Mill Rd, Grand Forks, ND 58203
Phone: 701-795-7000 www.ndmill.com

Oil and Gas Research Program

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 www.dmr.nd.gov/ogr/

Outdoor Heritage Fund

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3726 www.nd.gov/ndic/

Pipeline Authority

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-220-6227 www.dmr.nd.gov/pipeline/

Public Finance Authority

1200 Memorial Highway, PO Box 5509, Bismarck, ND 58506-5509
Phone: 701-328-7100 www.pfa.nd.gov/

Renewable Energy Program

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3726 www.nd.gov/ndic/renew-infopage.htm

Student Loan Trust

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3726 <https://bankofnorthdakota.lpages.co/bnd-student-loans/>

Transmission Authority

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-527-7148 www.nd.gov/ndic/trans-infopage.htm

Industrial Commission of North Dakota

History

The Legislature created the Industrial Commission of North Dakota (“Industrial Commission” “Commission”) in 1919 to conduct and manage, on behalf of the State, certain utilities, industries, enterprises and business projects established by state law. Through the years the Industrial Commission has been given and had removed various responsibilities.

Organizational Structure

The Industrial Commission of North Dakota is made up of the Governor, Attorney General and Agriculture Commissioner. During the 2019-2021 biennium Governor Doug Burgum, Attorney General Wayne Stenehjem and Agriculture Commissioner Goehring served on the Commission. The Governor serves as Chairman of the Commission and the Governor plus one member is a quorum for the transaction of business. The Attorney General serves as general counsel. The Commission meets generally on at least a monthly basis to act on items presented by the Commission agencies. The Industrial Commission met 28 times during the 2019-2021 biennium. The Industrial Commission Administrative Office as of June 30, 2021 has three full-time employees—the Executive Director and Secretary, Karlene Fine, the Deputy Executive Director and Secretary, Andrea Pfennig, and Administrative Assistant II, Andrea Rebsom. Their offices are located on the 14th Floor of the State Capitol, 600 East Boulevard, Bismarck, North Dakota and they can be reached at the address and phone numbers listed on page ii. Consultants or part-time employees were hired during the biennium to assist with additional duties on an as needed basis.

Statutory Responsibilities

As the management authority for all utilities, industries, enterprises, and business projects owned, administered, and operated by the State, the Commission has under its jurisdiction the Bank of North Dakota, the North Dakota Mill and Elevator Association, the North Dakota Housing Finance Agency, the Public Finance Authority, the North Dakota Student Loan Trust, the North Dakota Building Authority, the North Dakota Transmission Authority, the North Dakota Pipeline Authority and the Outdoor Heritage Fund. In addition to the business entities, the Commission also has regulatory responsibilities through the Department of Mineral Resources which consists of the North Dakota Oil and Gas Division and the North Dakota Geological Survey. The Commission also provides research grants through the Lignite Research, Development and Marketing Program, the Oil and Gas Research Program and the Renewable Energy Development Fund/Program. The statutory reference for the Industrial Commission is found in Chapter 54-17, North Dakota Century Code. Oversight of the Western Area Water Supply Authority industrial sales was added to the Commission’s responsibility in 2013- see Chapter 61-40.

Major Programs and Activities

The programs and activities of the Industrial Commission are carried out through the agencies and programs that are overseen by the Commission. The following pages of this biennial report summarize these various programs and agencies. In addition, the Industrial Commission has oversight of the Farm Finance Agency. The Farm Finance Agency issued no bonds during the 2019-2021 biennium. There was no usage of the Agency as other programs offered by the Bank of North Dakota were a better source of financing for North Dakota farmers and ranchers. The Legislature has also directed that the Industrial Commission have oversight of the following

Programs/Funds: Addiction Counselor Internship Loan Program, Ag PACE Fund, Beginning Farmer Revolving Loan Fund, Community Water Facility Loan Fund, COVID-19 PACE Recovery Program, Guaranteed Student Loan Program, Housing Incentive Fund, Infrastructure Revolving Loan Fund, Medical Facility Infrastructure Loan Program, PACE Fund, Rebuilders Loan Fund, School Construction Assistance Revolving Loan Fund, and Small Employer Loan Fund (SELF). A brief summary of each of these Programs/Funds along with the most recent balance sheets are included as a part of this biennial report or with the audit of the Commission agency that administers the fund. (Copies of the complete audits of these Programs/Funds are available from the Industrial Commission or from the State Auditor.) Other than the Housing Incentive Fund, the Programs and Funds are administered by the Bank of North Dakota.

Key Legislation Passed During 2021 Legislative Session Related to the Industrial Commission Several bills were passed during the 2021 legislative session as it relates to the Commission agencies and programs. (See each of the agency/program comments regarding legislation that impacted the agency or program.) The primary bill for the Commission in regard to its appropriation and the appropriations of the agencies under its jurisdiction was Senate Bill 2014. The 2021 Legislative Assembly also established the Clean Sustainable Energy Authority and placed it under the jurisdiction of the Commission. As a result of Covid-19 and federal funding additional programs were either established or current programs were expanded.

Key Responsibilities Added To or Deleted from Industrial Commission during the Biennium Additional responsibilities were added to the Industrial Commission agencies/programs and thus to the oversight of the Commission by the 2021 Legislative Assembly. Those responsibilities have been noted in the summaries by the agencies on the following pages. The new program directly administered by the Commission was the Clean Sustainable Energy Authority as noted above. There were no programs deleted from the Industrial Commission responsibilities by the 2021 Legislative Assembly.

Major Accomplishments and Activities

The Industrial Commission accomplishments and activities are reflected in the information provided by each of the Industrial Commission agencies/programs.

Trends in Direction for the Industrial Commission/Short and Long Range Plans and Goals

The Commission activities are carried out through the Commission agencies and programs and are reflected under each agency/program. The Commission will continue to seek out technology and practices that will fulfill the missions for each research program and implement the new Clean Sustainable Energy Authority program as established by the Legislature, the regulation of oil and gas development as directed under the law, maintaining and growing the State's vital lignite industries, the development of infrastructure for oil and gas, renewable energy and lignite resources and the funding of projects that enhance conservation practices as per the Legislature's directives. In addition, the Commission through its agencies will work to promote economic development and serve as the State's bank through the Bank of North Dakota, assist with the financing of public infrastructure for political subdivisions, the State's infrastructure, and water projects, work to meet the affordable housing needs throughout the State and add value to North Dakota wheat and durum through the North Dakota Mill.

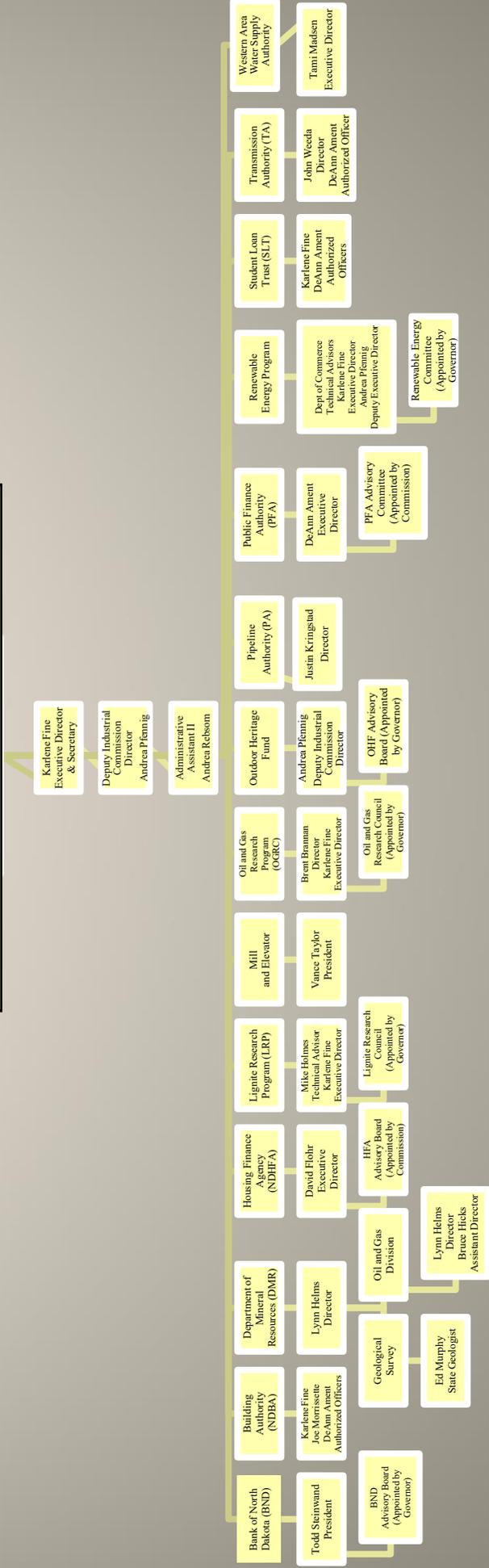
Resources and Publications Available from the Industrial Commission

Additional information about the Industrial Commission is available at:

Industrial Commission of North Dakota
State Capitol – 14th Floor, 600 East
Boulevard
Bismarck, North Dakota 58505
701-328-3722 or 701-328-3726
www.nd.gov/ndic/

Industrial Commission Organizational Chart

Industrial Commission
 Governor Doug Burgum
 Attorney General Wayne Stenehjem
 Agriculture Commissioner Doug Goehring



The following condensed financial statements are the most recent audited statements of the Industrial Commission. Included in these financial statements are the Industrial Commission Administrative Office, the North Dakota Lignite Research, Development and Marketing Program which includes the funding for the Transmission Authority, Renewable Energy Development Fund, Oil and Gas Research Fund, Pipeline Authority Fund, and the Department of Mineral Resources which includes the North Dakota Geological Survey and the North Dakota Oil and Gas Division.

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2020</u>
<u>Revenues and Other Sources:</u>	
Fines and Commissions	\$ 2,857,587
Charges for Sales and Services	285,746
Interest and Investment Earnings	199,470
Federal Revenue	155,092
Refunds	124,089
Miscellaneous Revenue	121,325
Permits and Fees	107,802
Transfers-In	<u>92,822,620</u>
Total Revenues and Other Sources	<u>\$ 96,673,731</u>
<u>Expenses and Other Uses:</u>	
Grants	\$ 17,874,152
Salaries and Benefits	10,806,562
IT Equipment and Software	3,028,061
Contract Services	1,525,673
Professional Fees and Services	1,330,400
Rental/Leases-Buildings	969,846
Travel	587,260
Operating Fees and Services	398,096
IT Communications and Data Processing	260,372
Professional Development	74,524
Transfers Out	<u>1,076,539</u>
Total Expenditures and Other Uses	<u>\$ 37,931,485</u>

Source: ConnectND Financials

*The revenues and expenses above do not include activity of the Building Authority as they were not included in the scope of the audit.

Statement of Appropriations

For the Year Ended June 30, 2020

	Final Appropriation	Expenses	Unexpended Appropriation
Expenses by Line Item:			
Salaries and Wages	\$ 23,584,450	\$ 10,802,338	\$ 12,782,112
Operating Expenses	7,073,990	2,977,892	4,096,098
Capital Assets	5,000,000	2,811,080	2,188,920
Contingencies	229,544	-	229,544
Bond Payments	10,508,767	5,254,572	5,254,195
CARES Act Funding - 2020	66,350,000	432	66,349,568
High - Level Radioactive TSFR	20,000	20,000	-
Total	\$112,766,751	\$ 21,866,314	\$ 90,900,437
Expenditures by Source:			
General	\$ 27,449,198	\$ 12,307,787	\$ 15,141,411
Other	85,317,553	9,558,527	75,759,026
Total	\$ 112,766,751	\$ 21,866,314	\$ 90,900,437

Source: ConnectND Financials

*The Industrial Commission appropriations include Building Authority. The above appropriations statement reflects expenditures from the Building Authority which was not included in the scope of the audit.

*The Industrial Commission appropriations include Public Finance Authority. Expenditures for Public Finance Authority were obtained from the Statement of Appropriations in the Authority's audited financial statements for the six months between July 1, 2019 and December 31, 2019. Public Finance Authority was not included in the scope of the audit.

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Bank of North Dakota

History

Bank of North Dakota ('BND', 'the Bank') was formed by the North Dakota State Legislature on February 25, 1919. Chapter 6-09 of the North Dakota Century Code (NDCC) defines the purpose and powers of BND as well as the role of the ND Industrial Commission in the operation of the Bank.

BND's mission today is the same as when the Bank was formed, "To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota."

Organizational Structure

BND President, Todd Steinwand, reports to the ND Industrial Commission. The BND Advisory Board, appointed by the ND Governor as described in 6-09-02.1, also provides oversight of the Bank.

Reporting directly to BND President Steinwand are: (BND Organizational Chart attached).

- Chief Financial Officer/ Senior VP of Accounting & Treasury– Rob Pfennig
- Chief Credit Officer/ Senior VP of Credit Administration – Kirby Evanger
- Chief Risk Officer/ Senior VP of Risk Management – Christy Steffenhagen
- Chief Innovation Officer =/ Senior VP Innovation– Jeff Weiler
- Chief Administration Officer/ Senior VP Human Resources and Communication– Lori Leingang
- Economic Development & Government Program Manager – Kelvin Hullet
- Financial Institutions Market Manager – Craig Hanson

Bank of North Dakota is legislatively authorized 173 full-time equivalent employees.

Statutory/Constitutional Responsibilities

Bank of North Dakota's purpose, powers and responsibilities are defined in NDCC 6-09.

Major Programs and Activities

Operations Programs

- Check clearing/Image cash letters
- Automated Clearing House
- Wire transfers
- Cash management

Customer Service Programs

- Checking, savings and certificate of deposit accounts
- Foreign currency and drafts for financial institutions and deposit account customers

- Merchant services for state agencies, boards, commissions, and higher education institutions

Business Development Programs

BND's loan portfolio as of December 31, 2020 is well diversified and as a percentage of the entire portfolio, it is comprised as follows: commercial loans 48%, student loans 25%, agricultural loans 16%, and residential loans 11%.

Financial Institutions Market

The Bank plays a major role in financing economic development in the state by partnering with local financial institutions to expand their lending capacity to grow their community's economic base. A variety of commercial and agricultural loans allow for a great deal of flexibility when building the best deal.

- Business startup (Beginning Entrepreneur and New Venture Capital)
- Economic development incentive (PACE, Flex PACE, Affordable Housing Flex PACE, Match)
- Value-added equity and irrigation (Ag PACE)
- Beginning Farmer – Real estate and Chattel
- Bank Stock financing
- Commercial loans (Loan Participations, Business Development, Accelerated Growth, Beginning Entrepreneur, Export Enhancement)
- Farm loans (Family Farm, Farm Operating, Established Farmer Real Estate, Biofuels PACE, Livestock Waste Management System)

Education Market Programs

An educated workforce is critical to a healthy economy, so student loans are available to fill funding gaps when savings, scholarships and federal student loans don't meet a student's needs.

- ND State –Sponsored Student Loan Program
 - DEAL for students attending a post-secondary education program
 - DEAL One Loan to help North Dakota residents consolidate and refinance all their student loans, including federal loans, into one loan
 - DEAL Consolidation Loan so borrowers can consolidate all DEAL loans into one loan
- Administer and act as Trustee for College SAVE, North Dakota's 529 Plan
- Provide education materials for high schools to help students and families plan for life after high school

Residential Loans

In an effort to increase efficiency in state government, during 2021 BND transferred the servicing of its residential portfolio and all new mortgage loan originations to the North Dakota Housing Finance Agency (NDHFA).

Disaster Relief Programs

BND's disaster relief programs are created in response to needs that have been identified by local financial institutions, economic developers and other key

stakeholders and are not covered by federal relief programs. The Bank introduced four disaster relief programs during the 2019-2021 biennium.

- Ag Disaster Relief Loan Program opened late in 2019 and remained open until June 30, 2020.
- Four programs addressed COVID-related needs:
 - Small Employer Loan Fund (SELF)
 - COVID PACE Recovery I Program (CPR I)
 - COVID PACE Recovery II Program (CPR II)
 - Ethanol Recovery Program

State and Administered Loan Programs

The Bank administers over \$1 billion in programs and loans as directed by the North Dakota Legislature. These programs provide low-interest, long term loans to state and local government agencies to finance projects, resulting in significant cost savings to the taxpayers of North Dakota. The programs include:

- School Construction Revolving Loan Fund
- Infrastructure and Legacy Infrastructure Revolving Loan Fund
- Clean Sustainable Energy Fund (*new July 1, 2021*)
- Agriculture Diversification and Development Fund (*new July 1, 2021*)
- State Institutions
- Western Area Water Supply Authority
- Medical Facility Infrastructure
- Small Employer Loan Fund
- Water Infrastructure Revolving Loan Fund
- Rebuilders Permanent Loan Fund (*new July 1, 2021*)
- Trust Lands
- Fuel Production Facility Guarantee
- Innovation Loan Fund (LIFT)
- Health Information Technology
- Addiction Counselor Internship

Treasury Services Programs

- Investments
- Bond accounting and safekeeping
- Corporate trust

Key Legislation Passed During the 2021 ND Legislative Assembly Impacting BND

- **HB 1015: Clean Sustainable Energy Authority**

The clean sustainable energy authority was created to support research and development of technological advancements through financial support for the large-scale development and commercialization of projects, that reduce environmental impacts and increase sustainability of energy production and delivery. The purpose of the financial support is to make the state a world leader in the production of clean sustainable energy, and to diversify and grow the state's

economy. HB1015 authorizes up to a \$250 million line of credit for clean sustainable energy authority to make loans or loan guarantees, until June 30, 2025

- **HB 1141: Innovation Loan Fund**

The Innovation Loan Fund (LIFT) is to support technology advancement put in place by the 2019 legislative session. LIFT is a loan fund established for the purpose of providing financing for commercialization of intellectual property within the State of ND. HB1141 appropriated \$15 million from the Strategic Improvement Investment Fund (SIIF) to LIFT which is administered by BND.

- **HB 1187: Rebuilders Permanent Loan Fund**

HB1187 creates the Rebuilders Permanent Loan Fund enabling BND to develop programs during time of disaster as declared by the President or Governor. The fund was created by transferring the loans and funding from the SELF Loan fund created during the Covid 19 Pandemic of 2020.

- **HB1425: Legacy Fund**

HB1425 created a pathway to use the principal of the Legacy Fund to invest in infrastructure and support large scale economic development projects. The bill enables BND to use a portion of the funds with the “Match” program offering low interest loans to investment rated companies. The bill also supports the BND infrastructure revolving loan fund and the Water Resources Loan Fund providing 2% loans to local political subdivisions.

- **HB 1431: Authorized Bonding to Support Infrastructure**

HB1431 enabled the North Dakota Public Finance Authority to issue \$680 million of bonds of which the proceeds will be to be transferred and distributed by BND. The bill allocated funding to the Fargo and Minot Flood Diversion projects, the Infrastructure Revolving Loan Fund, matching funds for highway construction and construction of the Ag Products Development Center at NDSU

- **HB 1475: Agriculture Innovation Fund Administration**

The Agriculture Innovation Fund was appropriated \$10 million for grants, loans and buydowns for projects that aid in the diversification and value-added businesses in the agriculture economy in North Dakota. The program is jointly administered by BND and the Office of the Agriculture Commissioner.

- **SB 2230: SIIF Loan Guarantee**

Bank of North Dakota administers a value- added loan agriculture and energy loan guarantee program. The intent of this program is to provide loan guarantees to value added agriculture and energy programs that need a secondary repayment source to be bankable. Normally, these guarantees are 30% to 50% of the total loan. SB2230 increased the ability for BND to utilize an additional \$30 million dollars from the Strategic Investment and Improvements Fund bringing total access to \$80 million dollars.

Major Accomplishments and Activities

- In 2019, the Bank recorded its 16th consecutive year of record profits with \$169 million in income and just over \$7 billion in assets. The streak of record profits was broken as projected in 2020, with BND reporting a profit of \$141.2 million, a return on investment of 15%. Since the initial investment of \$2 million in 1919, BND has returned more than \$1.2 billion to the state through the general fund, infrastructure, disaster relief and other special programs.
- The Bank's total assets at the end of 2020 were \$7.7 billion, an increase of \$700 million due to Coronavirus Aid, Relief, and Economic Security (CARES) Act funds deposited at BND.
- Eric Hardmeyer, who had served as Bank president retired and was succeeded by Todd Steinwand who was serving as the Senior Vice President of Business Development.
- Standard & Poor's (S&P) affirmed BND's credit rating as "A+" and "A-1" for long-term and short-term credit, respectively, in its annual review released Nov. 9, 2020.
- The student loan team upgraded their loan application and servicing software.
- The Career Education & Alternative Learning (CEAL) student loan was introduced to assist North Dakota residents in alternative learning training programs and certifications.
- Anti-money laundering and fraud detection software was implemented.
- A website, bndinfo.nd.gov was introduced to assist the legislation monitoring process and educate legislators about BND.
- Several key initiatives were undertaken to improve the efficiency and effectiveness of state government:
 - The Bank's Information Technology and Project Management teams were unified under North Dakota Information Technology on July 1, 2021.
 - The Bank's residential lending servicing portfolio was transferred to the North Dakota Housing Finance Agency on April 1, 2021.
 - All servicing of the residential loan portfolio will officially transition to the North Dakota Housing Finance Agency on October 1, 2021.
- The COVID pandemic response began with monitoring in January 2020.
 - By March 31, 2020, the majority of BND employees transitioned to work remotely. A crew of less than 30 employees were identified to conduct the business functions that were required to be performed on-site.
 - The state's local financial institutions experienced increased liquidity, so they looked to BND to invest the funds while they waited for other investment and loan opportunities. Noninterest-bearing deposits ended 2020 at \$750 million and Fed funds purchased from North Dakota banks were \$775 million at the same time, well above normal levels. The treasury team also broke records with the amount of dollars and securities in safe keeping in 2020.
 - After meeting with local financial institutions, the banking associations, state officials and other stakeholders, along with assessing the federal programs, BND extended the Ag Disaster Relief Program, which was established in late 2019, and created four new programs to address the

business needs of the pandemic: SELF, CPR I Loan Program, CPR II Program and the Ethanol Recovery Loan Program.

- BND tripled the number of commercial and agriculture sector loans made in 2020. BND staff from Credit Administration and Risk Management were deployed to assist with the significantly increased workload to allow for timely responses to loan applications.
- On March 30, the decision to allow for a three-month deferral on Rural Mortgage Loans and a six-month deferral on Rebuilders Loans was made.
- After the federal government announced they would allow deferment of student loan repayment, BND announced it would allow borrowers to defer student loan payments for six months with no impact on credit rating on March 24, 2020. In addition to deferment, the in-state variable interest rate decreased from 3.40% to 2.34% as a result of the reduction in the 3-month LIBOR rate. BND also reduced the fixed interest rate by 1% on all loans disbursed prior to April 1, 2020.
- Loan policy was changed to facilitate the loan approval process. A 5-year analysis of potential loan loss as a result of the pandemic was completed for both the existing loan portfolio and the disaster relief programs.
- Human Resources worked with employees to apply the benefits from the federal laws addressing COVID-related employee issues.
- Communications increased their efforts to include daily updates to employees and weekly calls with local financial institutions about the Federal and state programs addressing the pandemic.
- Internal and external e-signature functionality was introduced to improve workflow efficiency. Documentation was reviewed electronically instead of physically reviewing and printing documentation.
- The facility was deep-cleaned, and modifications were made to decrease the potential for transfer of viruses, Touchless features were added to water faucets and toilets. A UV-filter system was added to improve filtration of airborne particles.
- ATM cards were introduced to retail customers; iPhone and Android applications were made available so customers could log in to accounts which included mobile deposit capture.
- A new website, careercompass.nd.gov, was created to host virtual education outreach activities.

Trends in Direction for BND/Short and Long-Range Plans and Goals

Bank of North Dakota's vision statement is "BND is an agile partner that creates financial solutions for current and emerging economic needs." The Bank stays focused on its mission "To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota."

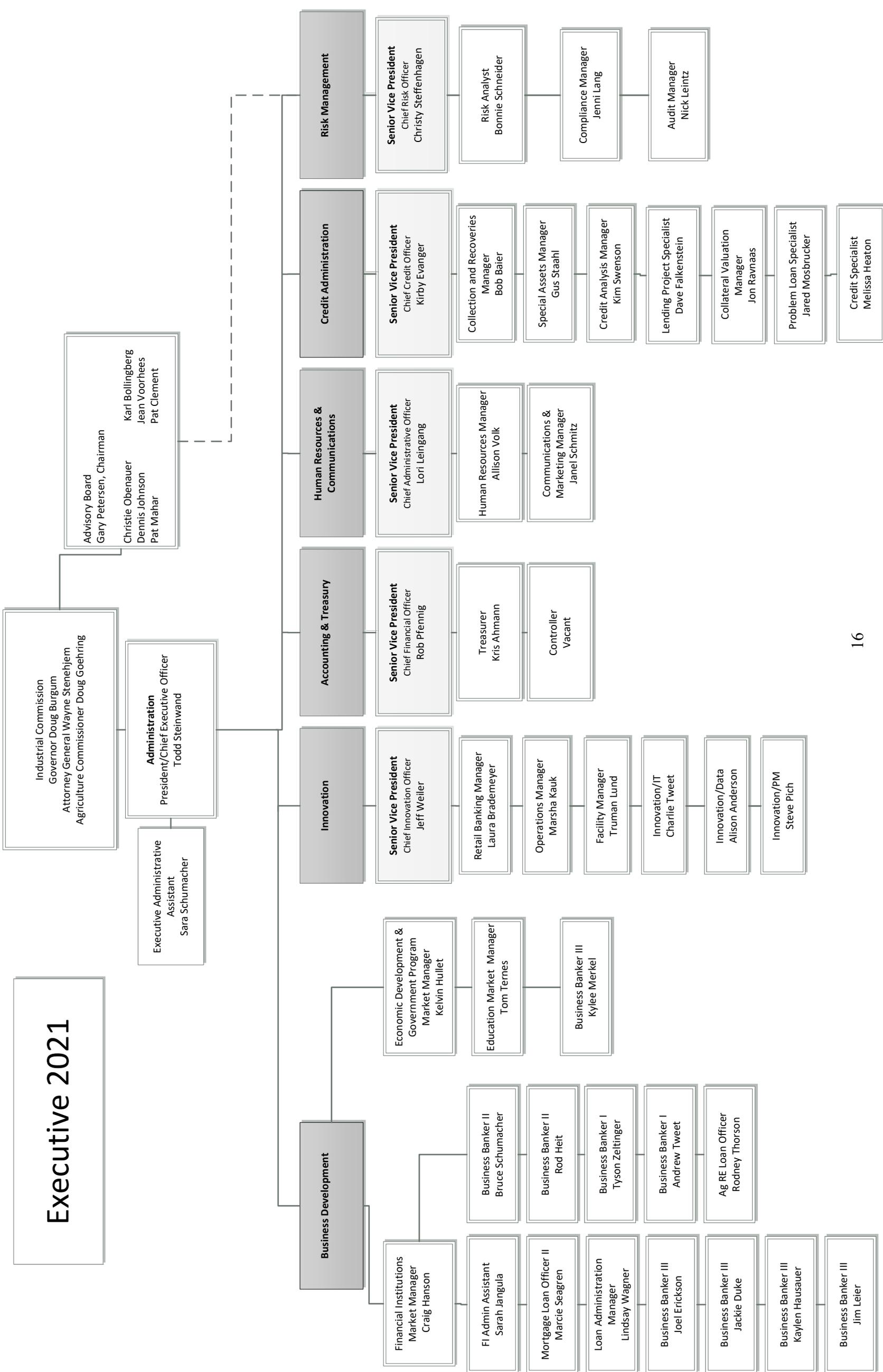
The Bank prepares a comprehensive strategic plan, operating unit objectives and an annual operating budget.

