

# Industrial Commission of North Dakota

Biennial Report  
July 1, 2017 to June 30, 2019



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

**North Dakota Industrial Commission  
2017-2019 Biennial Report**

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## INDUSTRIAL COMMISSION OF NORTH DAKOTA

### **Administration**

State Capitol 14<sup>th</sup> Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840  
Phone: 701-328-3722 [www.nd.gov/ndic](http://www.nd.gov/ndic)

### **Bank of North Dakota**

Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505  
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506  
Phone: 701-328-5700 Fax: 701-328-5632 [www.banknd.nd.gov/](http://www.banknd.nd.gov/)

### **Building Authority**

State Capitol 14<sup>th</sup> Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840  
Phone: 701-328-3722 [www.nd.gov/ndic/ba-info.htm](http://www.nd.gov/ndic/ba-info.htm)

### **Department of Mineral Resources**

Inside Mailing Address: State Capitol, 600 E Boulevard Avenue Dept, Bismarck, ND 58505  
Physical Address: 1016 E Calgary, Bismarck, ND 58501 [www.dmr.nd.gov/](http://www.dmr.nd.gov/)

#### **Geological Survey**

Maps & Publication Orders: . . . . . [ndgsmaps@nd.gov](mailto:ndgsmaps@nd.gov)  
Phone: 701-328-8000 Fax: 701-328-8010 [www.dmr.nd.gov/ndgs/](http://www.dmr.nd.gov/ndgs/)

#### **Oil and Gas Division**

Phone: 701-328-8020 Fax: 701-328-8022 [www.dmr.nd.gov/oilgas/](http://www.dmr.nd.gov/oilgas/)

### **Housing Finance Agency**

Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505  
Physical Address: 2624 Vermont Avenue, Bismarck, ND 58501  
Phone: 701-328-8080 Fax: 701-328-8090 [www.ndhfa.org/](http://www.ndhfa.org/)

### **Lignite Research, Development & Marketing Program**

State Capitol 14<sup>th</sup> Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840  
Phone: 701-328-3722 [www.nd.gov/ndic/lrc-infopage.htm](http://www.nd.gov/ndic/lrc-infopage.htm)

### **Mill & Elevator**

PO Box 13078, Grand Forks ND 58208-3078  
Phone: 701-795-7000 Fax: 701-795-7272 [www.ndmill.com/](http://www.ndmill.com/)

### **Oil and Gas Research Program**

State Capitol 14<sup>th</sup> Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840  
Phone: 701-425-1237 [www.dmr.nd.gov/ogr/](http://www.dmr.nd.gov/ogr/)

### **Pipeline Authority**

State Capitol 14<sup>th</sup> Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840  
Phone: 701-220-6227 [www.dmr.nd.gov/pipeline/](http://www.dmr.nd.gov/pipeline/)

### **Public Finance Authority**

Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505  
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506  
Phone: 701-328-7100 Fax: 701-328-7130 [www.nd.gov/pfa/](http://www.nd.gov/pfa/)

### **Renewable Energy Program**

State Capitol 14<sup>th</sup> Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840  
Phone: 701-328-3722 [www.nd.gov/ndic/renew-infopage.htm](http://www.nd.gov/ndic/renew-infopage.htm)

### **Student Loan Trust**

State Capitol 14<sup>th</sup> Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840  
Phone: 701-328-3722 [www.mystudentloanonline.nd.gov/](http://www.mystudentloanonline.nd.gov/)

### **Transmission Authority**

State Capitol 14<sup>th</sup> Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840  
Phone: 701-258-7117

## **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 2017-2019 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 2017-2019 biennium. The Industrial Commission Administrative Office as of June 30, 2019 has three full-time employees—the Executive Director and Secretary, Karlene Fine, the Deputy Executive Director and Secretary, Andrea Pfennig, and Administrative Assistant, Andrea Rebsom. Their offices are located on the 14<sup>th</sup> Floor of the State Capitol, 600 East Boulevard, Bismarck, North Dakota and they can be reached at the address and phone numbers listed on the back of this report. 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 - 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 2017-2019 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: Beginning Farmer Revolving Loan Fund, Community Water Facility Loan Fund, Ag PACE Fund, PACE Fund, Guaranteed Student Loan Program, Addiction Counselor

Internship Loan Program, Infrastructure Revolving Loan Fund, Rebuilders Loan Fund, Housing Incentive Fund, and Medical Facility infrastructure Loan Program. A brief summary of each of these Programs/Funds along with the most recent balance sheets is listed at the back 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 2019 Legislative Session Related to the Industrial Commission**

Several bills were passed during the 2019 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 House Bill 1014.

#### **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 2019 Legislative Assembly. Those responsibilities have been noted in the summaries by the agencies on the following pages.

#### **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 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, work to meet the affordable housing needs throughout the state and add value to North Dakota wheat and durum through the North Dakota Mill.

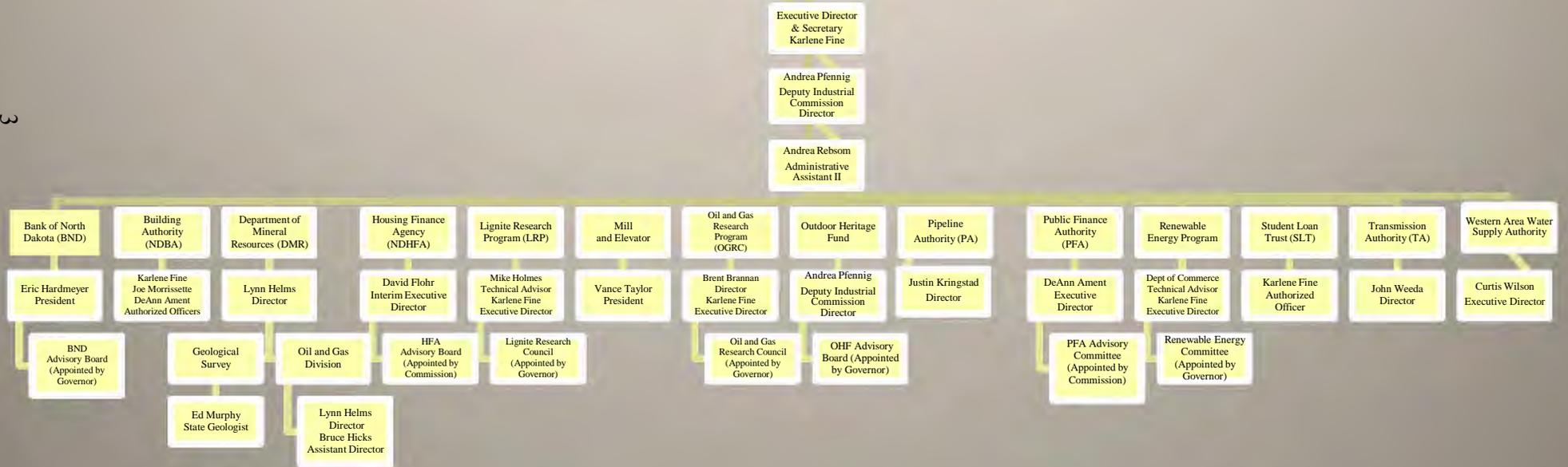
#### **Resources and Publications Available from the Industrial Commission**

Additional information about the Industrial Commission is available at:

Industrial Commission of North Dakota  
State Capitol – 14<sup>th</sup> Floor, 600 East Boulevard  
Bismarck, North Dakota 58505  
701-328-3722 or 701-328-3726  
[www.nd.gov/ndic/](http://www.nd.gov/ndic/)

# Industrial Commission Organizational Chart

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



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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*

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## **Statement of Revenues and Expenditures**

|  | <u>June 30, 2018</u>        |
|--|-----------------------------|
| <b><u>Revenues and Other Sources:</u></b>  |                             |
| Fines                                      | \$ 1,561,976                |
| Permits, Fees, and Commission              | 556,386                     |
| Charges for Sales and Services             | 299,541                     |
| Refunds                                    | 178,878                     |
| WAWS Authority Contracts                   | 150,000                     |
| Federal Revenue                            | 105,784                     |
| Interest and Investment Earnings           | 56,681                      |
| Miscellaneous Revenue                      | 8,664                       |
| Transfers In                               | <u>37,680,412</u>           |
| <b>Total Revenues and Other Sources</b>    | <b><u>\$ 40,598,322</u></b> |
| <b><u>Expenditures and Other Uses:</u></b> |                             |
| Grants                                     | \$ 13,325,317               |
| Salaries and Benefits                      | 10,624,617                  |
| Contract Services                          | 5,470,710                   |
| Professional Fees and Services             | 1,447,382                   |
| Rentals/Leases - Buildings                 | 920,315                     |
| Travel                                     | 805,345                     |
| Operating Fees and Services                | 262,737                     |
| IT Communications and Data Processing      | 215,400                     |
| Professional Development                   | 67,304                      |
| IT Equipment and Software                  | 61,571                      |
| Transfers Out                              | 965,366                     |
| <b>Total Expenditures and Other Uses</b>   | <b><u>\$ 34,166,064</u></b> |

Source: ConnectND Financials

- The above financial statement does not include expenditures of the Building Authority as they were not included in the scope of the audit.