BND creates a multi-year Information Technology Plan and submits that plan to ND ITD in accordance with NDCC 54-59.

Resources and Publications Available from BND

Bank of North Dakota publishes an annual report, quarterly performance highlights, a Financing Postsecondary Education report annually, and a Financing Economic Development report annually. All three annual reports, as well as a summary of services, are on the Bank's website at www.bnd.nd.gov.

Executive 2021



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BANK OF NORTH DAKOTA
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and due from banks	\$ 1,153,480	\$ 487,689
Federal funds sold	10,000	10,685
	<u>1,163,480</u>	<u>498,374</u>
Cash and cash equivalents		498,374
Securities	1,849,609	2,016,126
Loans held for investment	4,756,542	4,537,943
Less allowance for loan losses	(106,303)	(95,690)
	<u>4,650,239</u>	<u>4,442,253</u>
Interest receivable	54,789	56,926
Bank premises, equipment, and software, net	9,559	9,773
Rebuilders loan program receivable	4,986	9,325
Other assets	11,657	25,655
	<u>11,657</u>	<u>25,655</u>
Total assets	\$ 7,744,319	\$ 7,058,432
LIABILITIES AND EQUITY		
Deposits		
Non-interest bearing	\$ 750,741	\$ 628,256
Interest bearing	5,044,731	4,460,836
	<u>5,795,472</u>	<u>5,089,092</u>
Federal funds purchased	775,005	365,335
Short and long-term debt	186,010	631,030
Other liabilities	74,928	33,947
	<u>74,928</u>	<u>33,947</u>
Total liabilities	6,831,415	6,119,404
Equity		
Capital	2,000	2,000
Capital surplus	72,000	72,000
Undivided profits	870,333	866,682
Accumulated other comprehensive loss	(31,429)	(1,654)
	<u>870,333</u>	<u>866,682</u>
Total equity	912,904	939,028
Total liabilities and equity	\$ 7,744,319	\$ 7,058,432

BANK OF NORTH DAKOTA
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands)

	<u>2020</u>	<u>2019</u>
INTEREST INCOME		
Loans, including fees	\$ 181,585	\$ 208,672
Securities	43,855	54,482
Federal funds sold	39	584
	<u>225,479</u>	<u>263,738</u>
INTEREST EXPENSE		
Deposits	24,026	28,349
Federal funds purchased and repurchase agreements	2,014	6,417
Short and long-term debt	14,978	23,749
	<u>41,018</u>	<u>58,515</u>
NET INTEREST INCOME	184,461	205,223
PROVISION FOR LOAN LOSSES	<u>16,800</u>	<u>6,000</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>167,661</u>	<u>199,223</u>
NONINTEREST INCOME		
Service fees and other	4,603	6,916
	<u>4,603</u>	<u>6,916</u>
NONINTEREST EXPENSE		
Salaries and benefits	18,223	17,424
Data processing	6,440	5,488
Long-term debt prepayment fee	-	6,352
Occupancy and equipment	777	728
Other operating expenses	5,623	7,098
Total noninterest expenses	<u>31,063</u>	<u>37,090</u>
NET INCOME	<u>\$ 141,201</u>	<u>\$ 169,049</u>

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North Dakota Building Authority

History

The North Dakota Building Authority (“Building Authority”) was created by the Legislature in 1985 for the purpose of acquiring, owning, constructing, reconstructing, extending, rehabilitating or improving buildings, related structures, parking facilities, equipment, improvements, real and personal property and interests therein primarily for the use of the State of North Dakota and its agencies and instrumentalities. Since the Building Authority was created it has provided financing for projects totaling over \$248,000,000 -- including projects on all the North Dakota University System campuses, some of the North Dakota Extension Service Centers, State Penitentiary and Missouri River Correctional Center in Bismarck, Youth Correctional Center in Mandan, James River Correctional Center in Jamestown, Developmental Center at Grafton, State Hospital at Jamestown, Job Service North Dakota Service Centers, Veterans Home, Information Technology Department (ConnectND), Attorney General’s Office, Office of Management and Budget, North Dakota Parks and Recreation, and North Dakota Historical Society.

Organizational Structure

The North Dakota Building Authority Act provides that the Industrial Commission shall be the North Dakota Building Authority. The Commission has appointed three Authorized Officers to oversee the financing of the projects approved by the Legislature. Currently the Commission’s Executive Director and Secretary, the Director of the Office of Management and Budget and the Public Finance Authority Executive Director serve as the Authority’s Authorized Officers. The Building Authority provides the Legislature with another option as it considers how to pay the costs of projects declared by the Legislature to be in the public interest. It works in the following manner:

- The Legislature determines whether a project is in the public interest of the State and passes legislation authorizing the specific projects and authorizes the Building Authority to issue evidences of indebtedness (generally these are tax exempt lease revenue bonds payable from biennial appropriations).
- The Building Authority, working with the appropriate agencies, issues its bonds to acquire funds for the authorized projects. A financing agreement in the form of either a lease or a loan is entered into between the Agency and the Authority.
- The state or agency repays the bonds from the payments made under the financing agreements. The financing agreements run from the Building Authority to the various state agencies utilizing the projects. The financing agreements are renewed every two years with rental funds provided from a legislative appropriation in each biennium.

Statutory/Constitutional Responsibilities

North Dakota Century Code 54-17.2 is the statutory source for the North Dakota Building Authority.

Major Programs and Activities

The sole activity of the North Dakota Building Authority is to provide financing for the projects determined by the Legislature to be in the State’s public interest. These financings require the Authority to provide ongoing continuing disclosure to the financial community including national rating agencies. The Authority is also responsible for the collection of the payments from the state agencies which then are passed through to the Bank of North Dakota which serves as the Trustee for the bond issues. The North Dakota Public Finance Authority provides the accounting for the Building Authority.

Key Legislation Passed During 2021-2023 Legislative Session Related to North Dakota Building Authority

Bonding was not authorized for the 2021-2023 biennium.

Key Responsibilities Added To or Deleted from North Dakota Building Authority during the Biennium

There were no additional statutory responsibilities added or deleted from the Building Authority for the 2021-2023 biennium.

Major Accomplishments and Activities

During the 2019-2021 biennium the Building Authority sold \$88,585,000 of Facilities Improvement Bonds, 2020 Series A. The bond proceeds were used to fund House Bill No. 1003 and Senate Bill No. 2297 authorized projects as follows:

North Dakota State University	Dunbar Hall	\$ 40,000,000
Valley City State University	Communications and Fine Arts Building	30,000,000
University of North Dakota	Gamble Hall Project	6,000,000
University of North Dakota	Deferred Maintenance & parking projects	30,000,000
Dickinson State University	Pulver Hall	<u>4,000,000</u>
		\$110,000,000

Bonds were not issued for the \$20,000,000 authorized for the North Dakota State University, Agricultural Products Development Center; the match requirement was not met and an alternative funding source was approved in the 2021 Session.

The Authority continued to make payments on outstanding bonds in a timely manner and provide the required continuing disclosure.

The North Dakota Building Authority currently has a bond rating of Aa2 by Moody’s and AA by Standard & Poor's.

Trends in Direction for North Dakota Building Authority/Short and Long Range Plans and Goals

The Building Authority on a continual basis monitors the national bond market to determine if savings can be obtained from the refinancing of outstanding Building Authority bond issues.

Resources and Publications Available from the North Dakota Building Authority

The most recent official statements for bond offerings made by the North Dakota Building Authority are available <http://www.nd.gov/ndic/ba-info.htm>

North Dakota Building Authority
1200 Memorial Highway
Bismarck, North Dakota 58504
701-328-7100
www.nd.gov/ndic/

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NORTH DAKOTA BUILDING AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2021 and 2020
(In Thousands)

ASSETS	2021	2020
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents at the Bank of North Dakota	\$ 55,201	\$ 46
Investments at the Bank of North Dakota	663	663
Leases receivable	7,185	7,898
Lease interest receivable	417	65
Total restricted current assets	<u>63,466</u>	<u>8,672</u>
NONCURRENT ASSETS - RESTRICTED		
Lease receivable	<u>70,877</u>	10,879
Total restricted noncurrent assets	<u>70,877</u>	<u>10,879</u>
Total assets	<u>\$ 134,343</u>	<u>\$ 19,551</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	<u>\$ 1,186</u>	<u>\$ 1,764</u>
Total deferred outflows of resources	<u>\$ 1,186</u>	<u>\$ 1,764</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 6
Due to Universities	9,852	-
Bond Anticipation Note payable	-	3,278
Bonds payable	7,185	4,620
Interest payable	417	65
Total current liabilities	<u>17,454</u>	<u>7,969</u>
NONCURRENT LIABILITIES		
Bonds payable	<u>118,075</u>	13,346
Total liabilities	<u>\$ 135,529</u>	<u>\$ 21,315</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA BUILDING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Lease interest	\$ 3,402	\$ 913
Other	73	75
	<u>3,475</u>	<u>988</u>
OPERATING EXPENSES		
Interest expense	3,498	967
Operating	37	28
	<u>3,535</u>	<u>995</u>
OPERATING LOSS	(60)	(7)
NONOPERATING REVENUE		
Investment interest	<u>60</u>	<u>7</u>
CHANGE IN NET POSITION	-	-
TOTAL NET POSITION, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

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North Dakota Department of Mineral Resources

History

1895 – Creation of the North Dakota Geological Survey (NDGS)

The North Dakota Geological Survey and the position of State Geologist were created by an act of the North Dakota Legislature in 1895, six years after statehood.

During the first half of the 20th Century, the NDGS focused their studies on the coal and clay resources of North Dakota. With the discovery of oil near Tioga in 1951, the NDGS grew rapidly to both research the geology of the petroleum-bearing formations and regulate the exploration, and production of the resource.

1981 – Creation of the Oil and Gas Division (OGD)

The Oil and Gas Division was established by the 1981 Legislature to assume the oil and gas regulatory duties of the NDGS. In 1989 the State Legislature moved the NDGS from the jurisdiction of the Board of Higher Education to the Industrial Commission. Regulation of geophysical exploration was added to the duties of the OGD on July 1, 1997.

2005 – Creation of the Department of Mineral Resources (DMR)

The 2003 (58th) Legislature passed an amended Industrial Commission appropriations bill, calling for a merger of the NDGS and the OGD to be accomplished by July 1, 2005. On July 1, 2005, legislation passed during the 2005 (59th) Legislative Session placed the NDGS and the OGD into the newly created Department of Mineral Resources (DMR).

Regulation of underground gathering pipelines was added to the duties of the OGD on July 1, 2013. The Oil and Gas Division was approved by the EPA for primacy over Class VI injection wells on April 24, 2018.

The Department of Mineral Resources offices are located in Bismarck. The NDGS also operates the Johnsrud Paleontology Laboratory and the Geologic Time Gallery in the North Dakota Heritage Center as well as the recently expanded Wilson M. Laird Core and Sample Library located on the campus of the University of North Dakota in Grand Forks. The OGD operates field offices in Williston, Dickinson, and Minot.

Organizational Chart

See attached

Statutory/Constitutional Responsibilities

Oil and Gas Division Enabling Legislation:

NDCC 32-40.2	Environmental Audits-Violations
NDCC 38-08	Control of Gas and Oil Resources
NDCC 38-08.1	Geophysical Exploration
NDCC 38-22	Carbon Dioxide Underground Storage

North Dakota Geological Survey Enabling Legislation:

NDCC 54-17.4	Geological Survey
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Other DMR statutory duties in North Dakota Century Code:

NDCC 23.1-01-02	Environmental Review Advisory Counsel
NDCC 23.1-08-13	Solid Waste Management and Land Protection: Preconstruction Site Review
NDCC 23.1-11-10	Ground Water Protection: Wellhead Protection Program
NDCC 38-11.1	Oil and Gas Damage Compensation
NDCC 38-11.2	Subsurface Exploration Damages
NDCC 38-12	Regulation, Development, and Production of Subsurface Minerals
NDCC 38-12.1	Exploration Data – Coal
NDCC 38-14.1	Surface Mining and Reclamation Operations
NDCC 38-19	Geothermal Resource Development Regulation
NDCC 38-21	Exploration Fund
NDCC 38-23	High-Level Radioactive Waste
NDCC 38-24	Underground Storage and Retrieval of Nonhydrocarbons
NDCC 54-17.3	Paleontological Resource Protection
NDCC 61-28	Control, Prevention, and Abatement of Pollution of Surface Waters

Major Programs and Activities

DMR is the primary source of information regarding the geology of ND and is responsible for regulating all facets of petroleum production through enforcement of statutes, rules and regulations of the North Dakota Industrial Commission. The DMR maintains the state's core and sample library in Grand Forks, coordinates the State Fossil and State Mineral Collection, and disseminates geological information via the internet, maps, publications, presentations, tours and field trips. The DMR has statutory regulatory responsibilities for subsurface minerals, underground fluid injection, carbon dioxide underground storage, oil well cores and drilling samples, coal exploration drilling, geothermal and paleontological resources.

The major activity of the OGD is to encourage and promote the development, production, and utilization of oil and gas in the state in such a manner as will prevent waste, maximize economic recovery, and fully protect the correlative rights of all owners to the end that landowners, royalty owners, producers, and the general public realize the greatest possible good from these vital natural resources. This includes but is not limited to the permitting of geophysical exploration, permitting wells, establishing well spacing for producing reservoirs, inspection of facilities, approving enhanced oil recovery operations, disposal of oil field brines and other fluid wastes, proper construction, monitoring, and abandonment of underground gathering pipelines, geologic storage of carbon dioxide, ensuring proper plugging and site reclamation of all wells, and conducting hearings on oil and gas matters.

The NDGS serves as the primary source of geological information in the state. The NDGS regulates oil well core and drill samples (plus other subsurface samples), coal exploration, geothermal resources, paleontology resources, subsurface minerals, high-level radioactive waste, underground storage of nonhydrocarbons, and Class III injection wells for solution mining of subsurface minerals. Various non-regulatory activities include geologic mapping, oil and gas studies, mineral studies, paleontology, surface and glacial studies, mapping of landslides and other geologic hazards, environmental studies, public outreach programs, evaluation of the occurrence and economic value of mineral resources on state lands for the Department of North Dakota Trust Lands, and the geologic suitability and impact on fossil resources of construction projects such as municipal and special waste facilities, transmission and pipeline corridors. The DMR determines the geologic suitability of all proposed landfills, reviews a variety of highway improvement projects as well as pipeline and transmission line corridors, and coordinates the State Fossil and State Mineral collections.

Legislation Passed During the 2021 Legislative Session Related to the Department

SB 2065: AN ACT to create and enact chapter 38-25 of the North Dakota Century Code, relating to the jurisdiction of the industrial commission to regulate the permitting and amalgamation of the underground storage of oil or gas; and to amend and reenact sections 15-05-09 and 15-05-10 of the North Dakota Century Code, relating to oil and gas leases and royalties from oil leases.

HB 1055: AN ACT to amend and reenact subsection 4 of section 38-08-11 of the North Dakota Century Code, relating to service of signed commission orders.

HB1056: AN ACT to amend and reenact section 54-17.4-02 of the North Dakota Century Code, relating to the collection of global positioning system data; and to repeal section 54-17.4-12 of the North Dakota Century Code, relating to the duties of the state geologist.

HB 1452: AN ACT to create and enact a new chapter to title 54 of the North Dakota Century Code, relating to a clean sustainable energy authority and a clean sustainable energy fund; to amend and reenact sections 17-01-01 and 17-07-01 and subsection 5 of section 54-44.4-02 of the North Dakota Century Code, relating to low-emission technology, the energy policy commission, and an exemption from procurement services for energy programs; to provide a continuing appropriation; to provide an appropriation; to provide a transfer; and to provide a report.

HB 1395: AN ACT to adjust state agency spending authority approved by the emergency commission and budget section; to provide a statement of legislative intent; to provide an appropriation; to provide an exemption; to provide for retroactive application; and to declare an emergency.

HB 1096: AN ACT to create and enact sections 49-22-25, 49-22-26, 49-22.1-23, and 49-22.1-24 of the North Dakota Century Code, relating to energy conversion and transmission siting and facilities; to amend and reenact subsection 3 of section 49-22-03, section 49-22-07.2, subsections 1 and 4 of section 49-22-13, subsection 1 of section 49-22-22, subsections 3 and 7 of section 49-22.1-01, section 49-22.1-05, subsections 1 and 4 of section 49-22.1-10, and subsection 1 of section 49-22.1-21 of the North Dakota Century Code, relating to energy conversion and transmission siting and facilities; and to repeal section 49-22.1-22 of the North Dakota Century Code, relating to removal of electrical standards requirement from gas and liquid energy transmission facilities.

SB 2014: AN ACT to provide an appropriation for defraying the expenses of the industrial commission and the agencies under its control; to create and enact subsections 7 and 8 of section 54-17-07.3 of the North Dakota Century Code, relating to housing finance agency programs; to amend and reenact subsection 1 of section 6-09-49, as amended by section 1 of House Bill No. 1431, as approved by the sixty-seventh legislative assembly, section 6-09-49, the new section to chapter 6-09, as created by section 2 of House Bill No. 1431, as approved by the sixty-seventh legislative assembly, section 6-09.4-05.1, section 6-09.4-06, as amended by section 3 of House Bill No. 1431, as approved by the sixty-seventh legislative assembly, section 15-11-40, subsection 6 of section 17-05-08, subsection 1 of section 38-22-14, subsection 1 of section

38-22-15, and sections 54-17-40 and 57-51.1-07.9 of the North Dakota Century Code and section 7 of House Bill No. 1431, as approved by the sixty-seventh legislative assembly, relating to the infrastructure revolving loan fund, the water infrastructure revolving loan fund, the state energy research center, transmission authority projects, public finance authority bonding, carbon dioxide storage fees, the housing incentive fund, and a bond issue limitation; to repeal section 54-17-07.12 of the North Dakota Century Code, relating to the housing finance agency participating as a wholesale servicing mortgage lender; to provide for a transfer; to provide an exemption; to provide a statement of legislative intent; to provide for a study; to provide for a legislative management report; and to provide an expiration date.

SB2066: AN ACT to amend and reenact section 54-17.4-09.1 of the North Dakota Century Code, relating to use of funds from the fossil excavation and restoration fund; and to provide a continuing appropriation.

Key Responsibilities Added or Deleted from the Department during the 2019-2021 Biennium

The OGD expanded its authority to require non-consenting pore space owners to be included in a gas storage facility or the amalgamation of property interests. Amalgamation for pore space storage is a critical component to removing uncertainties surrounding utilization of pore space for underground storage of oil, natural gas liquids, and natural gas. The OGD modified the requirement to mail orders to each interested party when the Rules of Civil Procedure allow for electronic service. This simple change will cut the amount of staff time and agency resources spent printing and mailing hard copies of orders moving forward. Additionally, throughout 2020-2021 the OGD received CARES Act funds to assist in economic stimulation of the Oil and Gas sector. These funds were used to support keeping service companies employed and keeping frac crews in the State during the COVID-19 pandemic. Work was generated in the form of plugging and reclamation of wells and a grant program was established for companies to offset water costs associated with completion of new oil and gas wells.

Major Accomplishments and Activities

New Geological Survey Rules:

Rules were created for the new high-level radioactive waste program (N.D.A.C. 43-02-13). The existing geothermal rules were amended (N.D.A.C. 43-02-07) and new deep geothermal rules were created (N.D.A.C. 43-02-07.1). The In Situ Leach Uranium Mining Rules were expanded to The In Situ Leach Mineral Mining Rules to include other minerals. (

the In Situ Leach Mineral Mining Rules to include other minerals (N.D.A.C. 43-02-2.1).

Oil and Gas Resources:

The OGD successfully developed and implemented a knowledge retention program for those employees retiring to prevent information loss and increase educational resources for new staff. NorthSTAR, the Oil and Gas Division's tracking and reporting system for operator forms and data was built out to suit the needs of the Division. This program is near completion and will continue to be a new and more efficient resource for the agency. The OGD issued 1,548 oil and gas permits – down 660 from the last biennium; heard approximately 1,955 cases docketed for hearing, and

regulated an average drilling rig count of 31 rigs – also down by around half since the last biennium. Much of these reductions due to the COVID-19 pandemic and drop in oil prices in 2020. However, North Dakota did still see an increase of 973 producing wells resulting in an all-time high producing well count of 16,626. This resulted in more than 365,600 OGD inspections during the biennium.

Geological Survey Reports and Presentations:

NDGS scientists published 974 articles, maps, and reports on various aspects of North Dakota's geology during this biennium, the vast majority of these were landslide maps. In addition, the NDGS gave 134 presentations to more than 3,400 people. A significant number of these were virtual presentations. The DMR co-sponsored the 2021 Williston Basin Petroleum Conferences in Bismarck after having to cancel the 2020 conference due to the Covid19 pandemic.

Petroleum Geology:

Forty-three of the Survey publications this biennium focused on North Dakota's subsurface geology including the Deadwood, Birdbear, Three Forks, Lodgepole, Mission Canyon, Tyler, Inyan Kara, and Spearfish Formations. The majority of these dealt with oil and gas studies, but the four Inyan Kara maps published this biennium were generated to guide industry in the disposal of produced saltwater. These maps completed the Inyan Kara project which had extended over several bienniums and resulted in 15 maps covering most of western and central North Dakota. Twenty thousand drill-stem tests were evaluated, grouped by formation, plotted on maps to make it easier for industry to access, and reported in 13 Survey publications.

Core Library:

The Wilson M. Laird Core and Sample Library underwent major expansion and renovation during the 2015-2017 biennium. A total of 33,738 feet of core was studied by industry and academia in the core library during the 19-21 biennium. In addition, 30,168 feet of core was photographed generating nearly 44,000 core photographs for the subscription website. Industry submitted 33,401 feet of core and 2,731 sample boxes to the core library during this biennium.

Geologic Surface Mapping: NDGS geologists completed four surface geology maps (quadrangles) in the Bismarck area. Survey geologists also mapped 13,752 landslides in 787 quadrangles, primarily in the eastern half of the state. In doing so, the Geological Survey completed a multi-year effort to map all the existing landslides in North Dakota, a total of 33,914. Twelve maps and reports were published this biennium on the proppant potential of windblown deposits in western and north-central North Dakota. This work directly led to the opening of several sand mining operations in McHenry and Mercer Counties. A total of 726 LiDAR map shapefiles were converted to pdfs and posted on the Geological Survey website.

Mineral Studies:

The NDGS continued working on a multi-biennium critical minerals project. During the 2019-2021 Biennium, the NDGS collected 433 lignite samples from 74 sites in central and western North Dakota. To date, 1,1629 lignite samples have been collected from 226 sites in western North Dakota and 1,329 of those samples have been analyzed for their critical mineral concentrations. A total of 228 of the Survey samples contain rare earth element concentrations that exceed DOE's economic threshold of 300ppm. Seven maps were published this biennium on the potash potential

of the Prairie Formation in northwestern and north-central North Dakota. The Survey also published a report on Helium potential in the Williston Basin.

Paleontology:

Eight public fossil digs were conducted this biennium near the towns of Medora, South Heart, Huff, and Walhalla. NDGS paleontologists also undertook eight fossil excavations across the state. The Dakota (a mummified hadrosaur) exhibit in the ND Heritage Center was redesigned but was delayed from going on display until the 2021-2023 biennium due to the Covid-19 pandemic. As soon as the ND public schools closed in mid-March due to Covid19, the Paleontology Section created a series of lectures to give students suddenly stranded at home a chance to tune in for a dose of science. The paleochats were broadcast over the ZOOM webinar platform from 10:00 – 11:00 am cst, Monday through Friday. On March 25, after six very successful presentations on mosasaurs, coprolites, ammonites, sabertooth cats, amber, and hadrosaurs, the Heritage Center closed due to Covid19 and the paleo crew had to gather their fossils, grab their computers, and set everything up at home. Under trying circumstances, the paleontologists initiated a new lecture series, learning as they went, in an attempt to fill a void and perhaps create a diversion for students from what was going on in the world around them. From the comments we have received about the program, their efforts were successful and much appreciated.