**Statement of Appropriations**

**For the Year Ended June 30, 2018**

| <b>Expenditures by Line Item:</b> | <b>2017-19 Biennium<br/>Appropriation</b> | <b>Expenditures</b>         | <b>Unexpended<br/>Appropriation</b> |
|-----------------------------------|---|-----------------------------|-------------------------------------|
| Salaries and Wages                | \$ 22,014,084                             | \$ 10,830,300               | \$ 11,183,784                       |
| Operating Expenses                | 12,254,627                                | 7,208,909                   | 5,045,718                           |
| Grants-Bond Payments              | 15,569,162                                | 9,077,974                   | 6,491,188                           |
| Contingencies                     | 221,737                                   | 0                           | 221,737                             |
| <b>Total</b>                      | <b><u>\$ 50,059,610</u></b>               | <b><u>\$ 27,117,183</u></b> | <b><u>\$ 22,942,427</u></b>         |
| <b>Expenditures by Source:</b>    |   |                             |                                     |
| General                           | \$ 27,767,665                             | \$ 14,479,610               | \$ 13,288,055                       |
| Other                             | 22,291,945                                | 12,637,573                  | 9,654,372                           |
| <b>Total</b>                      | <b><u>\$ 50,059,610</u></b>               | <b><u>\$ 27,117,183</u></b> | <b><u>\$ 22,942,427</u></b>         |

Source: ConnectND Financials

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

\* Industrial Commission appropriation includes Public Finance Authority. Expenditures for Public Finance Authority were obtained from the Statement of Appropriations in the Authority's audited financial statements for the eighteen months ended December 31, 2018. Public Finance Authority was not included in the scope of the audit.

## **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, Eric Hardmeyer, 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 Hardmeyer are: (BND Organizational Chart attached).

- Senior VP of Business Development – Todd Steinwand
- Senior VP of Accounting and Treasury – Tim Porter
- Senior VP of Technology and Operations – Joe Herslip
- Senior VP of Human Resources and Communications – Lori Leingang
- Senior VP of Credit Administration – Kirby Evanger
- Senior VP of Risk Management – Jeff Weiler

Bank of North Dakota employs approximately 180 people.

### **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
- Federal Reserve pass-through
- Cash management

#### Customer Service Programs

- Checking, savings and certificate of deposit accounts
- Financial institution coin and currency services
- Foreign currency and drafts

## Business Development Programs

BND's loan portfolio as of December 31, 2018 is well diversified and as a percentage of the entire portfolio, it is comprised as follows: commercial loans: 45%, student loans 26%, residential loans 15%, and agricultural loans 14%.

### 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

Local lenders can refer their customers to BND to originate a home mortgage or they can choose to originate a home mortgage and sell the loan to BND as a secondary market option.

### Economic Development and Government Programs

BND assists communities and the state by addressing infrastructure needs. These loans are administered in compliance with requirements established by the ND State Legislature.

- BND Infrastructure Loan Fund

- Community Water Facility Revolving Loan Fund
- Critical Financial Need Program
- Health Information Technology
- Medical Infrastructure Loan
- School Construction Revolving Loan Fund