Other:

The NDGS issued 78 permits this biennium for the geothermal, coal exploration, subsurface mineral, and paleontological resource regulatory programs and answered more than 2,400 inquiries during the 2019-2021 biennium. The Geological Survey performed 343 geotechnical and paleontological reviews of infrastructure projects (roads, bridges, pipelines, transmission lines, proposed wind farms, etc.). Paleontologists evaluated the paleontological significance of 1,568 ND Trust Land's mineral tracts.

Trends in Direction for the Department/Short- and Long-Range Plans and Goals

Identifiable trends include rapidly increasing the functionality of the DMR websites as a means of accessing information and data available as well as increasing sales of print-on-demand maps. The Department continues to see high levels of well permitting, core and sample library visits, office visits, requests for digital data and well file information, and hearing case load. The OGD approved of the 1st Class VI storage facility under state primacy in the nation in November 2021 and would anticipate additional Class VI permit requests to be on the rise.

The plans and goals for the DMR can be outlined as follows:

Geologic Studies and Techniques

- Framework studies of petroleum geology
- Temperature profiles of the basin to determine geothermal gradients for petroleum maturation zones and deep geothermal potential
- Evaluation of produced water disposal zones
- The potash potential of the Prairie Formation
- Lignite and sand assessments for rare earth elements and proppant
- Shallow and deep gas evaluations

Methods of evaluating information on surface geology
Computerized geologic database

Geologic Mapping

Detailed surface mapping and mineral resource mapping - statewide
Mineral resource mapping on state-owned land
Mapping of landslides and other hazards using drones and LiDAR

Paleontology Activities

Revise the Dakota exhibit in the Geologic Time Gallery in the Heritage Center so the preserved skin is more prominently displayed, and 3D scan the skin and replicate so it can be touched
Design and create paleontological exhibits for museums and visitor centers across North Dakota
Continue to expand and improve the public fossil dig program
Evaluate the feasibility of establishing a dinosaur fossil park on a Trust Land Tract

Public Information/Outreach

Geologic presentations, tours, and fieldtrips
Release of new publications

Oil and Gas Resources

Continue development and implementation of the NorthSTAR Project to develop web-based forms and batch systems utilizing contractors and in-house personnel to implement electronic filing of Oil and Gas Division forms.
Continue implementing and upgrading a GIS database for the reporting and management of GIS shapefiles for underground gathering pipelines.
Collaborate with other state agencies, research organizations, startups, and industry to develop policy and procedure for identifying state-of-the-art pipeline monitoring systems.
Continue with scanning and updating historical case files, scanning new information, and scanning central tank battery files.
Continue to provide production summary webinars through the Oil and Gas website in addition to broadening the audience to include podcast format.
Encourage beneficial use of surplus gas to reduce gas flaring emissions.
Share work completed to document institutional knowledge of senior employees and continue capturing this knowledge as senior workforce retire.
Create and update policies on administrative waivers and variances allowed by rule.
provide hearing exhibits live through video streaming.

Resources and Publications Available from the Department

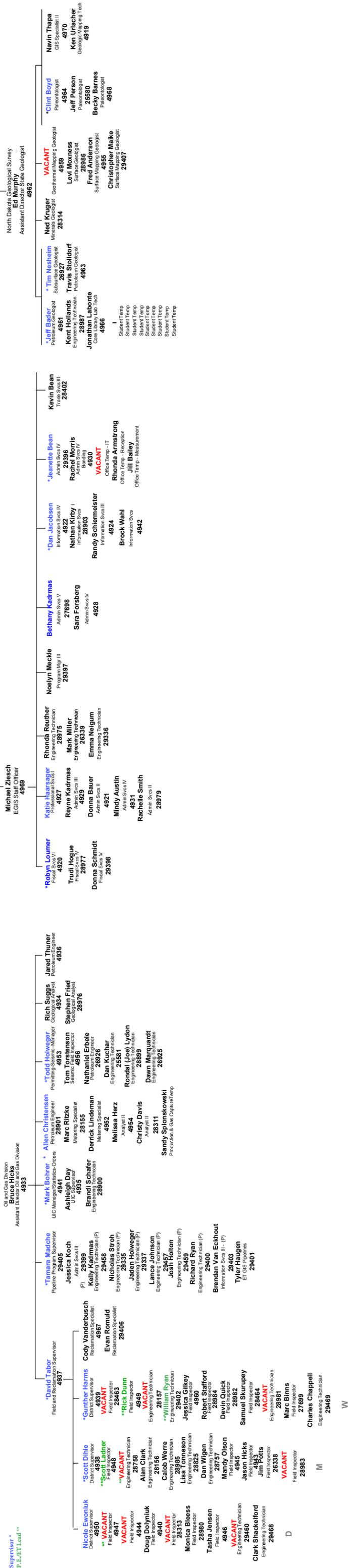
More than 3,000 Survey publications are listed on the NDGS Homepage at <https://www.dmr.nd.gov/ndgs/>. Most of these publications are linked to downloadable pdfs. New publications are listed in the back of the *DMR Newsletter (Geo News)*, issued twice a year.

The Oil and Gas Division publishes the monthly N.D. Oil and Gas Production Report online free of charge on our website: <https://www.dmr.nd.gov/oilgas/mprindex.asp>

Additional information about the Oil and Gas Division is available on the agency homepage: <https://www.dmr.nd.gov/oilgas/>

**NORTH DAKOTA DEPARTMENT OF
MINERAL RESOURCES 2021-2022**

North Dakota Industrial Commission
Governor, Attorney General, Agriculture Commissioner
Department of Mineral Resources
Oil and Gas Division
Lynn Helms
4832



D
Engineering Technician, 29460
Engineering Technician, 29468

M
Field Inspector, 28983

W
Engineering Technician, 29469

North Dakota Housing Finance Agency

History

Created by an initiated measure passed during the 1980 general election, the North Dakota Housing Finance Agency (the Agency) was established to develop, coordinate and issue tax-exempt bonds to generate funds that could be used by North Dakota residents in financing home purchases. The Agency's authority was expanded to administer regulatory oversight and contractual compliance for federal- and state-funded construction and rehabilitation in addition to rental assistance for multifamily housing.

Statutory/Constitutional Responsibilities

The Agency operates under the authority of the North Dakota Industrial Commission. State statute (NDCC 54-17) authorizes the Agency to operate single and multifamily housing finance programs, a secondary mortgage program, home improvement and grant programs to encourage housing availability for persons of low- to moderate-income, and to assist developing communities in addressing unmet housing needs or alleviating housing shortages. To finance these programs, the Industrial Commission is authorized to issue revenue bonds with the principal and interest being paid by revenues generated from the housing finance programs.

Major Programs and Activities

Homeownership

The Agency provides a robust financing system accomplished through public-private partnerships with local lenders, real estate agents, homebuilders, and community organizations. In-state, personalized loan servicing by the Agency elevates citizen success. Since the Agency was founded, over 48,000 mortgage loans totaling more than \$4.4 billion have been purchased.

- FirstHome™ offers affordable mortgages to first-time buyers.
- HomeAccess helps special needs buyers including single-parent, elderly, disabled and/or veteran households by providing assistance similar to FirstHome.
- North Dakota Roots offers households who may have previously owned a home or whose income exceeds the limits of the FirstHome program with an affordable mortgage.

Households who purchase a home using one of the Agency's mortgage loan programs can also receive down payment and closing cost assistance.

Multifamily Housing Development and Gap Financing

The Agency supports the development of new and rehabilitation of existing multifamily housing units statewide by providing technical assistance and low-cost financing options in the form of bonds, tax credits, loan guarantees and, through the North Dakota Housing Incentive Fund (HIF), gap financing. Housing units that are income restricted cost, on average, the same to develop as market-rate apartments even though affordable units must by law meet many requirements that standard apartment buildings do not. The primary factor driving development costs are land, labor and materials.

Multifamily Housing Oversight

The Agency is responsible for monitoring the long-term compliance of almost 10,000 housing units statewide receiving development or rehabilitation assistance, project-based rental assistance,

and monthly payments for housing assistance vouchers. Annual file reviews and periodic on-site inspections ensure properties adhere to the regulations of the associate state and/or federal housing contracts for periods of 20 to 30 years.

Many of the housing units overseen by the Agency received assistance from more than one programs, some of which are administered by other state or federal agencies. Programs overseen by the Agency include: the state's HIF; the Internal Revenue Service's Low Income Housing Tax Credit (LIHTC); and HUD's National Housing Trust Fund (HTF), Neighborhood Stabilization Program, Performance-Based Contract Administration, Moderate Rehabilitation Program and Affordable Housing Disposition Program.

Collaboration

The Agency, in collaboration with the ND Department of Human Services (DHS) and other housing and supportive service partners, is breaking down silos by working with local communities, state, tribal and federal agencies, and non-profit and faith-based organizations to help alleviate housing shortages and address housing instability. NDHFA assisted DHS with the Emergency Rental Assistance and ND Rent Help.

Homeless/Underserved

Bridging local, state, and federal resources to address short-term and chronic homelessness by focusing on youth, recidivism and aging in place, with the intent of providing upstream services to citizens in need.

Legislation Passed During the 2019 Legislative Session Directly Related to the Agency

HB 1014 – Industrial Commission Appropriation: Section 6 – Transferred \$7.5 million from the general fund to the Housing Incentive Fund. Section 21 of HB 1014 amended Section 54-17-40 of the North Dakota Century Code changing the allocation from 25 percent to 15 percent of funds reserved for developing communities; removed language pertaining to essential service workers; and streamlined the reporting requirements to the legislature.

HB 1376 – Criminal History Checks – The Agency is now authorized to issue criminal history checks for new applicants under section 54-17-07.13 of the North Dakota Century Code.

Other than routine appropriations, there was no other legislation passed specific to the Agency.

Responsibilities Added or Deleted During the Biennium

In 2020, NDHFA became the Collaborative Applicant for the state's CoC, a communitywide commitment to the goal of ending homelessness. The program provides funding to support efforts to end homelessness, promotes access to and for effective utilization of programs, and optimizes the self-sufficiency of individuals and families experiencing homelessness.

Accomplishments and Activities during the Biennium

Homeownership Program Stats

During the biennium, the Agency purchased 2,705 mortgage loans totaling \$465,268,812. Of these loans, 84 percent received down payment and closing cost assistance. The Agency also purchased 217 North Dakota Roots loans worth \$52,222,505 during the biennium, 85 percent received down payment and closing cost assistance.

Housing Incentive Fund Allocated

During the 2019-2021 Legislative Session, \$7.5 million was allocated to HIF as one-time funding from the state's general fund. The allocation will improve multifamily housing options for low- to moderate-income tenants in addition to the state's aging population, persons with disabilities, and individuals and families at risk of becoming or experiencing homelessness. For more information: www.ndhfa.org/index.php/ndhif/

Multifamily Revenue Bonds Issued

NDHFA issued a total of \$15,581,000 in Multifamily Revenue Bonds for two multifamily projects: 1) \$8,581,000 was issued for the final phase of the redevelopment of a former nursing home and senior living campus in Bismarck, ND, into 120-unit affordable housing complex, and 2) \$7 million was issued to Souris Heights in Minot, ND, for the development of a 54-unit affordable housing complex.

Identification of Trends in Direction for the Agency

NDHFA published "[The Current State of Housing in North Dakota](#)," a study of the affordability of single and multifamily housing, the impacts of COVID-19 and housing challenges faced by vulnerable populations in 2020.

Throughout the pandemic, NDHFA has worked with impacted homeowners to navigate their options and keep them housing stable. Close coordination with NDHFA and Dept. of Human Services to administer federal homeownership assistance funds will be critical to reach as many qualified homeowners as possible across the state.

Demand for development assistance from programs administered by the Agency is more than double the amount available in each funding round. Limited access to building materials and a workforce shortage impacts the ability to control construction costs and finish projects on schedule.

Affordable rental housing projects are under increased pressure due to a compression of market rate and affordable rents. Multifamily projects have seen increased vacancies and older projects with deferred maintenance issues can be challenged by newer rental options. This is positive news for renters as more naturally-occurring affordable housing is available, but there are still populations that struggle to find long-term affordable housing. Extremely low- and very low-income households are challenged to afford housing costs and units targeted to them are in great demand. Many projects report a waiting list for those lower rent units.

To sustain economic growth across the state, affordable housing options need to be available for low-wage workers and special needs households including individuals and families who are elderly, disabled and/or at-risk of homelessness. Rehabilitation of existing affordable housing stock will be important in keeping options viable in many communities. The development of additional units of permanent supportive housing will be a critical need.

Short and Long-Range Plans and Goals

The Agency remains committed to supporting communities of all sizes in addressing their unmet housing needs. The Agency will continue its work as North Dakota's central clearinghouse for housing information, technical assistance and financial resources. It will also continue its active role in helping to address the housing needs of the state's most vulnerable people by leading

collaborative efforts like the North Dakota Supportive Housing Collaborative and Interagency Council on Homelessness. Learn more about the Agency’s goals, [NDHFA Strategic Plan 2020-2025](#).

Summary of Expenditures and Revenues for the 2019-2021 Biennium

	19-21 Appropriation as Adjusted	19-21 Expenditure
Salaries and Wages	8,509,015	7,951,135
Operating	6,346,276	6,169,488
Grants	33,466,600	30,202,956
HFA Contingency	100,000	11,045
General Fund Transfers - HIF	7,500,000	7,500,000
Total	<u>55,921,891</u>	<u>51,834,624</u>

Resources and Publications Available

The Agency publishes an annual report, newsletter, and numerous housing-related publications. The most recent audit, official statements, and bond disclosure information are available as printed copies or online at www.ndhfa.org.

Industrial Commission
 Governor Doug Burgum, Chairman
 Agriculture Commissioner Doug Goehring
 Attorney General Wayne Stenehjem

North Dakota Housing Finance Agency Advisory Board
 Ninetta Wandler, Chairwoman
 Lisa Rotvold
 Jim Farnsworth
 Kevin Hanson
 Larry Nygard
 Joe Sheehan

North Dakota Housing Finance Agency
 David Flohr
 Executive Director

Administrative Services
 Anita Hoffman
 Director

NDHFA business division supports the day-to-day operations of the Agency providing sustainable resource management and planning through the following segments: Finance, Information Technology, Human Resources, Accounting, Administration, Risk Management, Public Affairs and Communications.

Public Affairs
 Kayla Ver Helst
 Director

North Dakota Continuum of Care (CoC)
 Shawnel Willer
 Coordinator

NDHFA is the Collaborative Applicant for the state's CoC. The program provides funding to support efforts to end homelessness, promotes access to and for effective utilization of programs, and optimizes the self-sufficiency of individuals and families experiencing homelessness.

Operations
 Patrick Nagel
 Chief Financial Officer

Homeownership
 Brandon Dettlaff
 Director

Through a network of lending and real estate partners, NDHFA provides low-cost financing, down payment and closing cost assistance, and homebuyer education. Servicing and origination departments have helped more than 48,000 North Dakota households achieve and succeed in homeownership.

Property Management
 Wayne Glaser
 Director

Thousands of individuals and families of modest means live in privately-owned properties for which NDHFA administers rental subsidies and provides regulatory oversight. The Agency's property management division ensures that these housing options are safe, accessible and affordable.

Planning and Housing Development
 Jennifer Henderson
 Director

The Planning and Housing Development Division is charged with addressing the state's changing housing needs, including a shortage of housing for the state's workforce, special needs populations, and low- to moderate-income households, and providing technical assistance to North Dakota communities in addressing their housing needs.

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Cash and cash equivalents	\$ 13,600	\$ 11,155
Due from State Agencies	57	3
Receivables		
Interest		
Loans	2	3
Investments	28	30
Due from HUD	215	232
Other	625	666
Current portion of service release premium	863	819
Prepaid expenses	66	63
Total unrestricted current assets	15,456	12,971
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	304,344	234,323
Receivables		
Current portion of loans receivable	30,801	30,160
Interest		
Loans	5,060	4,737
Investments	439	406
Other	232	1
Total restricted current assets	340,876	269,627
Total current assets	356,332	282,598
NONCURRENT ASSETS - UNRESTRICTED		
Service release premium, net	6,093	5,607
Equipment, net	11	17
Total unrestricted noncurrent assets	6,104	5,624
NONCURRENT ASSETS - RESTRICTED		
Loans receivable, net of current portion	1,193,169	1,255,924
Investments	54,215	44,619
Total restricted noncurrent assets	1,247,384	1,300,543
Total noncurrent assets	1,253,488	1,306,167
Total assets	1,609,820	1,588,765
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension	4,086	1,289
Deferred outflow - OPEB	61	57
Financial derivative instrument	10,361	16,132
Total deferred outflows of resources	14,508	17,478

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2021 AND 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
LIABILITIES		
CURRENT LIABILITIES		
Due to HUD	\$ 68	\$ 19
Due to state agencies	353	332
Other	921	843
Current portion of compensated absences	-	9
Current portion of bonds payable, net of premium	36,524	32,672
Accrued interest	17,826	19,287
Funds held in trust	19,428	17,399
Grant funds received in advance	57	77
	<u>75,177</u>	<u>70,638</u>
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	361	311
Grant funds received in advance	4,659	4,693
Net pension liability	6,775	2,760
Net OPEB liability	178	189
Financial derivative instrument	10,361	16,132
Bonds payable, net of current portion and premium	1,308,683	1,299,308
	<u>1,331,017</u>	<u>1,323,393</u>
Total noncurrent liabilities	<u>1,331,017</u>	<u>1,323,393</u>
Total liabilities	<u>1,406,194</u>	<u>1,394,031</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension	1,200	1,479
Deferred inflow - OPEB	23	13
	<u>1,223</u>	<u>1,492</u>
Total deferred inflows of resources	<u>1,223</u>	<u>1,492</u>
NET POSITION		
Net investment in capital assets	11	17
Restricted for debt service	201,116	196,441
Unrestricted	15,784	14,262
	<u>216,911</u>	<u>210,720</u>
Total net position	<u>\$ 216,911</u>	<u>\$ 210,720</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
OPERATING REVENUES		
Mortgage interest income	\$ 42,335	\$ 46,858
Investment income	3,292	5,661
Gain on sale of investments	422	2,212
Fee income	3,950	3,375
Total revenues	49,999	58,106
OPERATING EXPENSES		
Interest expense	32,069	33,055
Agency grants	231	249
Administrative and operating expenses	7,019	5,520
Salaries and benefits	3,822	3,710
Pension expense	1,127	476
OPEB expense	22	24
Depreciation	6	7
Total expenses	44,296	43,041
OPERATING INCOME	5,703	15,065
NONOPERATING REVENUES (EXPENSES)		
Federal grants	16,233	13,490
Non-federal grants	464	-
Investment income	57	455
Federal grants	(16,233)	(13,490)
Total nonoperating revenues (expenses)	521	455
INCOME BEFORE TRANSFERS	6,224	15,520
TRANSFERS		
Transfer to Industrial Commission	(33)	(44)
CHANGE IN NET POSITION	6,191	15,476
TOTAL NET POSITION, BEGINNING OF YEAR	210,720	195,244
TOTAL NET POSITION, END OF YEAR	\$ 216,911	\$ 210,720

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
OPERATING ACTIVITIES		
Receipts from customers	\$ 420,229	\$ 233,175
Proceeds from sale of loans receivable	44,328	37,345
Interfund mortgages loan purchases and sales	18,232	(108,218)
Grant funds received in advance	(52)	56
Payment of grants	(166)	(36)
Payments to service providers		
State agencies	(5,228)	(3,705)
Mortgage loan purchases	(365,041)	(190,548)
Other	(12,597)	(8,708)
Payments to employees	(3,746)	(3,706)
Net cash used by operating activities	95,959	(44,345)
NONCAPITAL FINANCING ACTIVITIES		
Principal payments on loan from BND / FHLB	(17,289)	(13,566)
Principal payments on bonds payable	(233,210)	(109,720)
Proceeds from loan borrowings from BND / FHLB	17,289	13,566
Proceeds from bond issuance	252,694	185,204
Interest paid on loans and bonds	(33,530)	(30,104)
Proceeds from federal grants	16,233	13,490
Proceeds from non-federal grants	464	-
Payment of federal grants	(16,233)	(13,490)
Transfers to Industrial Commission	(33)	(44)
Net cash provided (used) by noncapital financing activities	(13,615)	45,336
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	-	(11)
INVESTING ACTIVITIES		
Purchase of investments	(30,806)	(21,027)
Proceeds from sale of investments	20,778	26,665
Interest received from investments	150	325
Net cash provided (used) by for investing activities	(9,878)	5,963
NET CHANGE IN CASH AND CASH EQUIVALENTS	72,466	6,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	245,478	238,535
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 317,944	\$ 245,478
CASH AND CASH EQUIVALENTS - UNRESTRICTED	\$ 13,600	\$ 11,155
CASH AND CASH EQUIVALENTS - RESTRICTED	304,344	234,323
	\$ 317,944	\$ 245,478

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET		
CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 5,703	\$ 15,065
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	6	7
Amortization		
Original issue discounts and premiums	(6,257)	(5,902)
Service release premium	2,146	1,495
Fair value (increases) decreases of investments	343	(583)
Reclassification of interest income/expense to other activities	32,036	32,869
Effect on cash flows due to changes in:		
Deferred outflow - pension	(2,796)	388
Deferred outflow - OPEB	(4)	(6)
Deferred inflows - pension	(279)	1,154
Deferred inflows - OPEB	10	2
Effect on cash flows due to changes in:		
Due from HUD	17	298
Due from State Agencies	(54)	2
Other receivables	(147)	126
Service release premium	(2,675)	(1,838)
Prepaid expenses	(4)	2
Loan interest receivable	(321)	(469)
Loans receivable	62,112	(87,712)
Due to HUD	48	7
Due to State Agencies	21	315
Rebate due to IRS	-	(90)
Other liabilities	33	(633)
Compensated absences	42	(24)
Funds held in trust	2,029	2,459
Net pension liability	4,004	(1,241)
Grant funds received in advance	(54)	(36)
Net cash used by operating activities	\$ 95,959	\$ (44,345)
Non-cash disclosures:		
Increase (decrease) in fair value of investments	\$ (432)	\$ 792

**NORTH DAKOTA HOUSING INCENTIVE FUND
BALANCE SHEETS
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,942,986	\$ 9,242,001
Total assets	\$ 6,942,986	\$ 9,242,001
LIABILITIES		
Due to state agencies	\$ 2,184	\$ 3,236
Total liabilities	2,184	3,236
FUND BALANCE		
Restricted for affordable multifamily housing	6,940,802	9,238,765
Total fund balance	6,940,802	9,238,765
Total liabilities and fund balance	\$ 6,942,986	\$ 9,242,001

NORTH DAKOTA HOUSING INCENTIVE FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Project payment	\$ 1,007,280	\$ -
Total revenues	<u>1,007,280</u>	<u>-</u>
EXPENDITURES		
Current:		
Administrative and operating expenses	9,439	9,211
Grant expenses	<u>3,295,804</u>	<u>1,536,839</u>
Total expenditures	<u>3,305,243</u>	<u>1,546,050</u>
Revenue over (under) expenditures	<u>(2,297,963)</u>	<u>(1,546,050)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(2,297,963)</u>	<u>(1,546,050)</u>
TRANSFERS		
Transfers from Bank of North Dakota	<u>-</u>	<u>7,500,000</u>
CHANGE IN FUND BALANCE	(2,297,963)	5,953,950
TOTAL FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED	<u>9,238,765</u>	<u>3,284,815</u>
TOTAL FUND BALANCE, END OF YEAR	<u>\$ 6,940,802</u>	<u>\$ 9,238,765</u>

Lignite Research, Development and Marketing Program

History

The Lignite Research, Development and Marketing Program (LRP) evolved from legislation passed in 1987. The 1987 legislation authorized a 2-cent per ton tax to be used to fund the LRP. Potential funding was increased in 1990 when North Dakota voters approved a constitutional amendment that allows up to 50% of the revenue in the state's coal trust fund to be used for lignite research, development and marketing. In 1995, the North Dakota Legislature increased the percentage of revenue to come from the state's coal trust fund for lignite research, development and marketing to 70%. In 2007 the Legislature authorized that a portion of the Coal Conversion Tax be transferred to the Lignite Research Fund through July 31, 2018, and the 2018 sunset date was repealed by the 2017 Legislature (SB 2031) making this funding available indefinitely. The North Dakota Legislature made a one-time appropriation of \$5 million from the General Fund to the Lignite Research Program in 2015 to support development of the next generation of lignite based utilization system that incorporates CO₂ capture into the process. In 2017, the North Dakota Legislature added seed funding for an Advanced Energy Technology fund with \$3 million from the Strategic Investment and Improvements Fund (SIIF), authorized use of 15% of the Coal Severance Tax, and added the ability to access funding from the Renewable Energy Fund for projects that obtain approval from the Renewable Energy Council (SB 2014). The 2017 Legislature also authorized an additional \$3 million from the SIIF (HB 1152). In 2019, the \$3 million appropriation from the SIIF was replaced by House Bill 1066 called "Project Prairie Dog", and the funding was increased to \$10 million per biennium. The 2021 legislature extended the additional \$10 million appropriation with House Bill 1015.

Organizational Structure

The Lignite Research, Development and Marketing Program is a partnership between the private and public sectors. Through Executive Order, the Governor appoints the Lignite Research Council (LRC) which consists of representatives from the mining industry, utility industry, labor, lignite ownership, legislators, federal, state, political subdivision and local agencies and the research community. The North Dakota Industrial Commission (NDIC) administers the Program, approves or disapproves research, development and marketing projects and activities, accepts and distributes funds and enters into contracts. The Lignite Research Council is an advisory group to the North Dakota Industrial Commission. The LRC provides advice on policy and guidelines and provides recommendations on project funding. The Chairman of the LRC is Jason Bohrer. The Commission's Executive Director, Karlene Fine, serves as the contracts officer for this Program. Michael Holmes was appointed Program Director of the LRP in January 2017 and has held that position since that time.