Treasury Services Programs

- Investments
- Bond accounting and safekeeping
- Corporate trust

**Key Legislation Passed During the 2019 ND Legislative Assembly Impacting BND**

- **HB 1003 – ND University Systems Appropriation**  
 Section 29 – BND Capital transfer of \$10 million to Capital Building Funds for repairs and deferred maintenance projects at higher education institutions.  
 Section 30 – BND Capital transfer of \$7 million to Tier III Capital Building Fund Pool for repairs and deferred maintenance projects at higher education institutions.  
 Section 32 – BND Capital transfer of \$3 million for campus network upgrades.
- **HB 1012 – Department of Transportation Appropriation**  
 Sections 7 – Department of Transportation may borrow up to \$50 million from BND for matching federal funds that may become available for the 2019-21 biennium.
- **HB 1014 – Industrial Commission Appropriation**  
 Section 9 – BND Capital transfer to OMB of \$140 million during 2019-2021 biennium.  
 Section 10 – BND Capital transfer of \$26 million to PACE Fund.  
 Section 11 - BND Capital transfer of \$4 million to AG PACE Fund. BND may use up to \$1 million of the funding provided to address flooding issues due to ice jams in western ND.  
 Section 12 - BND Capital transfer of \$1 million to Biofuels PACE Fund.  
 Section 13 - BND Capital transfer of \$6 million to Beginning Farmer Rev. Fund.  
 Section 14 - BND Capital transfer of \$15 million to ND Development Fund to purchase existing venture capital assets held by BND.  
 Section 15 – BND utilize up to \$3.75 million of repayments from the current Rebuilders Loan Program to provide loans to homeowners in northwest ND impacted by flooding due to ice jams.  
 Section 16 – OMB shall transfer up to \$40 million of any oil and gas tax revenues deposited in the strategic investment and improvements fund during the 2017-19 biennium that exceeds \$755 million to the Infrastructure Revolving Loan Fund.  
 Section 20 – Provides the changes to the existing Rebuilders Home Loan Program to allow for additional loan to northwest ND flood victims.

Section 23 – Recognizes the BND Capital transfer of \$20 million for the Statewide Interoperable Radio Network Fund that was written into Section 7 of House Bill 1435.

Section 29 – BND shall conduct a study on the use of various hedging strategies to protect the state from volatile swings in oil prices.

- **HB 1018 – Department of Commerce Appropriation**  
Section 18 – BND transfer \$1.3 million from Beginning Farmer Loan Fund for intermodal container shipping fees in 2019-21 biennium.
- **HB 1028 – ND Public Employees Retirement System**  
Section 7 – Borrowing authority of \$50 million from BND to provide adequate claims payment funds, to purchase stop-loss coverage, and to defray other expenditures of administration of the self-insurance health plan.
- **HB 1106 – Insurance Department**  
Section 2 - Establish the Reinsurance Association of North Dakota as a nonprofit legal entity and BND provide a line of credit not to exceed \$25 million to the association to provide reimbursements to member insurers.
- **HB 1141 – Bank of North Dakota**  
Section 1 – Removes BND from the HRMS state classification system.
- **HB 1171 – State Board of Higher Education**  
Section 1 – Create a Skilled Workforce Student Loan Repayment Program.  
Section 2 – Create a Skilled Workforce Scholarship Program.  
Section 3 – BND Capital transfer of \$3 million to the Skilled Workforce Student Loan Repayment Program Fund during the 2019-21 biennium.  
Section 4 – BND Capital transfer of \$3 million to the Skilled Workforce Scholarship Fund during the 2019-21 biennium.
- **HB 1333 – Innovation Loan Fund**  
Section 2 – BND Capital transfer of \$15 million to the Innovation Loan Fund to support technology advancement for the purpose of providing innovation technology loans during the 2019-21 biennium.
- **HB 1435 – Statewide Interoperable Radio Network**  
Section 6 – Provides NDITD with authority to borrow from BND \$80 million for a term not to exceed 20 years to defray expenses of statewide interoperable radio network with repayment from funds available in radio network fund or other funds.  
Section 7 – BND Capital transfer of \$20 million to the statewide interoperable radio network fund during the 2019-21 biennium.

- **SB 2001 – Office of the Governor Appropriation**  
Section 8 – Borrowing authority from BND in an amount not to exceed \$35 million for the Theodore Roosevelt presidential library.
- **SB 2008 – Public Service Commission Appropriation**  
Section 3 – Transfer of \$900,000 from the Beginning Farmer Revolving Loan Fund to PSC for costs associated with rail rate complaint case.
- **SB 2009 – Department of Agriculture Appropriation**  
Section 9 – BND Capital transfer of \$2 million to the Agriculture Commissioner for Agriculture Products Utilization Committee (APUC) fund during the 2019-21 biennium.
- **SB 2015 – OMB Appropriation**  
Section 26 – Amends Section 7 of House Bill 1435 to specify that \$25 million of the loan from BND to the interoperable radio fund must be drawn before transferring any of the approved transfer of \$20 million from BND’s current earnings and accumulated undivided profits.
- **SB 2019 – ND Parks and Recreation Appropriation**  
Section 12 – Provides authority to borrow up to \$3 million from BND for costs associated with renovation of the International Peace Gardens.
- **SB 2020 – State Water Commission Appropriation**  
Section 17 – Provides Water Commission with authority to borrow up to \$75 million from BND for funding water supply and flood control projects approved before June 30, 2021.
- **SB 2024 – Dakota Access Pipeline Appropriation**  
Section 3 – Creates legislative intent that any reimbursement from the federal government for costs of responding to unlawful activity associated with the construction of the Dakota Access Pipeline will be used to repay BND loans authorized by the emergency commission and the legislative assembly.
- **SB 2197 – BND Beginning Farmer and Family Farm Loan Programs**  
Section 1 – Adds the option of a ten-year fixed rate term to the Beginning Farmer and Family Farm Loan Programs.
- **SB 2214 – School Construction Assistance Revolving Loan Fund (SCALF)**  
Section 1 – Transfers \$75 million from the Foundation Aid Stabilization Fund to SCALF during the 2019-21 biennium. Authorizes \$5 million from SCALF to be used to provide interest rate buydowns associated with school construction loans held in BND’s loan portfolio. Authorizes BND to utilize funding from SCALF to repay a portion of the outstanding principal balance of school construction loans held in BND’s loan portfolio.

- **SB 2296 – BND Loan Guarantee Program**  
BND shall establish and maintain a guarantee reserve fund in a special account held at BND. BND may request the director of OMB to transfer funds not to exceed \$50 million from the Strategic Investment and Improvements Fund to maintain 100 percent of the guarantee reserve fund balance.
- **Senate Concurrent Resolution 4006 – BND 100<sup>th</sup> Anniversary Resolution**  
Declared February 25, 2019 as BND Day which is 100 years from establishment of BND by 1919 ND Legislative Assembly.
- **HB 1003, HB 1014, HB 1171, HB 1333, HB 1435 and SB 2009 - Legislation Impacting BND Earnings and Undivided Profit Transfers**  
The bills noted had an aggregate of \$255 million in BND earnings and undivided profit transfers.

### **Major Accomplishments and Activities**

- The Bank recorded its 15<sup>th</sup> consecutive year of record profits in 2018 and is on its way to a 16<sup>th</sup> year of the same in 2019. BND earned profits of \$145 million in 2017 and \$159 million in 2018. Its asset base was \$7.0 billion at the end of 2018. The state's return on investment at the Bank was a healthy 18% in 2017 and 2018.
- In November 2018, Standard and Poor's Financial Services affirmed BND's credit rating at A+ for long-term credit and A-1 for short-term credit.
- Since the initial investment of \$2 million in 1919, the Bank has returned more than \$1 billion to the state through the general fund, infrastructure, disaster relief and other special programs.
- The Accelerated Growth Loan program proved to be a popular addition to the commercial loan options, allowing companies with limited assets that were entering or anticipating a period of dynamic growth to obtain financing.
- Changes were made to the Beginning Farmer Real Estate, Beginning Farmer Chattel and Ag PACE programs to make it more affordable for the next generation to take over the family farm.
- BND loan policies and guidelines were thoroughly reviewed and updated to provide greater structure and consistency.
- The move to split the lending and credit analysis functions in the previous biennium was thoroughly integrated and the benefits of this strategy realized.
- The Bank implemented an enhanced loan concentration model.
- Student loan collections staff began addressing repayment issues earlier with borrowers so they could avoid accumulating excessive interest payments.
- At the end of the biennium, there were 35,565 accounts totaling \$476 million in College SAVE, the state's 529 plan administered by BND.
- The College SAVE program created a new partnership with the North Dakota State Library to offer children who met their local library's summer reading goals the chance to win a \$529 scholarship to a College SAVE account. More than 2,000 young readers participated statewide.

- BND celebrated its 100<sup>th</sup> anniversary with the release of the book, “From Surviving to Thriving-The First 100 Years” written by highly acclaimed journalist Mike Jacobs; the opening of a museum curated by noted historian Clay Jenkinson which was sponsored by the North Dakota Bankers Association, NDBA Services, Inc. and Independent Community Bankers of North Dakota, and the release of a new website detailing the Bank’s history at [TheBNDStory.nd.gov](http://TheBNDStory.nd.gov).
- Treasury Services provided additional liquidity to its correspondent bank partners through Pledging Services (\$2.4 billion), Letters of Credit (\$299 million), Repurchase Agreements (\$85 million), and secured and unsecured Fed Funds lines (\$604 million).