Statutory Responsibilities

North Dakota Century Code 54-17.5 is the statutory authority for the Lignite Research, Development and Marketing Program. NDCC 54-17.5-01 states in part:

...The legislative assembly further finds and declares that it is an essential governmental function and public purpose to assist with the development and wise use of North Dakota's vast lignite resources by supporting a lignite research, development and marketing program that promotes economic, efficient, and clean uses of lignite and products derived from lignite in order to maintain

and enhance development of North Dakota lignite and its products; support educational activities relating to the lignite industry; preserve and create jobs involved in the production and utilization of North Dakota lignite; ensure economic stability, growth, and opportunity in the lignite industry; and maintain a stable and competitive tax base for our state's lignite industry for the general welfare of North Dakota. The legislative assembly further finds and declares that development of North Dakota's lignite resources must be conducted in an environmentally sound manner that protects our state's air, water and soil resources as specified by applicable federal and state law.

Major Programs and Activities

The Lignite Research, Development and Marketing Program is broken down into four areas:

Research: The Research Program funds small research projects that are focused on environmental issues, combustion, reclamation, byproducts and beneficiation. These funds are matched by private industrial investment, and where possible, leveraged with Federal funding. The primary area of focus during this period was carbon management (carbon capture, utilization, and storage), with emphasis also on the feasibility of “new options” for lignite utilization. In addition to the carbon management projects, there were several projects related to Rare Earth Element and Critical Mineral recovery from lignite and ash, evaluation of greenhouse agriculture integrated into a power plant, development of carbon materials, and improvements in mine reclamation, to name a few.

Development (Demonstration): The Development Program, often referred to as the Demonstration Program, provides funding for those projects that are taking the next step from research and are on the pathway to performing demonstration projects. The development program and the entire LRP is the epitome of a state and industry partnership with cooperation among Government agencies, elected Leadership and the Lignite Industry. A major part of the Development Program has historically been a focus on the lignite power plant of the future using the latest technology developments to provide clean, affordable, reliable, and resilient energy to a rapidly growing region. The cooperation and vision have continued and was expanded to include development of options to sustain use of the existing power production assets in North Dakota. The Advanced Energy Technology (AET) program was initiated to encompass these broader development efforts and continues the focus on late-stage evaluation of technologies under consideration for commercial application in North Dakota.

Marketing and education: The Marketing Program primarily funds a matching public affairs program. This program is responsible for developing and implementing a successful marketing plan that helps preserve and enhance lignite markets. The educational component of this program provides matching funds for projects that educate students, college professors, and teachers (k through 12) about lignite and the workforce opportunities in the lignite industry.

Feasibility Studies: The Feasibility Studies Program funds are utilized for projects that do not require a match and are used in part to finance the work of the North Dakota Transmission Authority and related transmission issues. Included in this funding are monies set aside to assist with work being done to coordinate the Development Program projects.

Key Legislation Passed During Last Biennium Related to the Lignite Research Program

The key legislation affecting the Lignite Research Program from the 67th North Dakota Legislative Assembly included the creation of the Clean Sustainable Energy Authority (CSEA) found in HB1452. This legislation further bridges the gap between technology development and commercial application across North Dakota energy sectors. The CSEA is authorized to provide grants, loans, or other forms of financial assistance to qualified entities for the research, demonstration, development, and commercialization of projects, processes, activities, and technologies that reduce environmental impacts and use energy sources derived from within the state. The legislature provided CSEA with \$25 million for matching grants and \$250 million for commercialization loans.

In the previous biennium, House Bill 1066 called “Project Prairie Dog” increased the additional Lignite Research Program appropriation to \$10 million per biennium starting in FY19-21. The 2021 legislature extended the additional \$10 million appropriation with House Bill 1015, and House Bill 1014 includes authority for \$4.5 million of the Program’s funding to be used for research and development, marketing and litigation without a match requirement. The bills provide funding and the structure to enhance Lignite Research Program efforts critical to preserving existing lignite production and industry jobs or that will lead to development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. These funds also will allow continuation of the support of technology development efforts for carbon capture, utilization, and storage using the “next generation” of technologies that were initiated through support from prior North Dakota Legislative Assemblies.

Key Responsibilities Added to or Deleted from Lignite Research Program During the Biennium

There were no key responsibilities directly added to or directly deleted from the Lignite Research Program during the 2019-2021 biennium.

Major Accomplishments and Activities

Under the research program each dollar in state funds has generated more than seven dollars in total research funds, and this trend continued for projects initiated in the current biennium. State dollars are leveraged with industry investments as well as funding from the United States Department of Energy (DOE) for research and development projects. These funds were utilized for research to solve critical challenges facing the lignite industry, including advanced technology options for lignite-based power, CO₂ capture, utilization, and storage, and investigation of additional value-added opportunities for lignite and ash use. Research projects during this biennium included several projects related to Rare Earth Elements and critical mineral recovery from lignite and ash, evaluation of greenhouse agriculture integrated into a power plant, development of carbon materials, and improvements in mine reclamation, to name a few. These efforts are beneficial in enhancing development of new products, markets, and industry.

Under the development (demonstration) program, funding has been provided to expand efforts to assist with developing new projects with cost-effective clean coal technologies to meet demands for additional energy in the region while maintaining North Dakota’s existing lignite-fired power fleet. During this biennium, the investments in carbon capture, utilization, and storage technology

developments have led to commercial interest in capture of CO₂ from North Dakota power plants for geologic storage and/or use in enhanced oil recovery in the Williston Basin. Commercial application of the technology in North Dakota would provide two major benefits to the State, including the critical value of extending the life of our plants and providing a source of CO₂ for producing additional oil from conventional wells that are nearing the end of economic viability without enhanced oil recovery with CO₂. A project titled Project Tundra was awarded \$20 million in funding from the Lignite Research Program (over \$40 million total project size) to perform an engineering study and evaluate the commercial viability of CCUS at the Milton R Young Station (industry leads of Minnkota Power Cooperative and ALLETE). A similar study was initiated to evaluate the viability of carbon management at the Coal Creek Energy Park. Both projects include evaluation of the potential for geologic storage of the CO₂ adjacent to the plants as an option in addition to the potential for use in enhanced oil recovery. This work is complementary to the CO₂ utilization and storage work performed in the Plains CO₂ Reduction Partnership project that is also supported by the LRP.

Under the marketing program, the focus during this latest period has been on enhancing the image of lignite-based power in the region served by the North Dakota lignite industry, as well as development of strategies for increased lignite use. This effort is cost shared by industry. The marketing program has been in existence since 1996. Originally started as the Partners for Affordable Energy Program, it was transformed to the Coalition for a Secure Energy Future in 2013. Currently the program uses a mixture of media and grassroots marketing to promote the benefits of coal-based electricity. The education portion of the marketing program continues as well with the annual teacher's workshop remaining a key focus.

A list of the research projects completed and ongoing is available on the North Dakota Industrial Commission's website www.nd.gov/ndic/lrc-infopage.htm.

Trends in Direction for LRP/Short- and Long-Range Plans and Goals

As directed by the North Dakota Legislature, the goals of the Lignite Research, Development and Marketing Program continue to be:

- Help solve problems for the state's **existing** facilities so the state can maintain jobs, economic activity and tax revenue. This work is being done under the research and development program areas.
- Assist with developing **new** lignite-fired power plants that will create additional jobs, tax revenues and business volume. This work is being done under the development (demonstration) program. These projects are being developed with new clean coal technologies.
- Help provide favorable marketing strategies for increased use of coal-based electricity. This work is being done under the marketing program.
- Help to develop projects that utilize lignite in new ways to meet the nation's growing energy needs as well as assure national energy security.
- Focus efforts using the appropriations of additional funding for Advanced Energy Technology projects to develop technologies for use on enhancing and preserving the existing North Dakota power plants and to develop the next generation of lignite-based technologies that incorporate CO₂ capture.

Resources and Publications Available from the Lignite Research, Development and Marketing Program

A short summary of all the research projects completed with funding from the Lignite Research, Development and Marketing Program is available on the LRP's website at www.nd.gov/ndic/lrc-infopage.htm . Copies of research reports are available by contacting the Industrial Commission at the address noted on the back of this biennial report.

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North Dakota Mill and Elevator Association

History

The North Dakota Mill and Elevator Association (“NDM”; “Mill”) began operating October 22, 1922 as a value-added market for wheat produced in North Dakota. In the early 1900’s, the flour mills and grain exchange in Minneapolis were the primary wheat markets for North Dakota farmers and elevators. After freight costs to Minneapolis were deducted from Minneapolis market prices, North Dakota farmers received a low price for their wheat. The North Dakota Mill came into existence to solve this problem.

The NDM facilities include eight milling units, a terminal elevator and a packing warehouse to prepare bagged products for shipment. All Mill facilities are located in Grand Forks and have been paid for from operating profits.

With eight milling units, NDM produces and ships 49,500 cwt. of milled products daily across the United States and around the world. In addition, the Mill ships over 14,000 cwt. of food grade bran and wheat midds daily. NDM cleans, processes and mills 100,000 bushels of top quality North Dakota wheat daily. On an annual basis, the Mill adds value to 30 million bushels of spring and durum wheat.

The terminal elevator has a storage capacity for 5.2 million bushels of wheat. The terminal elevator currently transfers wheat to the eight milling units and provides wheat storage to farmers and country elevators.

The milling units operate 24 hours daily, on a three-shift basis, six and seven days a week. Eighty percent of the Mill’s flour and semolina is shipped in bulk rail cars and trucks. Twenty percent of our finished products are packaged in 5, 10, 25, 50, 100 pound bags and large tote bags for shipment via boxcars and trucks.

NDM receives no funds or financial assistance from the State of North Dakota to subsidize the milling operations. Selling value-added milled wheat products to bakery and pasta customers as well as retail and food service suppliers generates all operating funds. Since 1971, NDM has transferred over 50% of its profits to the General Fund.

Mission Statement

The mission statement for the North Dakota Mill was adopted August 22, 1997. The mission of the North Dakota Mill is to promote and provide support to North Dakota agriculture, commerce and industry. Provide superior quality, consistency and service to our customers. Grow the business and provide a profit to our owners – the citizens of North Dakota. Conduct our business with the highest integrity so that our employees, customers, suppliers and owners are proud to be associated with the North Dakota Mill.

Program Objectives

The North Dakota Mill will:

1. Purchase and mill more than 34,000,000 bushels per year of North Dakota grown spring and durum wheat.
2. Realize profits in order to maintain the facilities in top operating condition.
3. Return a portion of the profits to the General Fund.

Services Provided

The North Dakota Mill:

1. Seeks to be the leader in quality and service for the milling industry.
2. Manufacturer flour to bakery specifications from hard red spring wheat.
3. Manufacturer durum flour and semolina to pasta manufacturer's specifications from hard amber durum.
4. Seeks to develop new, value-added products to enhance the growth and profitability of the North Dakota Mill.

Major Accomplishments

1. Gross sales reached \$638,803,000 for the two years ended June 30, 2021.
2. During the biennium, the Mill shipped 30,095,000 hundredweight of flour. Mill operations provided more than \$467,362,000 to the region in direct economic impact and \$1,084,280,000 in secondary economic impact for a total economic impact of \$1,551,642,000.

Legislation Passed During the 2021 Legislative Session Related to the North Dakota Mill and Elevator

Legislation was passed appropriating funds for operating expenses and for the transfer of funds to the Industrial Commission.

Trends in Direction for the Mill/Short and Long Range Plans and Goals

The North Dakota Mill intends to continue to promote North Dakota agriculture, grow the business, and look for opportunities wherever we may find them.

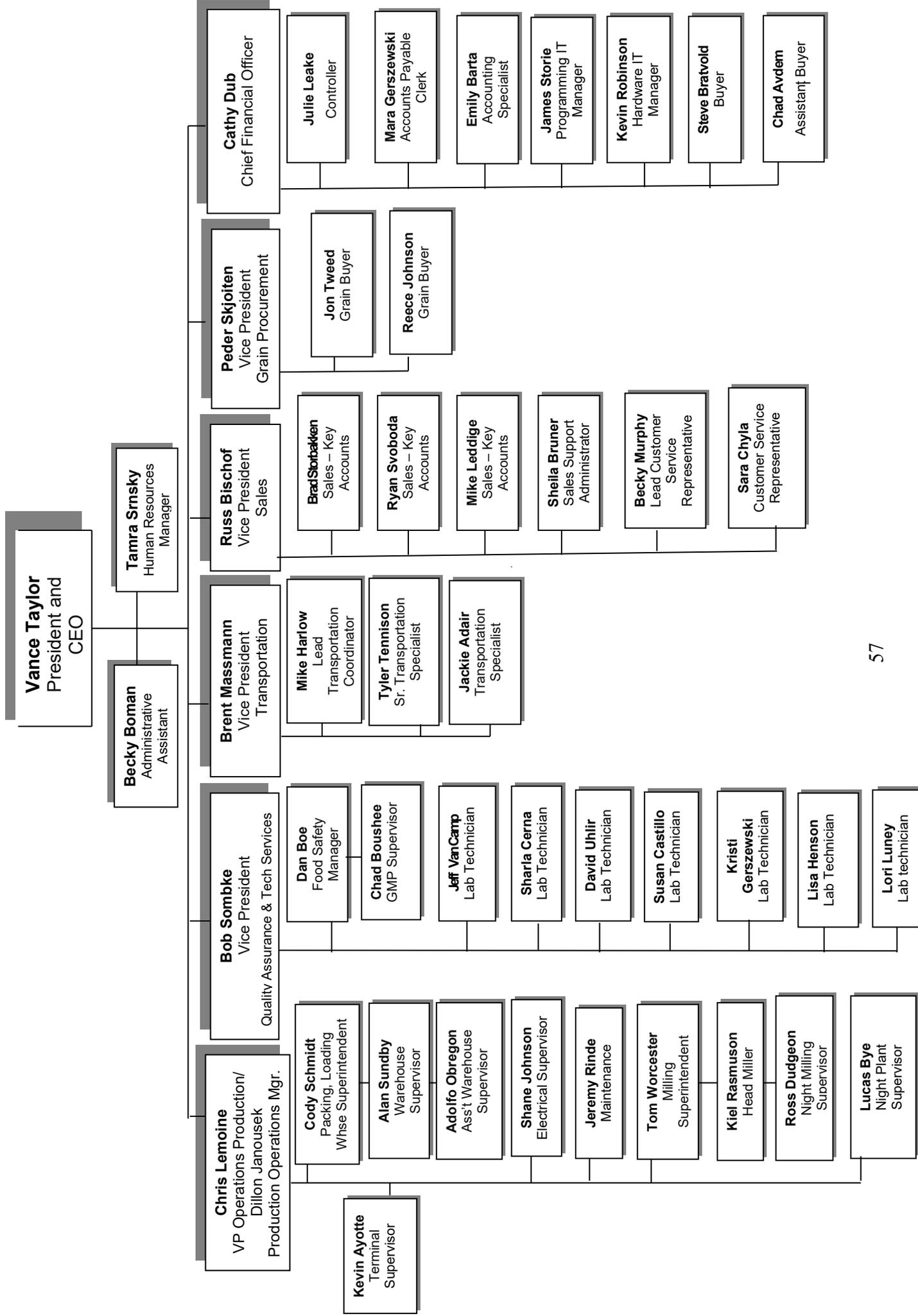
The North Dakota Mill has developed a strategic plan, which includes the following strategic thrusts:

1. Promote and Support North Dakota Agriculture, Commerce, and Industry
2. Identify and Respond to Emerging Issues in the Flour Milling Industry
3. Maximize Profit Potential
4. Grow our Customer Base
5. Invest in our Employees

Resources Available from the North Dakota Mill and Elevator

Additional information about the North Dakota Mill and Elevator Association is available on its website at www.ndmill.com.

NORTH DAKOTA MILL ORGANIZATION CHART



FINANCIAL STATEMENTS
Comparative Statement of Net Position

ASSETS	June 30, 2021	June 30, 2020
Current assets:		
Cash and cash equivalents	\$ 1,854,533	\$ 225
Receivables, net (note 4)	52,803,836	46,585,657
Inventories (note 5)	29,934,013	27,441,721
Prepaid expense	980,493	1,391,154
Total current assets	\$ 85,572,875	\$ 75,418,757
Noncurrent assets:		
Patronage capital credits	\$ 546,191	\$ 493,763
Other assets	275,000	13,150
Capital assets, net (note 6)	127,583,562	110,467,986
Total noncurrent assets	128,404,753	110,974,899
Total assets	\$ 213,977,628	\$ 186,393,656
 DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	\$ 497,649	\$ 735,025
Derived from pensions	16,142,741	5,477,082
Derived from other post-employment benefits	325,138	298,037
Total deferred outflows of resources	\$ 16,965,528	\$ 6,510,144
 LIABILITIES		
Current liabilities:		
Checks issued in excess of cash		\$ 551,062
Accounts payable and other liabilities (note 7)	\$ 19,533,130	17,396,001
Due to state general fund	6,393,652	5,423,841
Due to ag products utilization fund	673,016	570,930
Derivative instrument	497,650	735,025
Notes payable	26,000,000	30,000,000
Long-term liabilities - current portion		
Notes payable	3,653,142	1,755,749
Total current liabilities	\$ 56,750,590	\$ 56,432,608
Noncurrent liabilities:		
Notes payable	\$ 32,748,069	\$ 15,895,104
Compensated absences	1,117,359	1,153,573
Net other post-employment benefit liability	653,232	631,127
Net pension liability	25,807,034	9,880,043
Total noncurrent liabilities	60,325,694	27,559,847
Total liabilities	\$ 117,076,284	\$ 83,992,455
 DEFERRED INFLOWS OF RESOURCES		
Derived from pensions	\$ 3,923,167	\$ 5,310,157
Derived from other post-employment benefits	15,661	19,716
Total deferred inflows of resources	\$ 3,938,828	\$ 5,329,873
 NET POSITION		
Invested in capital assets	\$ 127,583,562	\$ 110,467,986
Unrestricted	(17,655,519)	(6,886,514)
Total net position	\$ 109,928,044	\$ 103,581,472

The accompanying notes are an integral part of the financial statements.

**Comparative Statement of Revenues, Expenses, and
Changes in Net Position**

OPERATING REVENUES	June 30, 2021	June 30, 2020
Sales (net of sales deductions of \$71,335,777 and \$67,144,407, respectively)	<u>\$ 267,825,234</u>	<u>\$ 232,497,239</u>
Total operating revenues	<u>\$ 267,825,234</u>	<u>\$ 232,497,239</u>
 OPERATING EXPENSES		
Material cost	\$ 210,828,503	\$ 182,080,121
Wages and benefits	24,026,759	19,858,652
Repairs and maintenance	2,236,090	2,521,953
Operating supplies	1,317,438	938,357
Utilities	4,287,048	3,980,858
Insurance	1,845,784	1,502,888
Outside services	1,536,908	1,412,059
Office supplies	138,208	107,067
Computer expense	265,505	326,814
Communications	60,053	68,834
Travel and entertainment	52,314	165,924
Employee expense	127,533	144,536
Safety expense	116,338	184,679
Postage and mailing	26,353	25,622
Advertising	112,675	135,128
Dues and subscriptions	183,011	163,968
Legal and professional	64,899	39,027
Depreciation	6,236,827	5,764,291
Total operating expenses	<u>\$ 253,462,246</u>	<u>\$ 219,420,778</u>
Operating income	<u>\$ 14,362,988</u>	<u>\$ 13,076,461</u>
 NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 4,431	\$ 11,496
Interest expense	(1,247,260)	(1,702,182)
Miscellaneous income	361,366	83,576
Other expense	(21,205)	(50,739)
Total nonoperating expenses	<u>\$ (902,668)</u>	<u>\$ (1,657,849)</u>
Gain before transfers	<u>\$ 13,460,320</u>	<u>\$ 11,418,612</u>
 Transfer to state general fund		
	\$ (6,393,652)	\$ (5,423,841)
Transfer to ag products utilization fund		
	(673,016)	(570,930)
Transfer to Industrial Commission		
	(47,080)	(47,080)
Change in net position	<u>\$ 6,346,572</u>	<u>\$ 5,376,761</u>
Total net position - beginning of year	<u>\$ 103,581,472</u>	<u>\$ 98,204,711</u>
Total net position - ending	<u>\$ 109,928,044</u>	<u>\$ 103,581,472</u>

The accompanying notes are an integral part of the financial statements.

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Oil and Gas Research Program/Fund

History

The Oil and Gas Research Council (“Council”) and Oil and Gas Research Fund (“Fund”) were established in 2003. The Fund was initially funded with a \$50,000 continuing appropriation during the 2003-2005 biennium. In subsequent biennia the funding from oil and gas revenues was increased as follows: 2005-2007 \$1.3 million; 2007-2009 biennium \$3 million; 2009-2011 and 2011-2013 biennia \$4 million; and in the 2013-2015, 2015-2017 and 2017-2019 biennia \$10 million. For the 2019-2021 biennium the funding level was increased to \$16,000,000 with the legislative directive that \$6,000,000 be used for a specific project/study. For the 2021-2023 biennium the funding level was increased from \$10,000,000 to \$14,500,000. Included in that appropriation was a legislative directive to expend \$500,000 on a hydrogen energy development study to be conducted by the Energy and Environmental Research Center (EERC). In addition, the Legislature appropriated \$9,500,000 from the Strategic Investment and Improvements Fund to the Oil and Gas Research Fund with the authorization to contract with the EERC to do a “*Field Study to Determine the Feasibility of Developing Salt Caverns for Hydrocarbon Storage in Western North Dakota.*”

Organizational Structure

By statute, the Council is appointed by the Governor. It is made up of individuals representing the oil and gas industry, individuals representing local jurisdictions and two non-voting members (State Geologist and Director of the Oil and Gas Division.) The Industrial Commission (“Commission”) Administrative Office provides the administrative support for the Council and maintains the financial records of the Council and the Fund. Brent Brannan has been retained as a consultant to provide technical support for the Oil and Gas Research Program (“Program”). The Council reviews and makes recommendations to the Commission on all grant applications and policies. The Commission then acts on the Council’s recommendations.

Statutory Responsibilities

The Program shall:

- Promote efficient, economic and environmentally sound exploration, development and use of North Dakota’s oil and gas resources.
- Preserve and create jobs involved in the exploration, production and utilization of North Dakota’s oil and gas resources.
- Ensure economic stability, growth and opportunity in the oil and gas industry.
- Encourage and promote the use of new technologies and ideas that will have a positive economic and environmental impact on oil and gas exploration, development and production in North Dakota.
- Promote public awareness of the benefits and opportunities provided by the North Dakota oil and gas industry.

Major Programs and Activities

The Program’s mission statement continues to be: “To promote the growth of the oil and gas industry through research and education”. During the 2019-21 biennium 5 grant rounds were held with 13 projects approved for funding in the total amount of \$21,157,250 including the \$6,000,000 legislative-directed study on “Underground Storage of Produced Natural Gas”.

During the 2019-2021 biennium the Commission adopted a funding allocation of 46.70% for research, 8.42% for education, 4.37% for the Pipeline Authority, 39.31% for a legislative study and 1.2% along with carryover funding for Administration/Technical Assistance.

Each dollar expended on the projects has been matched at a minimum on a one-to-one basis. The monies spent from the Fund for the Pipeline Authority and Program administration are not matched. In accordance with the legislative directive the Commission entered into a contract with the Energy and Environmental Research Center for \$6,000,000 for an *Underground Storage of Produced Natural Gas Study*. A legislative-directed project may or may not be matched depending on the language adopted by the Legislature.

Legislation Passed During the 2021 Legislative Session Related to the Program/Fund

In Senate Bill 2014 the 2021 Legislature appropriated \$9,500,000 from the Strategic Investment and Improvements Fund to the Oil and Gas Research Fund. The Industrial Commission shall use up to \$9,500,000 to contract with the Energy and Environmental Research Center (EERC) for a *Field Study to Determine the Feasibility of Developing Salt Caverns for Hydrocarbon Storage in Western North Dakota*. The study must include consideration of the potential capacity of salt caverns in geological formations in North Dakota for the development of underground storage of energy resources, including natural gas, liquified natural gas, natural gas liquids, and hydrogen. The EERC may collaborate with other entities as needed on the study. Prior to contracting with the EERC the Commission must receive from at least one non-state entity assurance of financial or other types of support that demonstrate a commitment to the study. During the 2021-2022 interim, the EERC shall provide quarterly reports to the Industrial Commission and at least one report to Legislative Management regarding the results and recommendations of the study.

In addition, the Industrial Commission shall use up to \$500,000 from the Oil and Gas Research Fund to contract with the EERC for a study regarding the development and implementation of hydrogen energy in the state. The study must include a plan for the development and implementation of hydrogen energy and must include consideration of existing resources, methods of production and delivery, and potential uses of hydrogen. The study may include estimates of the cost and timeline to develop infrastructure for hydrogen energy and the use of public and private partnerships to assist in the development of infrastructure for hydrogen energy. During the 2021-2022 interim, the EERC shall provide at least one report to the Legislative Management regarding the study.

Lastly, the provisions of Section 57-51.1-07.3 were amended relating to the allocations to the Oil and Gas Research Fund, for the period beginning August 1, 2021, and ending July 31, 2023, directing the State Treasurer to deposit two percent of the oil and gas gross production tax and oil extraction tax revenues, up to \$14,500,000.

Major Accomplishments and Activities

During the 2019-2021 biennium the Program awarded funding for several projects including but not limited to:

- Weather Information System to Effectively Reduce Oilfield Delays and Disruption (WISE Roads) – Western Dakota Energy Association
- Expansion of the intelligent Pipeline Integrity Program (iPIPE) – EERC

- NDIC Funding to Support Research of Petroleum Engineering Program at University of North Dakota – Petroleum Engineering Program, University of North Dakota
- North Dakota Petroleum Foundation and Education Program – North Dakota Petroleum Foundation
- Creedence Energy Services Enhanced Oil Recovery Biosurfactant Applications – Creedence Energy Services/Locus Bio-Energy
- Recycling Produced Water Study/Produced Water Management through Geologic Homogenization, Condition and Reuse
- PCOR Initiative to Accelerate CCUS Development - EERC

Information on each project funded under this Program is available on the Industrial Commission / Oil and Gas Research Program website at <https://www.dmr.nd.gov/ogr/>

Trends in Direction for the Program/Short and Long Range Plans and Goals

The awareness of the Program has increased, and the Council/Commission is seeing research projects that focus on new areas of development, well site efficiencies, as well as identifying techniques that enhance oil development in North Dakota. The Program continues to develop public and private partnerships, and educational programs that promote safety in the oil fields. In addition, the Council continues to support priorities related to gas storage, enhanced oil recovery, water challenges, and opportunities to explore conventional reservoirs.

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Outdoor Heritage Fund

History

The Outdoor Heritage Fund (OHF) and Outdoor Heritage Fund Advisory Board (Board) were established by the Legislature 2013. The OHF initially received a continuing appropriation of up to \$30,000,000 from oil and gas production tax revenue. The Legislature amended the appropriation to \$40,000,000 per biennium effective July 1, 2015. The amount for transfer to the Fund during the 2017-2019 biennium was capped at \$10,000,000 and \$15,000,000 for the 2019-2021 biennium. It is capped at \$15 million for the 2021-2023 biennium as well.

Organization Structure

By statute the Board is appointed by the Governor and is made up of 12 voting members and 4 ex-officio members. The voting members on the Board include:

- 4 representatives of the agricultural community, including 1 member from each of these organizations:
 - North Dakota Farm Bureau,
 - North Dakota Farmers Union,
 - North Dakota Stockmen's Association, and
 - North Dakota Grain Growers Association.
- 2 representatives of the energy industry, including 1 member from each of the following organizations:
 - North Dakota Petroleum Council, and
 - Lignite Energy Council.
- 4 representatives from the conservation community at large of statewide conservation groups,
- 1 representative from the business community from the Greater North Dakota Chamber, and
- 1 representative from the North Dakota Recreation and Park Association.

Ex-officio members include a representative from each of the following organizations:

- North Dakota Game and Fish Department,
- North Dakota Parks and Recreation,
- North Dakota State Forester, and
- North Dakota Soil Conservation Districts.

The Industrial Commission (Commission) administers the program. Prior to any project receiving funding from the Commission, the Board must make a favorable recommendation for funding. A minimum match of 25% is required. Higher priority is given to applications with higher levels of matching funds. The match can be in-kind or cash.

Statutory Responsibilities

The statutory authority for the OHF is found in North Dakota Century Code 54-17.8. The OHF has 4 directives given by statute:

- **A:** Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;
- **B:** Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems, and to support other practices of stewardship to enhance farming and ranching;

- **C:** Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and
- **D:** Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

Projects that are funded through the OHF must meet at least one of these directives. Eligible recipients of OHF funding are: state agencies, tribal governments, political subdivisions, and nonprofit organizations.

Major Programs and Activities

The Commission awarded \$17.9 million of OHF funds for 31 projects.

Key Legislation Passed During the 2021 Legislative Session Related to the OHF

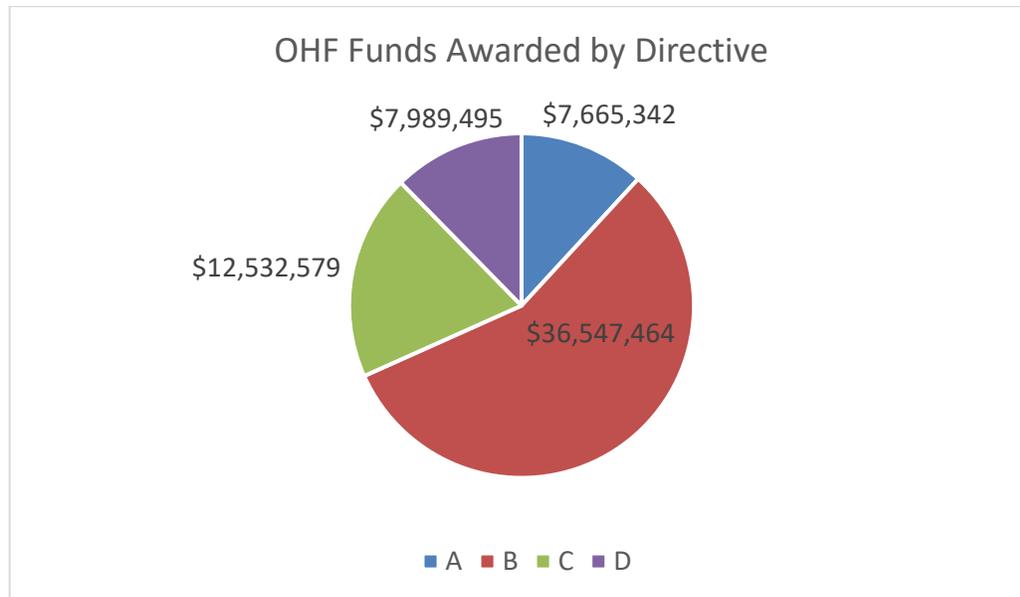
The total amount of funding available per biennium was limited to \$15,000,000 for the 2021-2023 biennium. HB 1088 was passed, which removed the requirement for the State Water Commission (SWC) to include OHF funds as part of the local match to access SWC funds. HB 1009 directed the OHF to consider an application from the Department of Agriculture for a soil health cover project. HB 1452 established the Clean Sustainable Energy Authority and directed that the OHF shall appoint one non-voting technical advisor.

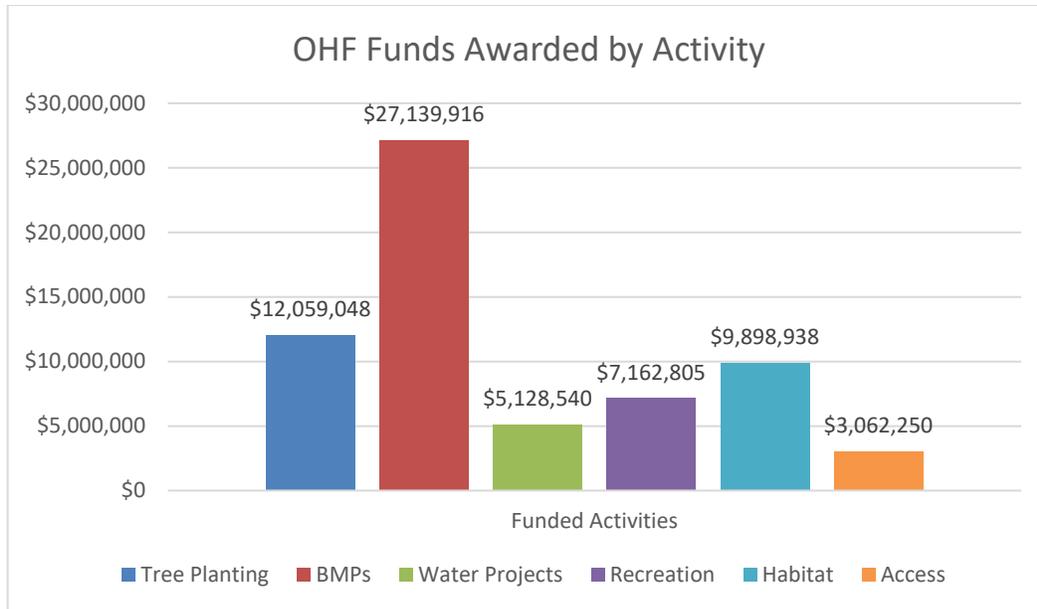
Key Responsibilities Added To or Deleted from the OHF for the 2021-2023 Biennium

The continuing appropriation authorization for the OHF was capped at \$15,000,000 from oil and gas production tax revenues for the 2021-2023 biennium.

Major Accomplishments and Activities

As of June 30, 2021, the Commission has awarded funding for 192 projects totaling over \$64.7 million.





*Projects that were approved and subsequently withdrawn by recipient not included. Tree planting occurs in small amounts in other activities. Examples of BMPs include: perimeter fencing, cross fencing, wells, tanks, pipelines, cover crops, and grass planting.

Trends in Direction for OHF/Short and Long Range Plans and Goals

The Commission is in the process of installing and deploying grants management software that will enable program participants to file applications and reports online.

The OHF will continue to seek out and fund worthwhile projects that support its overall goals and meet the four directives established by statute.

Resources and Publications Available from the OHF

The status of and summaries of all the projects funded from the OHF are available on the Industrial Commission/Outdoor Heritage Fund website at <http://www.nd.gov/ndic/ohf-projects.html>.

Additional information about the Outdoor Heritage Fund is available:

Industrial Commission of North Dakota
 State Capitol – 14th Floor
 600 East Boulevard
 Bismarck, North Dakota 58505
 701-328-3722
<http://www.nd.gov/ndic/outdoor-infopage.htm>

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North Dakota Pipeline Authority

History

The North Dakota Pipeline Authority (“Pipeline Authority” “Authority”) was created by the Legislature in 2007 and became effective on April 11, 2007. The North Dakota Industrial Commission is the North Dakota Pipeline Authority. Since its inception the Authority’s mission has been to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support production, transportation, and utilization of North Dakota energy-related commodities.

Organizational Structure

The Industrial Commission is the North Dakota Pipeline Authority. During the 2019-2021 biennium, Justin J. Kringstad served as Pipeline Authority Director, and continues to serve in that capacity. The Pipeline Authority Director reports to the Industrial Commission. Day to day oversight is provided by the Industrial Commission Executive Director with the assistance of the Director of the Department of Mineral Resources and the President of the North Dakota Petroleum Council. The Authority has no other staff. Contracts and financial reporting are administered by the Industrial Commission Administrative Office. No appropriation was made by the Legislature for the North Dakota Pipeline Authority. The Legislature did establish the Pipeline Authority Administrative Fund. The Industrial Commission transferred a total of \$700,000 from the Oil and Gas Research Fund to the Pipeline Authority Administrative Fund for the operations of the Authority and authorized studies.

Statutory Responsibilities

Statutory authority for the Pipeline Authority is found in Chapter 54-17.7 of the North Dakota Century Code. The statute states that the purpose of the Authority is to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities. The Authority may participate in a pipeline facility through financing, planning, development, acquisition, leasing, rental, joint ownership, or other arrangements including the right to capacity in any pipeline system or systems. Section 54-17.7-04 N.D.C.C. delineates the powers of the Authority.

Before the Authority may exercise its power to construct pipeline facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Authority must publish a notice describing the need for the pipeline facilities. Entities interested in constructing the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Authority receives a notice of intent from an interested entity, it may not exercise its powers to construct unless the Authority makes a finding that doing so would be in the public interest. In making such a finding, the Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

Major Programs and Activities and Trends in Direction for the Pipeline Authority

In fulfilling the mission of diversifying and expanding the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation and utilization of North Dakota energy-related commodities, the Authority is in continual contact with local and out of state companies, governmental agencies, and trade associations. Major activities of the Authority are detailed in the 2020 and 2021 Annual Reports and include the following:

- Pipeline Authority Crude Oil, Natural Gas, and Natural Gas Liquids Forecast Modeling – (Ongoing)
- Pipeline Authority Production and Transportation Analytics –(Ongoing)
- North Dakota Freight Advisory Committee – (Ongoing)
- Bakken Restart Task Force – 2020 & 2021
- Bakken Drilling Economics Study – (Ongoing)
- Natural Gas Liquids Study – 2019 & 2020
- Pipeline Authority Websites – Ongoing updates and content additions
- Monthly Updates – Monthly publication updating interested parties on pipeline related activities
- Presentations – On demand informational and outreach presentations to industry and citizen groups

Legislation Passed During the 2021 Session

The Pipeline Authority was actively following pipeline related bills during the 2021 legislative session. Five bills were passed that directly impact or relate to the pipeline industry and/or the Pipeline Authority. A brief bill summary is below.

- HB 1159: An act to provide for a legislative management study regarding natural gas infrastructure development.
- HB 1452: Relating to a clean sustainable energy authority and a clean sustainable energy fund; to amend and reenact sections 17-01-01 and 17-07-01 and subsection 5 of section 54-44.4-02 of the North Dakota Century Code, relating to low-emission technology, the energy policy commission, and an exemption from procurement services for energy programs; to provide a continuing appropriation; to provide an appropriation; to provide a transfer; and to provide a report.
- SB 2065: Relating to the jurisdiction of the industrial commission to regulate the permitting and amalgamation of the underground storage of oil or gas; and to amend and reenact sections 15-05-09 and 15-05-10 of the North Dakota Century Code, relating to oil and gas leases and royalties from oil leases.
- SB 2217: Relating to the deduction or recovery of losses incurred in the sale or disposition of natural gas from the proceeds of oil production; and to provide for a legislative management study.
- SB 2328: Relating to a credit for oil produced from a well site using an onsite flare mitigation system; to provide for application; and to provide an expiration date.

Activities During the 2021-2023 Biennium

For the 2021-2023 biennium the Authority will continue its work with industry to quantify the future crude oil and natural gas production in order to provide assurance needed to move forward with expansion projects. The forecasted production levels will require continuous updating and review over the next two years as technology advances and market conditions fluctuate.

Outreach activities by the Authority, including monthly updates, video web events, and presentations, will continue during the 2021-2023 biennium. Website updates will also continue as new information becomes available.

The Authority Director will be actively engaging in the new role on the new Clean Sustainable Energy Authority’s technical committee. It is anticipated that many of the proposals brought to the Clean Sustainable Energy Authority will have an impact or reliance on regional pipeline assets in the state.

Copies of the annual reports issued by the Authority are also posted on the Industrial Commission website and provide additional detail on the work done since the Authority was established in 2007.

Resources

Copies of the Pipeline Authority monthly updates, presentations, webinars, natural gas study, annual reports, and newsletters are available on the Pipeline Authority's websites: www.pipeline.nd.gov ; www.northdakotapipelines.com

**NORTH DAKOTA PIPELINE AUTHORITY
BALANCE SHEET
June 30, 2021**

Assets		
Current Assets		
Cash		223,179
Total assets		223,179
Liabilities		
Current Liabilities		
Accounts Payable		51,693
Total liabilities		51,693
Net Position		
Un restricted		171,486
Total net position		171,486

**NORTH DAKOTA PIPELINE AUTHORITY STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2021**

Expenditures:		
Consultant Services	154,320	
Director Travel Expenditures	150	
Newsletter/Office Expenses	347	
Professional Fees	137	
Research Expenses	296,328	
Total Expenditures		451,282
Revenues Under Expenditures		(451,282)
Other Financing Sources:		
Interest Income	422	
Transfers In		
Total Other Financing Sources		422
Change in Net Position	(450,860)	
Net Position Beginning of Year	622,346	
Net Position End of Year		171,486

NOTES TO THE FINANCIAL STATEMENTS June 30, 2021

Note 1-The Pipeline Authority receives no General Fund dollars. The Industrial Commission upon the recommendation of the Oil and Gas Research Council authorized the transfer of \$700,000 from the Oil and Gas Research Fund to the Pipeline Authority Administrative Fund during the 2019-2021 biennium. The Pipeline Authority Administrative Fund must be maintained as a special fund and all monies transferred into the Fund are appropriated on a continuing basis and must be used and disbursed solely for the purpose of defraying the administrative costs incurred by the Pipeline Authority.

Note 2-Commitments-Subsequent to June 30, 2021 the Pipeline Authority made a commitment for administrative services that extends to June 30, 2022 in the amount of \$158,178. During FY 2020 the Pipeline Authority entered into a contract with the Energy and Environmental Research Center to complete a study. The study costs were projected to be \$300,650. The work was completed in September, 2020 and final payment on the work was made in December, 2020. Final cost was \$296,328.

North Dakota Public Finance Authority

History

The North Dakota Municipal Bond Bank was established on July 1, 1975 for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities. In 2005 the North Dakota Municipal Bond Bank was renamed the North Dakota Public Finance Authority (“PFA”). Initially, employees of the Bank of North Dakota (“BND”) managed the day-to-day affairs of the PFA in addition to their duties at the BND. As the workload of the PFA grew, the Industrial Commission decided that the PFA should have its own full-time staff. On July 1, 1989, the Industrial Commission relocated the PFA outside the BND and established a separate budget for the PFA. On July 21, 1989, the first full-time Executive Officer was hired to manage the PFA. On August 1, 2001, the PFA, at the direction of the Industrial Commission, once again co-located with the BND.

BND is the sole depository for all of PFA’s operating funds. BND’s Trust Department has served as Trustee, Registrar, and/or Paying Agent for numerous PFA bond issues. BND also provides letters of credit that provide the reserves for the PFA’s Capital Financing Program and Industrial Development Program.

The PFA has an Advisory Board made up of three individuals that are appointed by the Industrial Commission. The PFA primarily utilizes its Advisory Board in the loan approval process. However, the PFA also seeks the advice of the Board in major policy and strategic planning decisions.

Organizational Chart

DeAnn Ament - Executive Director
Benita Eberts - Business Manager
Karla Zander – Fiscal Officer

Statutory Responsibilities

The PFA was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities, with the exception that certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may not be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA, which are issued to provide funds to purchase municipal securities, do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is required by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides

that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." All bonds issued by the Public Finance Authority under any of its programs prior to 2011 are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. The State Revolving Fund Program bonds issued after 2010 do not contain the moral obligation provision. There has never been the need to request an appropriation for the reserve fund.

Major Programs

Capital Financing Program

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.

Standard & Poor's Rating Group has assigned a rating of "AA-" to the Capital Financing Program.

In 2011, the Industrial Commission approved utilizing the CFP to offer low-interest, disaster loans to political subdivisions impacted by natural disasters. Any North Dakota political subdivision that is within a county that has received a Presidential Public Disaster Declaration or a gubernatorial executive order or proclamation of a state disaster or emergency is eligible to apply. The political subdivision must show ability to repay the financing either from Federal or State government disaster payments or from tax receipts. The interest rate payable by a political subdivision is the 3-month LIBOR plus 1.5% adjusted monthly with a floor of 2.5%.

State Revolving Fund Program

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Environmental Quality and the PFA.

The interest rates on SRF Program loans are set by the Department of Environmental Quality in consultation with the PFA. The interest rates are fixed for the term of a loan. Currently, the interest rate for most tax-exempt SRF Program loans is 1.5%. The interest rate for taxable SRF Program loans is 2.5%. SRF loans made with American Recovery and Reinvestment Act "ARRA" funds are at .5% and/or have a loan forgiveness component.

Moody's Investors Service, Inc. assigns a rating of "Aaa" to the North Dakota SRF Program, which is Moody's highest rating. Standard & Poor's has also assigned its' highest rating, an "AAA" to the North Dakota SRF Program.

School Construction Financing Program

The School Construction Financing Program (SCFP) provides loans to school districts which have construction projects approved by the Department of Public Instruction. Under the SCFP, school districts have the opportunity to pool their construction loan needs each year, thereby sharing the cost of issuance. As with the CFP, the interest rates paid by the PFA on its bonds are the same rates a school will pay on its municipal securities sold to the PFA. No loans were issued during the 2019-2021 biennium under this program and there are no loans outstanding as of June 30, 2021.

Industrial Development Bond Program

Under its Industrial Development Bond Program (IDB), the PFA makes loans to manufacturers that qualify as small issue manufacturers. Qualified small issue manufacturers are defined within the Internal Revenue Code as "Any facility which is used in the manufacturing or production of tangible personal property including the process resulting in a change in the condition of such property." Within that definition, the qualifying organizations must also meet a capital spending requirement (\$20,000,000 over a six-year period). Qualifying borrowers are allowed to obtain tax-exempt financing to expand its existing facility, purchase manufacturing equipment, or construct a new facility.

The interest rates paid by a qualifying manufacturer are market rates which are set through a competitive bid process when the PFA issues and sells its program bonds to fund the loan. The interest rates paid by the PFA on its program bonds are the same rates the manufacturer will pay on its loan to the PFA. The Standard and Poor's Rating Group has assigned a rating of "AA-" to the PFA's IDB Program.

Key Legislation Passed During the 2021 ND Legislative Assembly Impacting PFA

HB 1380 – Legacy Fund Earnings

Section 1 -- A legacy sinking and interest fund is created in the state treasury and will be used by the PFA to meet the debt service requirements for bonds issued under HB 1431.

HB 1431 – Legacy Fund Bonds

Section 3 -- The public finance authority may transfer money to the Bank of North Dakota for allocations to infrastructure projects and programs.

Section 5 -- Each biennium, the PFA will request from the legislative assembly an appropriation to meet the debt service requirements for bonds issued by the authority.

Section 7 -- The PFA may issue bonds to provide up to \$680,000,000 of proceeds for transfer to BND for allocations to infrastructure projects and programs for the 2021-2023 biennium.

Major Accomplishments and Activities During 19-21 Biennium

During the 19-21 biennium, the PFA issued \$4,470,000 of bonds under the CFP. These proceeds were used to provide funding for a qualifying project. From the inception through June 30, 2021, the total cumulative amount of bonds issued under the CFP General Bond Resolution was \$263,950,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was \$132,190,000.

During the 2019-2021 biennium, the PFA did not approve any Disaster Financing CFP loans. As of June 30, 2021, \$20,824,737 had been advanced to 27 political subdivisions and there are no loans outstanding. The total cumulative amount of PFA bonds issued to fund the Disaster Loan Program was \$14,405,612 and the bonds are paid in full.

There were no bonds issued under the IDB Program during the 2019-2021 biennium. As of June 30, 2021, the total cumulative amount of bonds issued under the Industrial Development Bond Program was \$4,860,000 and the total bonds outstanding under the IDB Program are \$745,000.

The loans to borrowers under the SRF Program can be broken down into Clean Water (CWSRF) and Drinking Water (DWSRF) loans. Under the CWSRF Program, the PFA closed \$40,419,000 of loans to 18 political subdivisions during the 19-21 biennium. As of June 30, 2021, the cumulative amount of the 321 loans closed under the CWSRF Program was \$887,018,241. Under the DWSRF Program, the PFA closed \$75,126,000 of loans to 30 political subdivisions during the 19-21 biennium. As of June 30, 2021, the cumulative amount of the 285 loans closed under the DWSRF Program was \$751,349,930.

During the 19-21 biennium, the PFA did not issue bonds under the SRF Program. The cumulative amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is \$683,365,000. This total includes \$151,085,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003, 2004, 2005 and 2008 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding. As of June 30, 2021, the total amount of SRF Program Bonds outstanding was \$304,805,000.

Trends in Direction for Public Finance Authority/Short and Long Range Plans and Goals

The PFA's continues to carry out the Mission, "To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects."

In accordance with HB 1431, the PFA intends to issue Legacy Fund Infrastructure Program bonds to provide \$680,000,000 for approved projects during 2021-2023 and meet the cash flow needs of the approved projects. Additionally, in 2021 or early 2022 the PFA will issue SRF state match bonds and potentially leveraged bonds which will fund current and future loan commitments.

Resources

Copies of the Public Finance Authority's most recent audited financial statements and official statements are available on the PFA's website.

DeAnn Ament, Executive Director
dament@nd.gov
(701) 426-5723

Benita Eberts, Business Manager
beberts@nd.gov
(701) 328-7120

Karla Zander, Fiscal Officer
kkzander@nd.gov
(701) 328-7110

North Dakota Public Finance Authority Website:
www.nd.gov/pfa

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019
(In Thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Restricted		
Cash and cash equivalents	\$ 45,077	\$ 83,581
Interest receivable	5,530	5,570
Investments	81,262	51,121
Municipal securities	46,190	43,029
Total restricted current assets	<u>178,059</u>	<u>183,301</u>
Total current assets	<u>178,059</u>	<u>183,301</u>
NONCURRENT ASSETS - RESTRICTED		
Investments	25,137	49,389
Municipal securities	854,997	834,755
Total restricted noncurrent assets	<u>880,134</u>	<u>884,144</u>
Total assets	<u>\$ 1,058,193</u>	<u>\$ 1,067,445</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	\$ 2,428	\$ 3,116
Derived from pension	258	83
Total deferred outflows of resources	<u>\$ 2,686</u>	<u>\$ 3,199</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 34	\$ 37
Bonds payable	26,720	25,665
Interest payable	4,293	4,537
Total current liabilities	<u>31,047</u>	<u>30,239</u>
NONCURRENT LIABILITIES		
Bonds payable	463,827	494,762
Net pension liability	431	191
Total noncurrent liabilities	<u>464,258</u>	<u>494,953</u>
Total liabilities	<u>\$ 495,305</u>	<u>\$ 525,192</u>
DEFERRED INFLOWS OF RESOURCES		
Derived from pension	\$ 91	\$ 103
Total deferred inflows of resources	<u>\$ 91</u>	<u>\$ 103</u>
NET POSITION		
Unrestricted	\$ 1,941	\$ 1,947
Restricted for debt service	116,110	114,641
Restricted for loan purposes	447,432	428,761
Total net position	<u>\$ 565,483</u>	<u>\$ 545,349</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Investment income	\$ 21,015	\$ 20,875
Grant and set-asides	1,360	1,089
Administrative fees and other	3,875	3,606
	<u>26,250</u>	<u>25,570</u>
OPERATING EXPENSES		
Interest expense	19,610	20,589
State Revolving Fund loan forgiveness	5,521	2,506
State Revolving Fund administration	2,106	2,035
State Revolving Fund set-asides	205	228
Rebate (Benefit) due to IRS	-	1
Salaries and benefits	287	236
Operating	44	63
Paying agent fees	-	1
	<u>27,773</u>	<u>25,659</u>
OPERATING INCOME (LOSS)	<u>(1,523)</u>	<u>(89)</u>
NONOPERATING REVENUE		
Grant and set-asides	18,547	17,349
Investment income	3,110	6,503
	<u>21,657</u>	<u>23,852</u>
CHANGE IN NET POSITION	20,134	23,763
TOTAL NET POSITION, BEGINNING OF YEAR	<u>545,349</u>	<u>521,586</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 565,483</u>	<u>\$ 545,349</u>

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Renewable Energy Program

History

The Renewable Energy Council (Council) and Renewable Energy Program (Program) were established in 2007. The Program initially received a continuing appropriation of \$3,000,000 from the General Fund and \$17,000,000 was appropriated from any special funds that were received for the Program. The 2007 Legislature also established the Biomass Incentive and Research Fund/Program and provided an appropriation of up to \$2,000,000 with \$1,000,000 to come from the Beginning Farmer Revolving Loan Fund and \$1,000,000 from the BioFuels PACE Fund. The 2009 Legislature rolled the Biomass Incentive and Research Fund/Program into the Renewable Energy Program and appropriated \$3,000,000 from the General Fund for the Renewable Energy Program. In 2011 the Legislature appropriated \$1,500,000 from the General Fund for the Program. In 2013, the Legislature established a continuous funding source for the program through a biennial appropriation of up to 5% of the amount credited to the Resources Trust Fund, not to exceed \$3,000,000. The percentage of 5% was reduced to 3% in 2017, although the \$3,000,000 limit was kept in place.