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

Bank of North Dakota’s mission continues to be, *“To Deliver Quality, Sound Financial Services that Promote Agriculture, Commerce and Industry in North Dakota.”*

The Bank prepares a comprehensive strategic plan, operating unit MBO’s 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](http://www.bnd.nd.gov).

# Executive 2017

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

**Advisory Board**  
 Gary Petersen, Chairman  
 Christie Obenauer  
 Susan Morton  
 Pat Mahar  
 Karl Bollingberg  
 Dennis Johnson  
 Pat Clement

**Executive Administrative Assistant**  
 Becca Larsen

**President**  
 Chief Executive Officer  
 Eric Hardmeyer

## Business Development

**Senior Vice President**  
 Chief Business Development Officer  
 Todd Steinwand

**Financial Institutions**  
 Market Manager  
 Craig Hanson

**Education** Market Manager  
 Shirley Glass

**Economic Development & Government Program**  
 Market Manager  
 Kelvin Hullet

**Residential Real Estate**  
 Manager  
 Lisa Carlson

## Technology & Operations

**Senior Vice President**  
 Chief Technology & Operations Officer  
 Joe Herslip

**Business & Technology**  
 Manager  
 Mark Hawks

**Information Security**  
 Manager  
 Charlie Tweet

**Facility Manager**  
 Truman Lund

**Operations Manager**  
 Linda Rosen

## Accounting & Treasury

**Senior Vice President**  
 Chief Financial Officer  
 Tim Porter

**Treasurer**  
 Al Weisbeck

**Controller**  
 Accounting & Trust  
 Jason Johnson

## Human Resources & Communications

**Senior Vice President**  
 Chief Administrative Officer  
 Lori Leingang

**Human Resources Manager**  
 Cheryl Streifel

**Communications & Marketing Manager**  
 Janel Schmitz

**Financial Literacy**  
 Lance Hill

## Credit Administration

**Senior Vice President**  
 Chief Credit Officer  
 Kirby Evanger

**Guarantor Agency**  
 Wally Erhardt

**Special Assets Manager**  
 Mark Weide

**Credit Analysis Manager**  
 Dave Falkenstein

**Credit Review Manager**  
 Jared Mosbrucker

## Risk Management

**Senior Vice President**  
 Chief Risk Officer  
 Jeff Weiler

**Internal Audit Manager**  
 Christy Steffenhagen

**Banking Compliance Officer**  
 Jennifer Lang

**Enterprise Risk Management**  
 Bonnie Schneider

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**BANK OF NORTH DAKOTA**  
**BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**  
**(In Thousands)**

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Cash and due from banks                              | \$ 470,227          | \$ 357,042          |
| Federal funds sold                                   | 39,465              | 57,555              |
|  | <u>509,692</u>      | <u>414,597</u>      |
| Cash and cash equivalents                            |                     |                     |
| Securities   | <u>1,912,743</u>    | <u>1,665,252</u>    |
| Loans held for investment                            | 4,584,233           | 4,661,432           |
| Loans held for sale                                  | -                   | 247,846             |
| Less allowance for loan losses                       | <u>(92,750)</u>     | <u>(84,958)</u>     |
|  | <u>4,491,483</u>    | <u>4,824,320</u>    |
| Interest receivable                                  | 56,865              | 53,525              |
| Bank premises, equipment, and software, net          | 10,249              | 10,919              |
| Rebuilders loan program receivable                   | 10,288              | 13,682              |
| Other assets   | <u>24,514</u>       | <u>21,007</u>       |
|  | <u>\$ 7,015,834</u> | <u>\$ 7,003,302</u> |
| Total assets   |                     |                     |
| <b>LIABILITIES AND EQUITY</b>                        |                     |                     |
| Deposits   |                     |                     |
| Non-interest bearing                                 | \$ 567,352          | \$ 555,020          |
| Interest bearing                                     | 4,202,467           | 4,049,938           |
|  | <u>4,769,819</u>    | <u>4,604,958</u>    |
| Federal funds purchased<br>and repurchase agreements | 271,505             | 299,775             |
| Short and long-term debt                             | 1,103,436           | 1,263,569           |
| Other liabilities                                    | <u>9,190</u>        | <u>10,198</u>       |
|  | <u>6,153,950</u>    | <u>6,178,500</u>    |
| Total liabilities                                    |                     |                     |
| Equity   |                     |                     |
| Capital  | 2,000               | 2,000               |
| Capital surplus                                      | 72,000              | 72,000              |
| Undivided profits                                    | 777,742             | 747,848             |
| Accumulated other comprehensive income               | <u>10,142</u>       | <u>2,954</u>        |
|  | <u>861,884</u>      | <u>824,802</u>      |
| Total equity   |                     |                     |
|  | <u>\$ 7,015,834</u> | <u>\$ 7,003,302</u> |
| Total liabilities and equity                         |                     |                     |