Organization Structure

By statute the Renewable Energy Council is appointed by the Governor and is made up of seven members consisting of one member with a substantial interest in the agriculture industry, one member with a substantial interest in the biodiesel industry, one member with substantial interest in the wind industry, one member with a substantial interest in the biomass industry, one member with substantial interest in the ethanol industry, one member with a substantial interest in advanced biofuel and sugar-based biofuel, and the Commerce Commissioner who shall serve as Chairman. The law also provides that the Industrial Commission shall contract with the Department of Commerce to provide technical assistance to the Council and the Commission in carrying out the purposes of the program. Prior to any project receiving funding from the Industrial Commission, the Renewable Energy Council must make a favorable recommendation for funding. As per statute, each application/project must provide some level of matching funds. By policy the Commission has required a dollar-for-dollar match.

Statutory Responsibilities

The statutory authority for the Renewable Energy Program is found in North Dakota Century Code 54-63. In general terms the mission of the Renewable Energy Program is to provide financial assistance for renewable energy education, research, development and marketing projects. By policy the Commission has stated that the Program shall foster the development of renewable energy and related industrial use technologies, including, but not limited to, wind, biofuels, biomass, biomaterials, solar, hydroelectric, geothermal, and renewable hydrogen through research, development, demonstration and commercialization, demonstrate to the general public the importance of the state renewable energy industry, to encourage and promote the wise and efficient use of renewable energy and materials or products, to develop the State's renewable energy resources and to support research and educational activities concerning the renewable energy and materials or products industries.

Major Programs and Activities

The Renewable Energy Program has established policies which outline the process by which applicants can seek funding for renewable energy projects. Note below under major

accomplishments the activity that has taken place during the 2019-2021 biennium for the Renewable Energy Program.

Key Legislation Passed During the 2021 Legislative Session Related to the Renewable Energy Program

None.

Key Responsibilities Added To or Deleted from the Renewable Energy Program for the 2021-2023 Biennium

There were no key responsibilities added or deleted for the Renewable Energy Program for the 2021-2023 biennium.

Major Accomplishments and Activities

During the 2019-2021 biennium the Industrial Commission approved funding of \$3,971,028 for ten new Renewable Energy Projects. These projects included:

- *Living Stone Lodge Phase III*
 - Development and commercialization of affordable, energy efficient homes that surpasses ENERGY STAR rating and can be easily built on rural Native American Reservations. The goal is to reach net-zero energy use and construct the home for under \$100 per square foot.
- *Research in Support of Integrated Carbon Capture and Storage for North Dakota Ethanol Production*
 - Create a blueprint for the first integrated ND ethanol and CCS facility, compliant with ND Class VI regulations, to strategically maximize the marketability of ND ethanol through evolving CCS incentives
- *Spiritwood Greenhouse CO2 Supply*
 - Design and installation of a CO2 collection and distribution system to transport CO2 generated by the Dakota Spirit ethanol biorefinery for use at a planned 27-acre commercial greenhouse within the Spiritwood Energy Park.
- *Autonomous Operations within the North Dakota Renewable Energy Sector*
 - Phase II of a project to maximize the value proposition of autonomous drones by building a full suite of artificial intelligence (AI) powered software applications operated by onsite wind technicians to provide significant time, convenience, scalability, and accuracy advantages over existing processes at wind farms.
- *Electrostatic Lubrication Filtration of Wind Turbine Oil Reservoirs*
 - Further development of Electrostatic Lubrication Filtration (ELF) technology through field demonstrations of units on two wind turbines. ELF technology will be used to maintain lubricant cleanliness to extend the usable life, prolong gearbox lifespan, and avoid turbine shutdowns in the wind industry.
- *Geothermal Development Consortium*
 - Formation of a consortium of geothermal, oil and gas, and electric power industry professionals to assess and develop geothermal resources in North Dakota by conversion of non-economic oil and gas wells to geothermal applications.
- *Seismic Survey to Advance Potential for CO2 Storage in Eastern ND*
 - Data collection and analysis to better characterize the subsurface geological features in Stutsman County.
- *Project Phoenix*

- Assessment of potential locations for one or more plants that will manufacture Newlight's proprietary, patented, bio-degradable plastic alternative (called AirCarbon™).
- *Renewable Hydrogen Microgrid*
 - Demonstration at Grand Farm of an industrial level "closed loop" microgrid, fully powered by renewable energy.
- *Grand Forks Green Ag-Park*
 - Analysis for a wheat gluten facility to be co-located with Red River Biorefinery.

Trends in Direction for Renewable Energy Program/Short and Long Range Plans and Goals

The Program will continue to seek out and fund worthwhile projects that support its overall goals to foster the growth of the renewable energy industry.

Resources and Publications Available from the Renewable Energy Program

The status of and summaries of all the research projects funded from the Renewable Energy Fund are available on the Industrial Commission/Renewable Energy Program website at <http://www.nd.gov/ndic/renew-project.htm>

Additional information about the Renewable Energy Program is available:

Industrial Commission of North Dakota
 State Capitol – 14th Floor
 600 East Boulevard
 Bismarck, North Dakota 58505
 701-328-3722 or 701-328-3786

<http://www.nd.gov/ndic/renew-infopage.htm>

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North Dakota Student Loan Trust

History

In 1971 the Legislature authorized the Industrial Commission to “acquire and hold in one or more trusts (1) all unpaid United States government guaranteed or reinsured student loans and (2) North Dakota guaranteed student loans, belonging to the State of North Dakota or to any of its agencies . . .” (NDCC 54-17-24). The creation of the North Dakota Student Loan Trust (“Trust”) enabled the State of North Dakota to obtain low-cost funds (through the sale of tax-exempt bonds) and use those funds for purchasing student loans originated or acquired by the Bank of North Dakota. Since 1971 the Industrial Commission has issued over \$900,000,000 in student loan bonds. The Student Loan Trust had \$1,000,000 in bonds outstanding as of June 30, 2021.

Organizational Structure

The Industrial Commission has named the Industrial Commission’s Executive Director, Karlene Fine, and the Public Finance Authority Executive Director, DeAnn Ament, as Authorized Officers for the Student Loan Trust. The Student Loan Trust is composed of funds held under two General Bond Resolutions. These General Bond Resolutions determine the use and flow of funds within the Student Loan Trust. The Bank of North Dakota (“Bank”) is the sole provider of student loans to the Trust, services the student loans held by the Trust and serves as the Trustee for the Trust. The Bank and the Trust work closely together. Tim Porter, Chief Financial Officer is the primary contact at the Bank.

Statutory/Constitutional Responsibilities

The statutory responsibilities of the Student Loan Trust are set forth in North Dakota Century Code 54-17-24 and NDCC 54-17-25.

Major Programs and Activities

The Trust is a liquidity provider for the Bank and provides an alternative for the Bank should the Bank determine a need to reduce its student loan portfolio.

The Trust has in the past provided funds for the North Dakota Student Loan Guarantee Agency as needed. The Trust has also provided funds for the Dakota Education Alternative Loans (a supplemental state guaranteed program).

Key Legislation Passed During 2019 Legislative Session Related to the Student Loan Trust

The 2019 Legislature authorized funding from the Trust during the 2019-2021 biennium for a portion of the costs of the Industrial Commission Administrative Office.

Key Responsibilities Added To or Deleted from Student Loan Trust for the 2019-2021 Biennium

Other than appropriations, no other additional responsibilities were added or deleted to the Trust for the 2019-2021 biennium.

Major Accomplishments and Activities

During the 2019-2021 biennium the Trust expended funding for the Industrial Commission Administrative Office and for servicing/trustee costs for Bank of North Dakota services.

No additional student loans were purchased from the Bank.

Trends in Direction for SLT/Short and Long Range Plans and Goals

Following the transfer of funds from the Student Loan Trust during the 2019-2021 biennium the net position of the Trust as of June 30, 2021 is \$1,220,000. The Trust along with the Bank will continue to monitor student loan programs to determine whether additional loan programs are needed to assist North Dakota students with pursuing higher education opportunities.

Resources and Publications Available from the Student Loan Trust

The most recent official statement for bond offerings made by the Trust is available at the Industrial Commission Administrative Office at the address noted in this biennial report.

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NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF NET POSITION
JUNE 30, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Due from other state agencies	<u>\$ 6</u>	<u>\$ 16</u>
Total unrestricted current assets	<u>6</u>	<u>16</u>
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	535	392
Investments	1,000	1,000
Student loans receivable	<u>189</u>	<u>142</u>
Total restricted current assets	<u>1,724</u>	<u>1,534</u>
NONCURRENT ASSETS - UNRESTRICTED		
Student loans receivable	<u>492</u>	<u>698</u>
Total assets	<u>\$ 2,222</u>	<u>\$ 2,248</u>

NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF NET POSITION – Page 2
YEARS ENDED JUNE 30, 2021 and 2020
(In Thousands)

	2021	2020
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to other state agencies	\$ -	\$ 47
Accrued fees payable - related party	2	2
Total current liabilities	<u>2</u>	<u>49</u>
NONCURRENT LIABILITIES		
Bonds payable	<u>1,000</u>	<u>1,000</u>
Total noncurrent liabilities	<u>1,000</u>	<u>1,000</u>
Total liabilities	<u>1,002</u>	<u>1,049</u>
NET POSITION		
Restricted for debt service	724	487
Unrestricted	<u>496</u>	<u>712</u>
Total net position	<u>1,220</u>	<u>1,199</u>
Total liabilities and net position	<u>\$ 2,222</u>	<u>\$ 2,248</u>

NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Interest on student loans	\$ 44	\$ 63
Total operating revenues	<u>44</u>	<u>63</u>
OPERATING EXPENSES		
Interest	8	23
Service fees	7	3
Administration fees	1	1
Bond related expenses	<u>9</u>	<u>22</u>
Total operating expenses	<u>25</u>	<u>49</u>
OPERATING INCOME	19	14
NONOPERATING REVENUE		
Investment income	<u>3</u>	<u>7</u>
INCOME BEFORE TRANSFERS	22	21
TRANSFERS - STATE AGENCIES	<u>-</u>	<u>(11)</u>
CHANGE IN NET POSITION	22	10
TOTAL NET POSITION, BEGINNING OF YEAR	<u>1,199</u>	<u>1,189</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 1,220</u>	<u>\$ 1,199</u>

North Dakota Transmission Authority

ND Transmission Authority Function and Organization

At the request of the North Dakota Industrial Commission (Commission), the North Dakota Transmission Authority (Authority) was created by the North Dakota Legislative Assembly in 2005. Since its inception, the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

Organizational Structure

By statute the Authority membership is comprised of the members of the Commission. John Weeda was appointed Transmission Authority Director in February 2018. The Authority Director works closely with the Executive Director of the Commission, Ms. Karlene Fine. The Authority has no other staff and receives no direct General Fund appropriation.

Statutory Responsibilities

Statutory authority for the Authority is found in Chapter 17-05 of the North Dakota Century Code Section 17-05-05 N.D.C.C. delineates the powers of the Authority to: 1) make grants or loans or to borrow money; 2) issue up to \$800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan, prioritize and propose transmission corridors; and 7) participate in regional transmission organizations.

Before the Authority may exercise its power to construct transmission facilities, it must follow a process defined by statute to ensure public participation and comment. In particular, the Authority must publish a notice describing the need for the transmission project. Entities interested in constructing the facilities or furnishing services to satisfy the identified needs have 180 days to respond by filing a notice of intent. If the Authority receives a notice of intent from an interested entity, it may not exercise its powers to construct unless the Authority makes a finding that doing so would be in the public interest. In making such a finding, the Authority shall consider the economic impact to the state, economic feasibility, technical performance, reliability, past performance, and the likelihood of successful completion and ongoing operation.

To enhance the Authority's bonding program, up to 30% of the cost of a project may be financed by selling bonds that include the moral obligation of the State of North Dakota. This means that up to \$240 million of the Authority's total \$800 million bonding authority may be sold with the moral obligation of the State. The moral obligation component will enhance the marketability of the Authority's bonds.

Major Programs and Activities

Whether the issue is project development or legislative initiatives, the Authority is actively engaged in seeking ways to improve North Dakota's energy export capabilities along with transmission capabilities within the State. To be successful, the Authority Director must have an

in-depth understanding of the technical and political challenges associated with moving energy from generator to satisfied customer. Outreach to potential developers, as well as existing transmission system owners and operators, and other detailed planning are necessary to maintain an understanding of the status and need for transmission to meet the goals of the State.

Another key element for success is working with elected officials at the state and federal levels to ensure that legislation and public policy are designed to take advantage of moving electricity generated from North Dakota's abundant energy resources to local, regional and national markets. During the biennium the Authority focused its efforts on three key areas: planning, outreach and government action.

Legislation Passed During the 2021 Legislative Session Related to the Authority

Energy was a focus of the 2021 Legislative Session. A number of bills addressed by the legislature were in support of the existing energy industry and development of clean energy technologies. The Clean Sustainable Energy Authority was established to consider funding to help move new technologies from research to commercialization. The Director was selected to be an advisory member of the Authority. In addition, the Transmission Authority's responsibilities were increased to include a biennial report prior to each legislative session as a status report and look ahead at generation resources on the grid and the reliability and resilience of the grid.

The Energy Development and Transmission Committee was tasked with continuing to study energy issues over the 2021-2022 interim including receiving reports on the Transmission Authority's activities. In addition, the Transmission Authority is requested to present to other legislative committees from time to time

Summary of Responsibilities Added or Deleted During the Biennium

Responsibilities added include an advisory role to the Clean Sustainable Energy Authority and a biennial report on the reliability and resilience of the electric grid serving North Dakota.

Accomplishments and Activities during the Biennium including Trends and Goals

A summary of the Authority's accomplishments and activities during the biennium are discussed below. This discussion outlines the issues that have been monitored by the Transmission Authority over the biennium. The Authority will continue to evaluate when it is appropriate for the Industrial Commission to comment or provide input on behalf of North Dakota citizens on transmission issues. The nature of the electric grid is changing rapidly with actions at the federal level and actions in surrounding states. The electric markets are impacted by the proliferation of wind generation, the price of natural gas and the drive toward lower carbon generation sources.

Planning – Short-term and Long-term

- *Midcontinent Independent Transmission System Operator (MISO) Task Forces* –The MISO supports a number of task forces and study groups that evaluate the feasibility of new lines and line upgrades designed to facilitate the interconnection of both traditional and renewable energy in the MISO footprint. Long term transmission planning is a major initiative at MISO. The planning is laid out in three scenarios that reflect moderate to aggressive growth of renewable generation and various assumptions of load growth. The evaluation includes projections of the complexity of the grid as additional weather dependent generation is added.

A frequently used display shows the complexity rising sharply above 30% renewable generation MISO wide. The evaluations also show adverse impact to the stability of the grid in North Dakota under the more aggressive scenarios. The Transmission Authority is monitoring these developments, encouraging investments that will protect the stability of the grid for North Dakota and sharing information to highlight the importance of these developments. (www.misoenergy.org).

- *Southwest Power Pool Expansion* – With the Western Area Power Administration (Western) and Basin Electric Power Cooperative (BEPC) being members of the Southwest Power Pool (SPP), a FERC-approved Regional Transmission Organization (RTO), since 2015, infrastructure planning and cost sharing through SPP is available to these entities. The interconnection and planning processes differ some from MISO but have a similar impact. The planning process at SPP also shows impact to the grid in North Dakota with higher weather dependent generation scenarios. SPP is noted as one of the highest concentration of wind generation of any ISO. There have been times when most of the demand of the entire SPP system is carried by wind generation. In February of 2021 though severe weather and the relative lack of wind combined with other factors to result in rolling blackouts in the SPP system. North Dakota customers on the SPP network were affected by that event. The Transmission Authority is ramping up engagement with SPP to assure that North Dakota has input on resolution to the causes of that event.
- *MISO - SPP Coordinate System Plan* – SPP and MISO are engaged in a seams study to develop transmission solutions that efficiently address identified seams issues. With North Dakota being intermingled with transmission owned by SPP members and MISO members, the impact of the seams can have impact both ways. Development of wind generation in the Ellendale area for example has been affected by “affected system” impacts that add to the cost of interconnection to the grid. The seams study has progressed to prioritizing improvements that will benefit both systems. Among the high priorities are a project in the Jamestown to Ellendale area and projects in South Dakota and Minnesota that will have a beneficial impact on south central North Dakota.

Federal Issues Impacting Transmission Planning and Development – The November 2016 election brought with it numerous changes in regulations impacting the generation and transmission of electric power. Then the November 2020 election resulted in many of the initiatives from the 2016 election being rolled back. At this time, it is not clear what the direction will be, but is likely to have a strong emphasis on CO2 contributions from electric generation. North Dakota can potentially benefit in different ways. Certainly, North Dakota has an abundance of wind so additional development can benefit many areas of North Dakota. Another area of emphasis is carbon capture. North Dakota is a leader in the technology for carbon capture and has two active projects that could benefit from federal support. The Clean Sustainable Energy Authority and Governor Burgum’s goal of carbon neutral by 2030 thru technology, not mandates has garnered attention at the federal level as well.

- *Cybersecurity* - The Authority also continues to monitor cybersecurity as both FERC and NERC discuss standards and practices to protect the electric grid from the threat of cyber-attacks. Cybersecurity plays an integral role in grid operations and infrastructure necessary to

maintain a secure, yet flexible transmission system. The transmission operations of utilities in the area are very involved in the best practices for assuring grid security. The utilities also recognize that the cybersecurity landscape changes as more dispersed generation is added to the grid multiplying the number of devices to control the generation on the grid and a dispersed footprint rather than concentrated generation facilities.

Outreach Programs

A significant element of the Authority's mission is to solicit ideas from interested parties regarding solutions to transmission constraint issues in North Dakota. The Authority's outreach program includes both individual contacts and participation in larger group meetings. North Dakota is unique compared with other areas in the nation in terms of the growth seen in the Bakken area. The Power Forecast 2019 predicted a 71% increase in electric energy demand over the next 20-year period. That report is being updated in late 2021 to assess the impact of the changes in the oil industry and the interest in North Dakota by various services and technology developers.

Specific projects that Authority is working on include the following:

- *Coal Creek Station plant and DC transmission line*- The Transmission Authority has been actively supporting the process of finding a new owner for the transmission line and the plant. The transmission line has historically exported about 8M Megawatt hours a year from North Dakota generation. That is about 40% of North Dakota Electric export in recent years.
- *Independent transmission owners* - Some transmission companies fall outside of the traditional utility model and have a business model of owning and operating transmission. Some of these companies have expressed interest in North Dakota. There are currently companies evaluating lines both east and west from North Dakota.
- *Community Relations*- An increasing number of organization have sought information from the Transmission Authority. These opportunities have ranged from civic organizations to trade organizations to economic development organizations to other state government functions, etc. In this time of the rapidly changing electric grid it is valuable for the public to become more aware of the change and the challenges that may lie ahead.

Government Action

Providing elected officials with the information necessary to make informed decisions is another function of Authority staff. Whether the issue is setting state energy policy regarding transmission development or commenting on federal transmission legislation, the Authority serves as a resource for decision-makers. During the biennium the Authority was busy on several fronts working with the following entities: The EmPower ND Commission, Governor's Office, Attorney General's Office, Department of Commerce, Public Service Commission, ND Legislative Assembly and the Congressional Delegation.

- *EmPower ND Commission* – The Authority was an active participant in the EmPower ND Commission work. Authority activities included briefing the Commission on transmission issues and participating in the development of Commission goals.

- *North Dakota Legislative Assembly* – Provided periodic reports and technical support to legislative committees and provided technical information to the legislators on transmission issues during the 2021 legislative session.
- *Interagency Coordination* – An important factor is the coordination of efforts among the various government entities with oversight or interest in transmission development. In particular, regular meetings are held with representatives from the Public Service Commission to discuss the status of transmission projects and receive updates from RTOs. Meetings are held with the Governor’s staff, Department of Commerce, and other offices for technical support and policy guidance.

Overall Evaluation of Program

Transmission continues to be built in new and innovative ways that improve efficiency and reduce environmental impacts. The cost of generator interconnects for North Dakota projects continues to be a concern. This is indication that additional transmission improvements will be needed in the near future to support growth of the renewable energy industry in addition to the build out in the Bakken area to serve loads there. In many cases, however, the decisions on how the transmission additions will be paid for is lagging the recognition of the need.

Resources and Publications Available

The Transmission Authority Annual Reports and publications are available on the Industrial Commission website at <http://www.nd.gov/ndic/ic-public>.

NORTH DAKOTA TRANSMISSION AUTHORITY
BALANCE SHEET
June 30, 2021

Assets		
Current Assets Cash		<u> </u>
	Total assets	<u><u> 0</u></u>
Liabilities		
Current Liabilities		
Accounts Payable		<u> </u>
	Total Liabilities	<u><u> 0</u></u>
Net Assets		
Net Assets:		
Unreserved		<u> </u>
	Total net assets	<u><u> 0</u></u>
	Total liabilities and net assets	<u><u> 0</u></u>

NORTH DAKOTA TRANSMISSION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2021

Expenditures:	
Salaries and benefits	14,735
Grants for studies	42,550
Office and Travel expenses	4,167
Consultants	69,685
Legal Fees	5,950
	<u> </u>
Revenues Over (Under) Expenditures	(137,087)
<u> </u> Total Expenditures	<u>137,087</u>
Other Financing Sources:	
Transfers In	137,087
	<u> </u>
Total Other Financing Sources	<u>137,087</u>
	<u> </u>
Revenues and Other Financing Sources Over (Under)	
Expenditures and Other Financing Uses	(0)
Net Assets Beginning of Year	
	<u> </u>
Net Assets End of Year	<u><u> (0)</u></u>

NORTH DAKOTA TRANSMISSION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Note 1

The Transmission Authority receives no General Fund dollars. The funding for the Transmission Authority comes from the Lignite Research Program — Phase VIII Enhance, Preserve and Protect Project -- Contract No. LMFS-20-42

Oversight of Western Area Water Supply Authority Industrial Sales

History

During the 2013 Legislative Session the Legislature authorized the North Dakota Industrial Commission (“Commission”) to have oversight of the Western Area Water Supply Authority (“WAWS”) industrial sales revenues and expenditures.

Organizational Structure

The Industrial Commission Executive Director/Secretary serves as the contact between the Commission and WAWS staff and prepares monthly reports for the Commission based on information provided by the WAWS staff. The WAWS Executive Director meets with the Commission on a regular basis to review the activities of the WAWS Board as they relate to the WAWS industrial sales. The Bank of North Dakota staff also works closely with the Commission Executive Director/Secretary and reports to the Commission on a regular basis on the loan payments made by WAWS.

Statutory Responsibilities

Senate Bill 2233 - 2013 Session (Chapter 61-40) became effective on August 1, 2013 and states the Industrial Commission shall have:

- Oversight of the monies earned from industrial water sales by receiving reports on a monthly basis of receipts and expenditures; (Section 19)
- Reimburse WAWS for industrial water depot capital improvements and the cost of delivery of potable or nonpotable water sold at industrial water depots and lateral lines, at a cost no greater than the participating member, or submember, if applicable, entity rate at the location of the depot or lateral line. [Section 19 (1) (b)]
- Approval of water rates for industrial water sales (Section 20);
- Approval of additional debt that may form the basis of a claim for territorial or franchise protection for industrial water sales; (subsection 13 of Section 18)
- Revision of loan repayments if cash flow is insufficient to meet debt requirements (Section 22)

Major Programs and Activities

The Commission’s role is oversight, so no major programs have been developed other than for monitoring the WAWS operations as they relate to industrial sales and to assure that all outstanding State and Bank of North Dakota debt is repaid. The Commission meets on a regular basis with the WAWS staff and hears reports on the WAWS industrial sales operations.

Key Legislation Passed During the 2021 Legislative Session Related to the Industrial Commission’s oversight of the WAWS Industrial Sales

No legislation was passed during the 2021 Legislative Session that impacts the role of the Industrial Commission as it relates to oversight of the WAWS industrial sales. It is noted that there was legislation passed that will result in the majority of the Water Commission/Resources Trust Fund outstanding debt in the amount of \$74,500,000 being paid during the 2021-2023 biennium. Legislation was also passed granting authority for WAWS to issue revenue bonds for the financing of construction projects.

Key Responsibilities Added to or Deleted from the Commission's Oversight of the WAWS Industrial Sales

No responsibilities were added to or deleted from the Commission's oversight of the WAWS industrial sales.

Major Accomplishments and Activities

The Industrial Commission continues to receive regular reports on the industrial sales revenues and the expenditures from the industrial sales revenues. WAWS staff meets directly with the Commission on a regular basis.

Trends in Direction for the Industrial Commission/Short and Long Range Plans and Goals

The Commission will continue to work with the WAWS Board to assure that the outstanding Public Finance Authority, Water Commission/Resources Trust Fund and Bank of North Dakota debt be repaid from the WAWS industrial sales revenues.

Resources and Publications Available regarding the Western Area Water Supply Authority

Information on the Western Area Water Supply Authority can be found on the WAWS website at <http://www.wawsp.com/>

Ag PACE Fund

Section 6-09.13 of the North Dakota Century Code (“NDCC”) established the Agriculture Partnership in Assisting Community Expansion (“Ag PACE”) Fund (“Fund”). The Fund is revolving and all moneys transferred into the Fund, interest on Fund moneys and payments to the Fund are appropriated for the purposes of the Fund. The Bank of North Dakota (“Bank”) supervises and administers the Ag PACE Fund. The purpose of the Ag PACE Fund/Program is to provide interest buydown on loans to on-farm businesses. The program funds are used to reduce the interest rate on loans which have been approved by a local lender and the Bank. The Bank’s participation may not exceed 80% nor be less than 50% of the total loan.

Loans eligible for the buydown are loans to on-farm North Dakota businesses that are using the proceeds to purchase real property or equipment, expand their facility, acquire working capital or inventory, purchase irrigation equipment, purchase equity shares in a value-added ag-processing business or purchase capital improvements for retention of livestock or dairy operations. The loan funds cannot be used to refinance any existing debt.

Ag PACE recognizes two rates: Yield Rate and Borrowing Rate. The yield rate is the rate charged by the lead lender for the loan. The borrowing rate is the rate charged to the borrower. The Interest Differential is the difference between the yield rate and the borrowing rate. This difference is paid to the lead lender under an agreement among the lead lender, the borrower and the Bank on behalf of the Ag PACE Fund.

The Ag PACE Fund provides buydown dollars, to the extent available, to reduce the borrower’s interest rate by a maximum of 4% and may not be less than one percent (1%). The maximum buydown amount per borrower may not exceed a biennium cap of \$20,000 with a lifetime cap of \$60,000. In order to receive buydown funds in excess of \$20,000, the applicant must have a net worth of less than \$1,500,000.

Ag PACE loans are made by a lead lender in participation with the Bank. As of June 30, 2021, there are 339 Ag PACE loans outstanding. The total principal outstanding is \$46,265,264 of which the Bank of North Dakota participates in \$17,464,533. The remaining amount of buydown interest to be paid by this Fund on these loans is \$3,209,315. There were 64 loans totaling \$9,981,161 made in the year ended June 30, 2021 and 70 loans totaling \$9,887,467 made during the year ended June 30, 2020. Loans funded in the year ended June 30, 2021 will require \$1,227,243 in buydown interest during the life of the loans. There are three pending loan commitments totaling \$525,150 as of June 30, 2021.

As of June 30, 2021, there was \$2,127 in interest buydown funds remaining in the Ag PACE Fund. A total of \$2,361,629 was committed/funded in the 2019-2021 biennium. The funding for the 2019-2021 biennium for the Ag PACE Fund included the following transactions: A \$4,000,000 Legislative Appropriation transfer from the Bank, plus a \$3,240,000 transfer from Beginning Farmer, minus a \$1,500,000 transfer to Beginning Farmer, plus a \$4,305 carry forward from the 2017- 2019 biennium, plus \$129,451 of adjustments on Defaulted or Prepaid Loans, plus a transfer of \$70,000 from the PACE Fund, minus a \$3,580,000 transfer to the PACE fund, minus the \$2,361,629 committed and funded amount from the 2019-2021 biennium.

As noted above the 2019 North Dakota Legislature appropriated \$4,000,000 to the Ag PACE Fund from the Bank of North Dakota's undivided profits for the biennium beginning July 1, 2019 and ending June 30, 2021. This appropriation provided the Fund with adequate resources to meet its mission. The Fund could also use up to \$1,000,000 of this funding to assist farmers and livestock producers that have suffered disaster-related losses.

The 2021 North Dakota Legislature passed Senate Bill 2014 that authorizes the Bank of North Dakota to transfer \$5,000,000 from the Bank's current earnings and undivided profits to the Ag PACE Fund during the biennium beginning July 1, 2021 and ending June 30, 2023. For further information regarding the Ag PACE Fund contact the Bank.

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AG PACE FUND
BALANCE SHEETS
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	\$ 94,622	\$ 562,760
Cash deposits at the Bank of North Dakota for buydowns committed	<u>3,209,316</u>	<u>2,989,237</u>
Total assets	<u>\$ 3,303,938</u>	<u>\$ 3,551,997</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE		
Committed	<u>3,303,938</u>	<u>3,551,997</u>
Total fund balance	<u>3,303,938</u>	<u>3,551,997</u>
Total liabilities and fund balance	<u>\$ 3,303,938</u>	<u>\$ 3,551,997</u>

AG PACE FUND**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Buydown interest	<u>908,059</u>	<u>904,177</u>
EXPENDITURES OVER REVENUES	(908,059)	(904,177)
OTHER FINANCING SOURCES (USES)		
Transfers in	5,740,000	1,570,000
Transfers out	<u>(5,080,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(248,059)	665,823
FUND BALANCE, BEGINNING OF YEAR	<u>3,551,997</u>	<u>2,886,174</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,303,938</u>	<u>\$ 3,551,997</u>

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Beginning Farmer Revolving Loan Fund

The Beginning Farmer Revolving Loan Fund (“Fund”) is authorized in Section 6-09.8 of the North Dakota Century Code. The purpose of the Fund is to make or participate 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 moneys transferred into the Fund, interest upon moneys 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.

The Bank of North Dakota (BND) supervises and administers the Fund and the loans made by the Fund. Four programs have been established under the Fund, including two direct loan programs and two interest buy-down programs.

Beginning Farmer Real Estate Loans

Prior to 1989, most of the loans made by the Fund were made to beginning farmers in conjunction with the Federal Land Bank of St. Paul. These loans were secured by a second mortgage on agricultural real estate and may not exceed the lesser of 35% of the appraised value of the real estate or \$100,000 per borrower. On June 1, 2011 the remaining 41 loans totaling \$1,348,000 were sold to BND. Subsequent to 1988, a direct real estate loan may not exceed 75% of the current appraised value of the farm real estate on which the Fund receives a first mortgage as security. The total loan amount was increased from \$100,000 to \$150,000 in 1999, to \$250,000 in 2005, to \$400,000 in 2009 and to \$500,000 in 2013, and to \$750,000 in 2018. The borrower is restricted to a lifetime cap of \$750,000 under this program. The term of the loan may not exceed 30 years. A loan must have either a fixed rate at 1% below the Bank of North Dakota’s then current base rate for ten years or 1% below the Bank’s then current base rate for the first five years with a maximum rate of six percent per year and variable at one percent below the Bank’s current base rate for the second five years. During the second five years, the variable rate must be adjusted annually on the anniversary date. The rate during the remaining term of the loan floats at the Bank’s base rate as in effect at that time.

Currently the Beginning Farmer Real Estate loans are being funded directly by BND. The loans are restricted to the same terms as indicated above. The Fund provides buydown funds, to the extent available, to reduce the borrower’s interest rate by 2% for the first five years of the loan. The borrower is limited to \$750,000 in total loans. There were 46 loans totaling \$13,038,000 made during 2020 with this program. These loans will require \$2,336,000 in buy down interest during the life of the loans. There were 68 loans totaling \$18,877,000 made during 2019, which will utilize \$2,349,000 in buydown interest during the life of the loans. As of December 31, 2020, there are currently 352 loans outstanding totaling \$92,287,000 made directly by BND that are receiving buy down interest from the Fund.

Beginning Farmer Chattel Loans Originated out of the Fund

There are two components to this program. These loans are made in conjunction with a lead lender. BND is required to participate in at least 50% of the total loan, and not more than 80%, with the balance to be retained by the lead lender. These loans are secured by a first security interest on the chattel with a maximum loan to collateral value of 80%. The borrowers are limited to \$750,000 in

total loans. The second component of this program provides for interest buy down on the lead lender's share of the loan. The lead lender's interest rate may not exceed 2% over BND's base rate on variable rate loans and 3.5% over the corresponding Federal Home Loan Bank Advance Rate on fixed rate loans. Interest buy down funds are provided through the chattel loan program, to the extent available, to reduce the borrower's interest rate by up to 4% subject to a minimum rate of 1% to the borrower.

There were 101 loans totaling \$11,177,000 made during 2020 with this loan program, of which BND participated in \$5,778,000. These loans will utilize \$750,000 in buy down interest. There were 89 loans totaling \$9,248,000 made during 2019 with this program, of which BND participated in \$4,050,000. These loans will utilize \$548,000 in buy down interest.

Beginning Farmer Revolving Fund Balance Summary

Cash available to provide interest buy down to beginning farmers for both chattel and real estate purchases was \$6,159,000 as of December 31, 2020. There was a \$6,000,000 appropriation from BND's undivided profits for the biennium July 1, 2019 through June 30, 2021 for interest buy down purposes to beginning farmers, of which \$5,500,000 had been transferred to the Fund as of December 31, 2020.

Invest Loans Funded by BND and a Lead Lender

Section 6-09-15.5 of the North Dakota Century Code authorizes BND to provide interest buydown on value-added agriculture equity loans (Invest) made for investment in a feedlot or dairy operation. The legislation began August 1, 2007 and states that no more than \$1,000,000 can be transferred from the Fund during a biennium. There were no new Invest loans made during 2020 or 2019.

For further information regarding the Beginning Farmer Revolving Loan Fund contact the Bank of North Dakota Loan Department or go to the Bank of North Dakota's website <https://bnd.nd.gov/ag>

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BEGINNING FARMER REVOLVING LOAN FUND
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash deposits at the Bank of North Dakota	\$ 6,159	\$ 6,264
Prepaid interest, current portion	<u>2,301</u>	<u>2,362</u>
Total current assets	<u>8,460</u>	<u>8,626</u>
Noncurrent Assets		
Prepaid interest	<u>5,965</u>	<u>4,339</u>
Total noncurrent assets	<u>5,965</u>	<u>4,339</u>
Total assets	<u>\$ 14,425</u>	<u>\$ 12,965</u>
LIABILITIES		
	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE		
Total liabilities and fund balance	<u>\$ 14,425</u>	<u>\$ 12,965</u>

BEGINNING FARMER REVOLVING LOAN FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENDITURES		
Buy-down interest	2,317	2,381
Audit expenses	6	6
	<u>2,323</u>	<u>2,387</u>
OPERATING LOSS	(2,323)	(2,387)
NONOPERATING REVENUES		
Recovery of charge-off	23	-
Income from cash deposits	10	13
	<u>10</u>	<u>13</u>
LOSS BEFORE TRANSFERS	<u>(2,290)</u>	<u>(2,374)</u>
TRANSFERS		
Transfer from Bank of North Dakota	3,750	4,700
Transfer from PACE	-	300
Transfer to PACE	-	(1,570)
NET TRANSFERS IN	<u>3,750</u>	<u>3,430</u>
CHANGE IN FUND BALANCE	1,460	1,056
FUND BALANCE, BEGINNING OF YEAR	<u>12,965</u>	<u>11,909</u>
FUND BALANCE, END OF YEAR	<u>\$ 14,425</u>	<u>\$ 12,965</u>

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Community Water Facility Loan Fund

Section 6-09.5 of the North Dakota Century Code (“NDCC”) established the Community Water Loan Fund (“Fund”). The purpose of the Fund is to provide supplementary financing in conjunction with federal monies received directly by the community for the construction, enlargement, extension, or other improvement of community water facilities. The Fund is a revolving fund, and all monies transferred into the Fund, interest earned on the Fund monies, and collections of interest and principal on Fund loans are used for the purpose of the Fund.

The Bank of North Dakota (“Bank”) supervises and administers the Fund and the loans made by the Fund. In 2005 the Bank entered into a Memorandum of Understanding with Rural Utilities Services, one of the departments of Rural Development, which is an agency of the USDA. The Memorandum provides guidance for processing combined loans between the Fund and Rural Utilities Service. The Fund has a pro rata lien on loans made under the Memorandum.

All loans made by the Fund are made in combination with loans and/or grants made by Rural Utilities Service. NDCC states that all loans from the Fund shall not exceed fifty percent of the cost of a community water facility project. Such loans must bear interest at a rate of three percent per annum. Principal and interest payments on a loan may be deferred for up to three years to provide for a community water facility to become self-supporting.

There were no new loans made by the Fund in 2020. As of December 31, 2020, there are 40 loans outstanding. The gross amount of outstanding loans is \$14,232,000 with an allowance for loan losses of \$165,000 for net loans of \$14,067,000.

Cash available for investment in loans at the end of calendar year 2020 was \$22,232,000. There was no loan commitments outstanding as of December 31, 2020.

For further information regarding the Community Water Facility Loan Fund contact the Bank of North Dakota.

COMMUNITY WATER FACILITY LOAN FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash deposits at the Bank of North Dakota	\$ 22,232	\$ 15,779
Loans, current portion	601	618
Interest receivable	137	272
	<u>22,970</u>	<u>16,669</u>
Total current assets		
Noncurrent Assets		
Loans, net of allowance for loan losses of \$165 in 2020 and \$286 in 2019	<u>13,466</u>	<u>19,212</u>
	<u>\$ 36,436</u>	<u>\$ 35,881</u>
LIABILITIES		
Current Liabilities		
Due to the Bank of North Dakota	<u>\$ 18</u>	<u>\$ 25</u>
NET POSITION		
Unrestricted	<u>36,418</u>	<u>35,856</u>
	<u>\$ 36,436</u>	<u>\$ 35,881</u>
Total liabilities and net position		

COMMUNITY WATER FACILITY LOAN FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 503</u>	<u>\$ 620</u>
OPERATING EXPENSES		
Administrative fees	84	103
Audit expenses	<u>6</u>	<u>6</u>
Total operating expenses	<u>90</u>	<u>109</u>
OPERATING INCOME	413	511
NONOPERATING REVENUES		
Interest on deposits	28	34
Provision for loan loss (recovery)	<u>121</u>	<u>-</u>
CHANGE IN NET POSITION	562	545
TOTAL NET POSITION, BEGINNING OF YEAR	<u>35,856</u>	<u>35,311</u>
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 36,418</u></u>	<u><u>\$ 35,856</u></u>

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Infrastructure Revolving Loan Fund

Section 6-09-49 of the North Dakota Century Code (“NDCC”) established the Infrastructure Revolving Loan Fund (“Fund”) effective July 1, 2015. The purpose of the Fund is to provide loans to political subdivisions for essential infrastructure projects. Eligible infrastructure projects may include new or replacement of existing water treatment plants, wastewater treatment plants, sewer lines and water lines, storm water and transportation infrastructure, including curb and gutter construction, and other infrastructure needs as established by the Bank of North Dakota. The Bank administers the Fund and all loans made by the Fund.

During the biennium beginning July 1, 2015 and ending June 30, 2017, the Office of Management and Budget transferred the sum of \$50,000,000 from the Strategic Investment and Improvements Fund (“SIIF”) to the Fund. The Bank of North Dakota was authorized to transfer the sum of \$100,000,000, or so much of the sum as may be necessary, from the Bank’s current earnings and undivided profits to the Fund. All moneys transferred to the Fund, interest upon moneys in the Fund and payments to the Fund of principal and interest are appropriated to the Bank on a continuing basis for administrative costs and for loan disbursement.

Loans made by the Fund may not exceed \$15,000,000, must have an interest rate that does not exceed 2% and must have a repayment schedule that does not exceed thirty years.

There were 12 loans originated for \$17,271,000 with \$7,079,000 funds advanced on these loans during the year ended June 30, 2021. There were 10 loans originated for \$17,178,000 with \$8,829,000 funds advanced on these loans during the year ended June 30, 2020. As of June 30, 2021, the gross amount of outstanding loans is \$102,654,000 with an allowance for credit losses of \$1,285,000 for net loans of \$101,369,000. There were ten loan commitments for \$47,333,000 as of June 30, 2021. Funds available for investment in loans as of June 30, 2021 were \$24,772,000.

INFRASTRUCTURE REVOLVING LOAN FUND
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 24,772	\$ 27,453
Loans, current portion	6,160	5,534
Interest receivable	750	751
	<u>31,682</u>	<u>33,738</u>
Total current assets		
Noncurrent Assets		
Loans, net of allowance for credit losses of \$1,285 in 2021 and \$1,230 in 2020	<u>95,209</u>	<u>91,610</u>
Total assets	<u>\$ 126,891</u>	<u>\$ 125,348</u>
LIABILITIES		
Current Liabilities	<u>\$ 128</u>	<u>\$ 118</u>
NET POSITION		
Unrestricted	<u>126,763</u>	<u>125,230</u>
Total liabilities and net position	<u>\$ 126,891</u>	<u>\$ 125,348</u>

INFRASTRUCTURE REVOLVING LOAN FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 2,094</u>	<u>\$ 1,857</u>
OPERATING EXPENSES		
Administrative fees	522	462
Other expenses	6	6
Provision for credit loss	<u>55</u>	<u>160</u>
Total Operating Expenses	<u>583</u>	<u>628</u>
OPERATING INCOME	1,511	1,229
NONOPERATING REVENUES		
Investment income	<u>22</u>	<u>66</u>
INCOME BEFORE TRANSFERS	1,533	1,295
TRANSFERS IN		
Transfers from Bank of North Dakota	-	8,000
Transfers from Strategic Investment and Improvements Fund	<u>-</u>	<u>25,138</u>
NET TRANSFERS IN	<u>-</u>	<u>33,138</u>
CHANGE IN NET POSITION	1,533	34,433
TOTAL NET POSITION, BEGINNING OF YEAR	<u>125,230</u>	<u>90,797</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 126,763</u>	<u>\$ 125,230</u>

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Medical Facility Infrastructure Loan Program

The Medical Facility Infrastructure Loan Program was established by NDCC Section 6-09-47 effective May 3, 2013, to provide loans to medical facilities to conduct construction that improves the health care infrastructure in North Dakota or improves access to existing nonprofit health care providers in North Dakota. The Bank of North Dakota administers the Fund and all loans made by the Fund. The Fund was established by a fifty-million-dollar loan from the State of North Dakota's Strategic Investment and Improvements Fund (SIIF).

The 2015 North Dakota Legislature passed Senate Bill 2012 that made the Fund a revolving fund and eliminated the repayment requirement to SIIF. All moneys transferred into the Fund, interest on moneys in the Fund and collections of principal and interest on loans from the Fund are appropriated to the Bank for Fund administration on a continuing basis.

Loans made by the Fund may not exceed the lesser of fifteen million dollars or 75% of the actual cost of the project, must have an interest rate equal to 1%, and must have a repayment schedule of no longer than 25 years. A recipient of a loan under the Fund must complete the financed construction project within 24 months of approval of the loan.

There was one new loan for \$1,300,000 made by the Fund during the year ended June 30, 2021. There was one new loan for \$3,489,000 made by the Fund during the year ended June 30, 2020. There were no loans made by the Fund during the year ended June 30, 2019. As of June 30, 2021, the gross amount of outstanding loans is \$46,628,000 with an allowance for loan losses of \$1,182,000 for net loans of \$45,446,000.

There was one pending loan commitments totaling \$3,000,000 as of June 30, 2021. Funds available for investment in loans for the year ended June 30, 2021 were \$4,795,000.

MEDICAL FACILITY INFRASTRUCTURE LOAN FUND
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,795	\$ 3,910
Loans, current portion	2,018	1,953
Interest receivable	<u>29</u>	<u>29</u>
Total current assets	<u>6,842</u>	<u>5,892</u>
Noncurrent Assets		
Loans, net of allowance for loan losses of \$1,182 in 2021 and 2020	<u>43,428</u>	<u>44,149</u>
Total assets	<u>\$ 50,270</u>	<u>\$ 50,041</u>
LIABILITIES		
Current Liabilities	<u>\$ 57</u>	<u>\$ 59</u>
NET POSITION		
Unrestricted	<u>50,213</u>	<u>49,982</u>
Total liabilities and net position	<u>\$ 50,270</u>	<u>\$ 50,041</u>

MEDICAL FACILITY INFRASTRUCTURE LOAN FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 463</u>	<u>\$ 454</u>
OPERATING EXPENSES		
Administrative fees	231	227
Other expenses	6	6
Provision for loan loss	<u>-</u>	<u>156</u>
OPERATING INCOME	226	65
NONOPERATING REVENUES		
Investment income	<u>5</u>	<u>13</u>
CHANGE IN NET POSITION	231	78
TOTAL NET POSITION, BEGINNING OF YEAR	<u>49,982</u>	<u>49,904</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 50,213</u>	<u>\$ 49,982</u>

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North Dakota Guaranteed Student Loan Program

Section 15-62.1 of the North Dakota Century Code ("NDCC") designates the Bank of North Dakota ("Bank") as the agency for the administration of the North Dakota Guaranteed Student Loan Program ("Program"). The Program shall expend monies received and interest on the reserve funds established pursuant to this section of the NDCC as may be necessary to implement and administer the Program. The Program has been designated to act as a guarantor of private student loans made pursuant to the Higher Education Act of 1965, as amended ("Act"), and certain other student loans if the North Dakota Industrial Commission determines that student loans made under the terms of certain federal programs are no longer meeting the needs of North Dakota students, or are no longer available. On March 31, 2016, all the Program's Federal Family Education Loan Program (FFELP) guarantees were transferred to Great Lakes Higher Education. Prior to the transfer, the Program was comprised of three components — an Agency Operating Fund (AOF), property of the Program, an Alternative Loan Fund, also property of the Program and a Federal Student Loan Reserve Fund (FSLRF), the net position of which was property of the Federal Government. On March 31, 2016 the transfer of the FFELP guarantees to Great Lakes resulted in the net position of the Agency Operating Fund being transferred to the alternative Loan Fund and the net position of the FSLRF being transferred to the Department of Education.

The Program is responsible for processing loans submitted for guarantee, issuing loan guarantees, paying lender claims for loans and collecting loans on which default claims have been paid. Program funds may also be used for application processing, loan disbursement, enrollment and repayment status management, default aversion activities, default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring and other student financial aid and related activities as selected by the Program.

Effective October 1, 2017, the Program changed its fiscal year end from September 30 to December 31 to coincide with the fiscal year end of the Bank rather than the fiscal year end of the U.S. Department of Education, which was previously required prior to the transfer of all federal student loan guarantees.

Credit Loss Expense

Credit loss expense was \$6 million during the year ended December 31, 2020, and \$92. Million during the year ended December 31, 2019. The decrease from 2019 to 2020 was primarily due to the suspension of payment for default claims due to COVID.

Alternative Loan Fund

State law requires that the Program must maintain a reserve fund on deposit with the Bank for all outstanding Alternative Loans. The fund level may be no less than the Bank's historical default rate. The Alternative Loan Fund 2020 statement of net position indicates that the Alternative Loan Fund has adequate resources to provide for new loan guarantees, claim payments to lenders and continuing obligations.

Alternative Loan Fund guarantees during the year ending December 31, 2020 were \$127 million compared to \$126 million during the fiscal year ending December 31, 2019.

For further information regarding the North Dakota Guaranteed Student Loan Program contact the Bank of North Dakota.

NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 50,011,804	\$ 43,948,984
Restricted	4,536	52,413
Receivables		
Administrative fee	-	616,392
TOTAL ASSETS	<u>\$ 50,016,340</u>	<u>\$ 44,617,789</u>
LIABILITIES		
CURRENT LIABILITIES		
Due to BND	\$ 151,626	\$ 183,552
Payable to lenders	-	1,539,523
Allowance for future credit losses	6,000,000	5,742,000
Estimated future refunds of default aversion fees	4,536	52,413
Total current liabilities	<u>6,156,162</u>	<u>7,517,488</u>
NONCURRENT LIABILITIES		
Allowance for future credit losses	<u>23,337,976</u>	<u>17,258,432</u>
Total liabilities	<u>29,494,138</u>	<u>24,775,920</u>
NET POSITION - UNRESTRICTED	<u>20,522,202</u>	<u>19,841,869</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 50,016,340</u>	<u>\$ 44,617,789</u>

NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Administrative fee	\$ 6,967,749	\$ 9,829,354
Referral income	<u>5,440</u>	<u>22,380</u>
	<u>6,973,189</u>	<u>9,851,734</u>
OPERATING EXPENSES		
Service and administrative expense	364,286	473,584
Credit loss expense	<u>6,000,000</u>	<u>9,175,000</u>
	<u>6,364,286</u>	<u>9,648,584</u>
OPERATING INCOME	608,903	203,150
NONOPERATING REVENUES		
Interest income	<u>71,430</u>	<u>98,561</u>
CHANGE IN NET POSITION	680,333	301,711
TOTAL NET POSITION, BEGINNING OF PERIOD	<u>19,841,869</u>	<u>19,540,158</u>
TOTAL NET POSITION, END OF PERIOD	<u>\$ 20,522,202</u>	<u>\$ 19,841,869</u>

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PACE Fund

Section 6-09.14 of the North Dakota Century Code (“NDCC”) established the Partnership in Assisting Community Expansion (“PACE”) Fund (“Fund”). The Fund is revolving and all moneys transferred into the Fund, interest on Fund moneys and payments to the Fund are appropriated for the purposes of the Fund. The Bank of North Dakota (“Bank”) supervises and administers the PACE Fund. The purpose of the PACE Fund is to buy down the interest rate on loans made by a lead financial institution in participation with the Bank. The Bank’s participation may not exceed 80% nor be less than 50% of the total loans. If the lenders approve the loan and there is evidence of the community’s commitment and ability to fund its portion of the buydown the Fund’s participation in the buydown is approved as part of the Bank’s loan approval process.

The PACE programs recognize two rates: Yield Rate and Borrowing Rate. The yield rate is the rate charged by the lead lender for the loan. The borrowing rate is the rate charged to the borrower. The Interest Differential is the difference between the yield rate and the borrowing rate. This difference is paid to the lead lender under an agreement among the lead lender, the borrower, the community (if required) and the Bank on behalf of the PACE Fund. The PACE Fund provides buydown dollars, to the extent available, to reduce the borrower’s interest rate by a maximum of 5% and may not be less than 1%.