**BANK OF NORTH DAKOTA**  
**STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
(In Thousands)

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| <b>INTEREST INCOME</b>   |                   |                   |
| Federal funds sold   | \$ 1,092          | \$ 569            |
| Securities   | 40,225            | 30,321            |
| Loans, including fees  | <u>198,686</u>    | <u>188,810</u>    |
| Total interest income  | <u>240,003</u>    | <u>219,700</u>    |
| <b>INTEREST EXPENSE</b>  |                   |                   |
| Deposits   | 17,341            | 10,469            |
| Federal funds purchased<br>and repurchase agreements           | 4,705             | 2,818             |
| Short and long-term debt                                       | <u>24,396</u>     | <u>24,578</u>     |
| Total interest expense   | <u>46,442</u>     | <u>37,865</u>     |
| <b>NET INTEREST INCOME</b>                                     | 193,561           | 181,835           |
| <b>PROVISION FOR LOAN LOSSES</b>                               | <u>12,000</u>     | <u>12,000</u>     |
| <b>NET INTEREST INCOME AFTER<br/>PROVISION FOR LOAN LOSSES</b> | <u>181,561</u>    | <u>169,835</u>    |
| <b>NONINTEREST INCOME</b>                                      |                   |                   |
| Service fees and other   | <u>7,170</u>      | <u>6,335</u>      |
| Total noninterest income                                       | <u>7,170</u>      | <u>6,335</u>      |
| <b>NONINTEREST EXPENSE</b>                                     |                   |                   |
| Salaries and benefits  | 16,870            | 16,608            |
| Data processing  | 5,253             | 5,157             |
| Occupancy and equipment  | 932               | 1,448             |
| Other operating expenses                                       | <u>7,168</u>      | <u>7,673</u>      |
| Total noninterest expenses                                     | <u>30,223</u>     | <u>30,886</u>     |
| <b>NET INCOME</b>  | <u>\$ 158,508</u> | <u>\$ 145,284</u> |

## **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 \$170,000,000 -- 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 generally appoints two Authorized Officers to oversee the financing of the projects approved by the Legislature. During the 2017-2019 biennium one more individual was named as an Authorized Officer. 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.

**Key Legislation Passed During 2019 Legislative Session Related to North Dakota Building Authority**

House Bill No. 1003 and Senate Bill No. 2297 authorized the financing of \$130,000,000 for the following projects:

|                               |   |                      |
|-------------------------------|---|----------------------|
| North Dakota State University | Dunbar Hall                             | \$ 40,000,000        |
| North Dakota State University | Agriculture Products Development Center | \$ 20,000,000        |
| 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                             | \$ 4,000,000         |
|                               |   | <u>\$130,000,000</u> |

**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 during the 2017-2019 biennium other than the authority to issue bonds as noted in the above paragraph.

**Major Accomplishments and Activities**

During the 2017-2019 biennium the Building Authority issued a refunding and sold \$18,430,000 of Facilities Improvement Refunding Bonds, 2017 Series A. This was a refunding of the 2005 Series A, 2006 Series A and 2006 Series B bonds. This resulted in a present value savings of \$2,877,483 over the remaining life of the bonds that will mature 12/1/2024.

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 by Standard & Poor’s of AA.

**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. The Building Authority will be issuing bonds in early 2020 to provide funding for the projects authorized by the Legislature during the 2019 legislative session.