PACE Program

Loans eligible for the buydown are loans to new or expanding North Dakota businesses using the proceeds to purchase real property or equipment, expand their facility, or fund permanent working assets. The loan funds cannot be used to refinance any existing debt or for the relocation of business within North Dakota. The community shall determine the amount of the interest rate buydown and apply to the Bank for participation from the PACE Fund. The funds for the community’s portion of the buydown may come from local development corporation contributions, community funds, future dedicated tax programs, or any other community source. The maximum amount from the Fund in the interest rate buydown may not exceed \$500,000 per borrower in any biennium. The communities within the state are given a percentage factor to determine the PACE Fund’s maximum participation in the interest rate reduction. These funds are on deposit with BND’s Trust Department which has been appointed to act as agent for the interest rate reduction fund.

Flex PACE Program

Flex PACE was designed to provide interest buydown to non-PACE qualifying businesses where the community determines eligibility and accountability standards. Flex PACE targets essential community businesses without the job creation requirement. The communities within the state are given a percentage factor to determine the PACE Fund’s maximum participation in the interest rate reduction. The maximum buydown amount from the Fund in the interest rate buydown may not exceed \$500,000 per borrower in any biennium. These funds are on deposit with BND’s Trust Department which has been appointed to act as agent for the interest rate reduction fund.

Biofuels PACE Program

In compliance with NDCC 17-03, Biofuels PACE was created to provide interest buydown to qualified North Dakota businesses which are defined as biodiesel, ethanol, and green diesel production facilities and livestock operations. The maximum interest buydown per borrower for each eligible use is \$500,000 for a biodiesel, ethanol or green diesel project, and \$250,000 for a livestock operation. The Biofuels PACE Loan Program does not require a community interest buydown match or job creation. Recipients of Biofuels PACE are not eligible for regular PACE or Flex PACE funds.

Medical PACE Program

The Medical PACE Program provides interest buydown to assist in the financing of critical access hospital medical infrastructure throughout North Dakota. The maximum interest buydown amount does not apply to the Medical PACE Program nor does the community percentage factor. Loan proceeds may be used to finance the purchase of land, the purchase of equipment, or to purchase, lease, erect, or improve any structure or facility to the extent that the governing board of the health care facility has authority to authorize such activity.

PACE loans are made by a lead financial institution in participation with the Bank. Currently, there are 89 PACE loans outstanding. The total principal outstanding is \$63,822,979. There were 17 loans totaling \$46,547,288 made in 2020 and 2021. These loans will require \$3,834,751 in buydown interest during the life of the loans. There are 6 loan commitments outstanding as of June 30, 2021 that total \$24,781,700 and will use \$1,954,833 of interest buydown.

Flex PACE loans are made by a lead financial institution in participation with the Bank. Currently, there are 852 Flex PACE loans outstanding. The total principal outstanding is \$224,226,743. There were 298 loans totaling \$196,723,647 made during 2020 and 2021. These loans will require \$25,419,001 in buydown interest during the life of the loans. There are 53 loan commitments outstanding as of June 30, 2021 that total \$51,398,665 and will use \$4,362,835 of interest buydown.

BioFuels PACE loans are made by a lead financial institution in participation with the Bank. Currently, there are 73 BioFuels PACE loans outstanding. The total principal outstanding is \$29,734,010. There were 14 loans totaling \$35,427,238 made during 2020 and 2021. These loans will require \$3,253,175 in buydown interest during the life of the loans. There are 3 loan commitments outstanding as of June 30, 2021 that totals \$3,040,000 and will use \$331,587 of interest buydown.

Medical PACE loans are made by a lead financial institution in participation with the Bank. Currently, there are 3 Medical PACE loans outstanding. The total principal outstanding is \$13,370,256. There were no loans made during 2019 and 2020. There is 1 loan commitment outstanding as of June 30, 2021 that totals \$5,000,000 and will use \$2,200,000 of interest buydown.

As of June 30, 2021, \$6,048 is available of PACE interest buydown; \$5,135 is available for Flex PACE interest buydown; \$14,342 is available for BioFuels PACE interest buydown, and \$247,597 is available for Medical PACE interest buydown.

The 2019 Legislature approved the following appropriations and transfers from the PACE programs during the biennium July 1, 2019 through June 30, 2021 as follows:

PACE	\$10,000,000	Legislative Appropriation transfer from BND
	(557,603)	Carry Forward from Previous Allocation
	700,000	Transfer from Flex PACE
	70,000	Transfer from Beginning Farmer
	3,580,000	Transfer from Ag PACE
	(6,575,000)	Transfer to Flex PACE
	(1,955,000)	Transfer to Biofuels
	(70,000)	Transfer to Ag PACE
	630,599	Adjustments on Defaulted or Prepaid PACE Loans
	<u>(5,816,949)</u>	Committed and pending
	\$6,048	
Flex	\$16,000,000	Legislative Appropriation transfer from BND
	(700,000)	Transfer to PACE
	1,643,170	Carry Forward from Previous Allocation
	6,575,000	Transfer from PACE
	1,232,627	Adjustments on Defaulted or Prepaid Flex PACE Loans
	<u>(24,745,662)</u>	Committed and pending
	\$5,135	
BioFuels	\$1,000,000	Legislative Appropriation transfer from BND
	1,955,000	Transfer from PACE
	449,327	Carry Forward from Previous Allocation
	68,052	Adjustments on Defaulted or Biofuels PACE Loans
	<u>(3,458,037)</u>	Committed and pending
	\$14,342	
Medical	\$0	Legislative Appropriation transfer from BND
	10,249,622	Carry Forward from Previous Allocation
	<u>(10,002,025)</u>	Committed and pending
	\$247,597	

During the year ended June 30, 2021, the Bank of North Dakota transferred \$9,000,000 to PACE and \$6,000,000 to Flex PACE from its current earnings and undivided profits. Additional transfers were made throughout the year, including \$6,575,000 from PACE to Flex PACE, \$1,955,000 from PACE to Biofuels, and \$3,580,000 from Ag PACE to PACE.

During the year ended June 30, 2020, the Bank of North Dakota transferred \$1,000,000 to PACE, \$10,000,000 to Flex PACE, and \$1,000,000 to Biofuels PACE from its current earnings and undivided profits. Additional transfers were made throughout the year, including \$700,000 from Flex PACE to PACE, \$70,000 from Beginning Farmer to PACE, and \$70,000 from PACE to Ag PACE.

For further information regarding the PACE Fund, Flex PACE or the BioFuels PACE contact the Bank of North Dakota.

**PACE FUND
BALANCE SHEETS
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	<u>\$ 67,344,192</u>	<u>\$ 60,585,202</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accrued interest payable	<u>\$ 1,020,800</u>	<u>\$ 923,457</u>
FUND BALANCE		
Committed for interest buydown	64,703,852	59,171,060
Committed for future interest buydown	<u>1,619,540</u>	<u>490,685</u>
Total fund balance	<u>66,323,392</u>	<u>59,661,745</u>
Total liabilities and fund balance	<u>\$ 67,344,192</u>	<u>\$ 60,585,202</u>

PACE FUND**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUES		
Interest income	\$ 428,600	\$ 403,019
EXPENDITURES		
Buydown interest	<u>12,346,953</u>	<u>11,179,676</u>
EXPENDITURES OVER REVENUES	(11,918,353)	(10,776,657)
OTHER FINANCING SOURCES		
Transfers in, net of interfund transfers	23,530,000	12,070,000
Transfers out, net of interfund transfers	<u>(4,950,000)</u>	<u>(70,000)</u>
NET CHANGE IN FUND BALANCE	6,661,647	1,223,343
FUND BALANCE, BEGINNING OF YEAR	<u>59,661,745</u>	<u>58,438,402</u>
FUND BALANCE, END OF YEAR	<u>\$ 66,323,392</u>	<u>\$ 59,661,745</u>

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Rebuilders Loan Program

The North Dakota Legislature appropriated \$50,000,000 for the Rebuilders Loan Program during its special session held in November, 2011. The Industrial Commission approved the Rebuilders Loan Guidelines on 11/21/2011. The first \$30,000,000 for this program was transferred from Bank of North Dakota's undivided profits. The remaining \$20,000,000 was funded from the General Fund.

The purpose of this Fund is to help owners of homes damaged in the 2011 floods in Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland and Ward Counties. Residents with flood-damaged homes that have been granted a tax assessment reduction in 2011 are eligible to apply for a loan of up to \$30,000 at a 1% interest rate for 20 years. Payments were not required for 24 months, however interest accrued during this time. Applications were not accepted after September 30, 2012.

The Legislature amended the Rebuilders Loan Program in its 2013 Session to include the rebuilding of non-owner-occupied property and federal emergency management agency temporary housing units located in a community-approved group housing site in the disaster-impacted community. There is no deferral of principal and interest payments for a loan for non-owner-occupied property. Applications were not accepted after September 30, 2013. A supplemental loan up to \$20,000 may have been made to a homeowner who has received an initial loan under certain conditions. Supplemental loan applications were not accepted after December 31, 2013.

After June 30, 2013, repayments to the Program shall be transferred to replenish \$30,000,000 of the Bank's undivided profits. On an annual basis, the Bank shall transfer repayments to the State Treasurer for deposit in the State General Fund in any amount exceeding the \$30,000,000 used to replenish the Bank's undivided profits.

The North Dakota Legislature amended the Program in its 2019 Session to provide up to \$3,750,000 from the principal payments received to North Dakota residents affected by river flooding in the state in the winter and spring of 2019. The application period was open until September 30, 2020.

The Bank of North Dakota administers the loan fund. The Bank may deduct a service fee for administering the fund for the Bank and originating financial institutions.

There were three new loans made by the Program for \$180,000 during the fiscal year 2021. There were four new loans made by the Program for \$300,000 during the fiscal year 2020. There were no loans pending as of June 30, 2021.

As of June 30, 2021, there are 1,100 loans outstanding. The gross amount of outstanding loans is \$20,989,729 with an allowance for credit losses of \$2,099,900 for net loans of \$18,890,729. As of June 30, 2020, the gross amount of outstanding loans was \$23,860,298 with an allowance for credit losses of \$2,386,000 for net loans of \$21,474,298.

REBUILDERS LOAN PROGRAM

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	\$ 442,738	\$ 333,942
Loans, current portion	1,706,973	1,721,074
Interest receivable	33,499	29,123
Total current assets	<u>2,183,210</u>	<u>2,084,139</u>
NONCURRENT ASSETS		
Loans, net of allowance for credit losses of \$2,099,000 in 2021 and \$2,386,000 in 2020	<u>17,183,756</u>	<u>19,753,224</u>
Total noncurrent assets	<u>17,183,756</u>	<u>19,753,224</u>
Total assets	<u>\$ 19,366,966</u>	<u>\$ 21,837,363</u>
LIABILITIES		
CURRENT LIABILITIES		
Due to the Bank of North Dakota	\$ 1,715,795	\$ 1,737,603
Service fee payable	3,785	9,485
Total current liabilities	<u>1,719,580</u>	<u>1,747,088</u>
NONCURRENT LIABILITIES		
Due to the Bank of North Dakota	1,890,691	4,614,839
Due to the State of North Dakota General Fund	<u>15,619,484</u>	<u>15,302,692</u>
Total noncurrent liabilities	<u>17,510,175</u>	<u>19,917,531</u>
Total liabilities	<u>19,229,755</u>	<u>21,664,619</u>
NET POSITION - UNRESTRICTED	<u>137,211</u>	<u>172,744</u>
Total liabilities and net position	<u>\$ 19,366,966</u>	<u>\$ 21,837,363</u>

REBUILDERS LOAN PROGRAM

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Interest on loans	\$ 226,677	\$ 250,713
OPERATING EXPENSES		
Service fees	225,106	249,386
Other expenses	9,004	13,817
Provision for credit loss	<u>(288,411)</u>	<u>(131,334)</u>
	<u>(54,301)</u>	<u>131,869</u>
OPERATING INCOME	280,978	118,844
NONOPERATING REVENUES		
Investment Income	<u>281</u>	<u>2,322</u>
NONOPERATING EXPENSES		
Reinstatement of debt expense - State General Fund	<u>(316,792)</u>	<u>(149,410)</u>
NONOPERATING LOSS	<u>(316,511)</u>	<u>(147,088)</u>
CHANGE IN NET POSITION	(35,533)	(28,244)
TOTAL NET POSITION, BEGINNING OF YEAR	<u>172,744</u>	<u>200,988</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 137,211</u>	<u>\$ 172,744</u>

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School Construction Assistance Revolving Loan Fund

Section 15.1-36 of the North Dakota Century Code (“NDCC”) established the School Construction Assistance Revolving Loan Fund (“Fund”). The purpose of the Fund is to provide low-interest school construction loans. The board of a school district may propose a new construction or remodeling project with a cost of at least one million dollars and an expected utilization of at least thirty years. Loan applications are reviewed and approved by the Superintendent of Public Instruction. The Bank of North Dakota administers the Fund and all loans made by the Fund.

As of June 30, 2016, the Fund was a special revolving fund in the State Treasury administered by the North Dakota Department of Trust Lands (“Department”) and was presented in the Department’s annual financial statements. Senate Bill 2272 of the 2017 North Dakota Legislature amended the Fund to be administered by the Bank of North Dakota. The Fund was transferred from the State Treasury to the Bank on January 3, 2017. All moneys transferred to the Fund, interest upon money in the Fund, and repayment of principal and interest are appropriated to the Bank on a continuing basis for administrative costs and loan disbursement.

The 2019 North Dakota Legislature authorized the transfer of \$75,000,000 from the Foundation Aid Stabilization Fund which was received during the year ending June 30, 2020. The Bank of North Dakota was authorized to utilize funding from the School Construction Assistance Revolving Loan Fund to repay up to \$5,000,000, or so much of the sum as may be necessary, to provide the Bank of North Dakota with interest rate buydowns associated with the Bank’s on-balance-sheet school construction loans. During the year ended June 30, 2020, the Fund transferred a total of \$2,700,000 to the Bank. During the year ending June 30, 2021 the Fund transferred a total of \$1,300,000 to the Bank.

The 2021 North Dakota Legislature passed Senate Bill 2014 that allows the Bank of North Dakota to utilize funding from the School Construction Assistance Revolving Loan Fund to repay up to \$2,500,000, or so much of the sum as may be necessary, to provide the Bank of North Dakota with interest rate buydowns associated with the Bank’s on-balance-sheet school construction loans.

As of June 30, 2021, loans made by the Fund may not exceed \$10,000,000, must have an interest rate that does not exceed 2% and must have a repayment schedule that does not exceed 20 years.

There were no loans originated from the Fund and \$22,138,000 in loans were purchased from the Bank’s on-balance-sheet school construction loans during the year ended June 30, 2021. There were seven loans originated for \$47,325,000 with \$24,601,000 advanced on these loans as well as \$17,949,000 in loan purchases from the Bank’s on-balance-sheet during the year ended June 30, 2020. There were no loan commitments as of June 30, 2021.

Funds available for investment in loans as of June 30, 2021, were \$47,077,000.

As of June 30, 2021, there were 45 loans outstanding totaling \$261,839,000 with an allowance for loan losses of \$2,618,000 for net loans of \$259,221,000. As of June 30, 2020, there were 43 loans outstanding totaling \$241,384,000 with an allowance for loans losses of \$2,413,000 for net loans of \$238,971,000.

SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 47,077	\$ 65,605
Loans, current portion	16,971	16,030
Interest receivable	1,396	1,185
Total current assets	<u>65,444</u>	<u>82,820</u>
Noncurrent Assets		
Loans, net of allowance for loan losses of \$2,618 in 2021 and \$2,413 in 2020	<u>242,250</u>	<u>222,941</u>
Total noncurrent assets	<u>242,250</u>	<u>222,941</u>
Total assets	<u>307,694</u>	<u>305,761</u>
Total assets and deferred outflows	<u>\$ 307,694</u>	<u>\$ 305,761</u>
LIABILITIES	<u>\$ 333</u>	<u>\$ 296</u>
NET POSITION		
Unrestricted	<u>307,361</u>	<u>305,465</u>
Total liabilities and net position	<u>\$ 307,694</u>	<u>\$ 305,761</u>

SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 4,656</u>	<u>\$ 3,956</u>
OPERATING EXPENSES		
Administrative fees	1,295	1,134
Other expenses	8	8
Provision for loan loss	<u>205</u>	<u>140</u>
OPERATING INCOME	3,148	2,674
NONOPERATING REVENUES		
Investment income	<u>48</u>	<u>115</u>
INCOME BEFORE TRANSFERS	3,196	2,789
TRANSFERS IN/(OUT)		
Transfer out to Bank of North Dakota	(1,300)	(2,700)
Transfer in from Foundation Aid Stabilization Fund	<u>-</u>	<u>75,000</u>
NET TRANSFERS IN/(OUT)	<u>(1,300)</u>	<u>72,300</u>
CHANGE IN NET POSITION	1,896	75,089
TOTAL NET POSITION, BEGINNING OF PERIOD	<u>305,465</u>	<u>230,376</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 307,361</u>	<u>\$ 305,465</u>

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Addiction Counselor Internship Loan Program

Section 43-45-05.4 of the North Dakota Century Code established the Addiction Counselor Internship Loan Program effective July 1, 2015. The purpose of the Program is to provide loans to qualified individuals participating in a paid or unpaid internship at a licensed substance abuse treatment facility in North Dakota in order to obtain licensure as an addition counselor. The Bank of North Dakota administers the Program and all loans made by the Program.

The Program was established by a \$200,000 transfer from the North Dakota Student Loan Trust. All monies transferred into the Fund, interest upon monies in the Fund and payments to the Fund of principal and interest on loans are appropriated to the Bank of North Dakota for Program administration on a continuing basis.

Loans made by the Program may not exceed \$7,500, must accrue at the Bank of North Dakota's current base rate, but may not exceed 6%, and must have a repayment schedule of no longer than ten years.

There were three loans totaling \$22,500 made by the Program for the year ended June 30, 2021, compared to two loans totaling \$15,000 for the year ended June 30, 2020. There were no pending applications as of June 30, 2021. At June 30, 2021, the gross amount of outstanding loans was \$98,031 with an allowance for loan losses of \$6,435 for net loans of \$91,596.

Funds available for investment in loans for the year ended June 30, 2021 were \$95,922.

ADDICTION COUNSELOR INTERNSHIP LOAN PROGRAM
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 95,922	\$ 83,603
Loans, current portion	7,331	9,453
Interest receivable	<u>616</u>	<u>405</u>
Total current assets	<u>103,869</u>	<u>93,461</u>
Noncurrent Assets		
Loans, net of allowance for loan losses of \$6,435 in 2021 and 2020	<u>84,265</u>	<u>97,304</u>
Total assets	<u>188,134</u>	<u>190,765</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET POSITION		
Unrestricted	<u>188,134</u>	<u>190,765</u>
Total liabilities and net position	<u><u>\$ 188,134</u></u>	<u><u>\$ 190,765</u></u>

ADDICTION COUNSELOR INTERNSHIP LOAN PROGRAM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 3,229</u>	<u>\$ 4,934</u>
OPERATING EXPENSES		
Audit expenses	<u>5,950</u>	<u>5,800</u>
OPERATING LOSS	(2,721)	(866)
NONOPERATING REVENUES		
Investment income	<u>90</u>	<u>180</u>
CHANGE IN NET POSITION	(2,631)	(686)
TOTAL NET POSITION, BEGINNING OF YEAR	<u>190,765</u>	<u>191,451</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 188,134</u>	<u>\$ 190,765</u>

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COVID-19 PACE Recovery Program

The COVID-19 PACE Recovery Program (CPR) was created in May of 2020 with the purpose to assist local financial institutions in providing low interest loans and grants to support North Dakota businesses in their economic recovery due to negative impacts from the COVID-19 pandemic.

The North Dakota Emergency Commission approved federal Coronavirus Aid, Relief, and Economic Security (CARES) Act dollars of up to \$200 million to be utilized for interest rate buydowns. In September of 2020, the North Dakota Budget Section reduced the original commitment of \$200 million to \$50 million to be used between the two programs, CPR I and CPR II. An additional \$20 million was approved to be used between the CPR I and CPR II programs in October of 2020 by the North Dakota Budget Section. Applications were accepted through November 30, 2020 for both the CPR I and CPR II programs. The program received \$63,604,824 and \$6,000,000 in the year ended June 30, 2021 and period ended June 30, 2020, respectively.

COVID-19 PACE Recovery Program loans are made by a lead lender in participation with Bank of North Dakota. Currently there are 268 loans outstanding. The total principal outstanding is \$312,503,026, of which BND participates in \$201,332,020. The remaining amount of buydown interest to be paid by this Fund on these loans is \$28,178,889. Of the outstanding amount, there were 227 loans totaling \$267,680,496 made during the year ending June 30, 2021 in comparison to 41 loans totaling \$44,822,531 made in the period ended June 30, 2020. Loans funded in the year ended June 30, 2021 will require \$28,778,473 in buydown interest during the life of the loans. The program is no longer accepting applications. There are no pending loan commitments.

COVID-19 PACE Recovery Program grants were funded to businesses with a location in North Dakota and that were current on all financial obligations as of March 13, 2020. To qualify the applicant must have sustained a minimum 20% year-over-year gross revenue loss between April 1, 2019 to September 30, 2019 when compared to the same period in 2020. Total grant expenditures of \$35,584,051 were disbursed to 812 applicants during the year ended June 30, 2021. No grant expenditures were disbursed during the period ended June 30, 2020.

COVID-19 PACE RECOVERY PROGRAM
BALANCE SHEETS
JUNE 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	\$ 1,282,720	\$ 2,048,419
Cash deposits at the Bank of North Dakota for restricted buydowns	<u>28,178,889</u>	<u>3,949,467</u>
TOTAL ASSETS	<u>\$ 29,461,609</u>	<u>\$ 5,997,886</u>
LIABILITIES	\$ -	\$ -
FUND BALANCE		
Restricted	<u>29,461,609</u>	<u>5,997,886</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 29,461,609</u>	<u>\$ 5,997,886</u>

COVID-19 PACE RECOVERY PROGRAM
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2021 and PERIOD OF MAY 26, 2020 THROUGH JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Buydown interest	4,549,050	2,114
Grant Expenditures	35,584,051	
Other Expenses	<u>8,000</u>	<u>-</u>
EXCESS OF EXPENDITURES OVER REVENUES	\$(40,141,101)	\$ (2,114)
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>63,604,824</u>	<u>6,000,000</u>
NET CHANGE IN FUND BALANCE	23,463,723	5,997,886
FUND BALANCE, BEGINNING OF YEAR AND PERIOD	<u>5,997,886</u>	<u>-</u>
FUND BALANCE, END OF YEAR AND PERIOD	<u>\$ 29,461,609</u>	<u>\$ 5,997,886</u>

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Small Employer Loan Fund

The Small Employer Loan Fund was established by Bank of North Dakota to assist local financial institutions and certified development corporations in providing loans to assist very small North Dakota businesses in their recovery from the negative impacts caused by the COVID-19 pandemic. The program is available to North Dakota businesses with an employee count of 10 full-time equivalents or less. Eligible borrowers may use the proceeds to support working capital needs, recurring expenses and replenish inventory. Additionally, the funds may be used to term out COVID-19 related bridge loans or credit card debt originated on or after March 13, 2020, not to exceed 20% of the maximum loan amount.

Loans made by the Fund may not exceed fifty thousand dollars, must have an interest rate of one percent, and must have a repayment schedule that does not exceed ten years.

For the year ended June 30, 2021, there were 455 loans originated for \$15,687,000. For the period ended June 30, 2020, there were 432 loans originated for \$14,258,000. As of June 30, 2021, there were 866 loans outstanding the gross amount of outstanding loans is \$28,015,000 with an allowance for credit losses of \$2,241,000, for net loans of \$25,774,000.

There were no loan commitments as of June 30, 2021.

Funds available for investment in loans as of June 30, 2021 were \$1,808,000.

Effective July 1, 2021, House Bill 1187 of the 2021 Legislative Session states loans made as part of the small employer loan fund established by the Industrial Commission to provide assistance during the SARS-CoV-2 pandemic shall be transferred to the Rebuilders Permanent Loan Program.

SMALL EMPLOYER LOAN FUND
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,808	\$ 5,593
Loans, current portion	2,934	833
Interest receivable	<u>25</u>	<u>13</u>
Total current assets	<u>4,767</u>	<u>6,439</u>
Noncurrent Assets		
Loans, net of allowance for credit losses of \$2,241 in 2021 and \$1,141 in 2020	<u>22,840</u>	<u>12,283</u>
Total assets	<u>\$ 27,607</u>	<u>\$ 18,722</u>
LIABILITIES		
Current Liabilities	<u>\$ 36</u>	<u>\$ 7</u>
NET POSITION		
Unrestricted	<u>27,571</u>	<u>18,715</u>
Total liabilities and net position	<u>\$ 27,607</u>	<u>\$ 18,722</u>

SMALL EMPLOYER LOAN FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021, AND FOR THE PERIOD OF APRIL 29, 2020 THROUGH JUNE 30, 2020
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Interest on loans	\$ 262	\$ 13
OPERATING EXPENSES		
Administrative fees	131	7
Other Expenses	8	-
Loan fee	165	152
Provision for credit loss	1,106	1,141
Total Operating Expenses	<u>1,410</u>	<u>1,300</u>
OPERATING LOSS	(1,148)	(1,287)
NONOPERATING REVENUES		
Investment income	<u>4</u>	<u>2</u>
LOSS BEFORE TRANSFERS	(1,144)	(1,285)
TRANSFERS IN		
Transfers from Bank of North Dakota	<u>10,000</u>	<u>20,000</u>
CHANGE IN NET POSITION	8,856	18,715
TOTAL NET POSITION, BEGINNING OF YEAR/ PERIOD	<u>18,715</u>	<u>-</u>
TOTAL NET POSITION, END OF YEAR/PERIOD	<u>\$ 27,571</u>	<u>\$ 18,715</u>

Karlene Fine, Executive Director and Secretary
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kfine@nd.gov
PHONE: 701-328-3722
<http://www.nd.gov/ndic/>