**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>

Industrial Commission of North Dakota  
State Capitol – 14<sup>th</sup> Floor, 600 East Boulevard  
Bismarck, North Dakota 58505  
701-328-3722 or 701-328-3726  
[www.nd.gov/ndic/](http://www.nd.gov/ndic/)

**NORTH DAKOTA BUILDING AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 and 2018**  
**(In Thousands)**

| <b>ASSETS</b>   | <b>2019</b>      | <b>2018</b>      |
|---|------------------|------------------|
| <b>CURRENT ASSETS - RESTRICTED</b>                    |                  |                  |
| Cash and cash equivalents at the Bank of North Dakota | \$ 35            | \$ 13            |
| Investments at the Bank of North Dakota               | 663              | 663              |
| Leases receivable                                     | 4,400            | 5,200            |
| Lease interest receivable                             | 73               | 101              |
| Total restricted current assets                       | <u>5,171</u>     | <u>5,977</u>     |
| <b>NONCURRENT ASSETS - RESTRICTED</b>                 |                  |                  |
| Lease receivable                                      | <u>15,408</u>    | <u>19,861</u>    |
| Total restricted noncurrent assets                    | <u>15,408</u>    | <u>19,861</u>    |
| Total assets  | <u>\$ 20,579</u> | <u>\$ 25,838</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                  |                  |
| Deferred loss on bond refunding                       | <u>\$ 2,255</u>  | <u>\$ 2,619</u>  |
| Total deferred outflows of resources                  | <u>\$ 2,255</u>  | <u>\$ 2,619</u>  |
| <b>LIABILITIES</b>                                    |                  |                  |
| <b>CURRENT LIABILITIES</b>                            |                  |                  |
| Bonds payable   | \$ 4,400         | \$ 5,200         |
| Interest payable                                      | 73               | 101              |
| Total current liabilities                             | <u>4,473</u>     | <u>5,301</u>     |
| <b>NONCURRENT LIABILITIES</b>                         |                  |                  |
| Bonds payable   | <u>18,361</u>    | <u>23,156</u>    |
| Total liabilities                                     | <u>22,834</u>    | <u>28,457</u>    |
| <b>NET POSITION</b>                                   |                  |                  |
| Total liabilities and net position                    | <u>\$ 22,834</u> | <u>\$ 28,457</u> |

**NORTH DAKOTA BUILDING AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2019 and 2018**  
(In Thousands)

|  | <u>2019</u>  | <u>2018</u>  |
|--|--------------|--------------|
| OPERATING REVENUES                       |              |              |
| Lease interest                           | \$ 1,105     | \$ 1,747     |
| Other                                    | 81           | 80           |
|  | <u>1,186</u> | <u>1,827</u> |
| OPERATING EXPENSES                       |              |              |
| Interest expense                         | 1,160        | 1,810        |
| Expense from arbitrage rebate due to IRS | -            | 10           |
| Operating                                | 29           | 31           |
|  | <u>1,189</u> | <u>1,851</u> |
| OPERATING LOSS                           | (3)          | (24)         |
| NONOPERATING REVENUE                     |              |              |
| Investment interest                      | 3            | 24           |
| CHANGE IN NET POSITION                   | -            | -            |
| TOTAL NET POSITION, BEGINNING OF YEAR    | <u>-</u>     | <u>-</u>     |
| TOTAL NET POSITION, END OF YEAR          | <u>\$ -</u>  | <u>\$ -</u>  |

# 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 20<sup>th</sup> 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 (58<sup>th</sup>) 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 (59<sup>th</sup>) 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 |
|--------------|-------------------|

### **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 2019 Legislative Session Related to the Department**

- **HB 1383 and SB 2261: Mitigation**
  - AN ACT to create and enact a new section to chapter 4.1-01 and a new section to chapter 49-22 of the North Dakota Century Code, relating to the creation of an environmental impact mitigation fund and to mitigating direct environmental impacts; to amend and reenact subsection 1 of section 4.1-01-18, sections 49-22-05.1 and 49-22-09, and subsection 4 of section 49-22-16 of the North Dakota Century Code, relating to the federal environmental law impact review committee, exclusion and avoidance areas, the factors considered by the public service commission when evaluating and designating sites, corridors, and routes, and state agency rules; to provide for a report to the legislative management; to provide an appropriation; and to provide a continuing appropriation.
  - AN ACT to amend and reenact subsection 5 of section 49-22-08 of the North Dakota Century Code, relating to conditions imposed on the designation of sites, corridors, and routes
- **SCR 4010: Study of Royalty Payments**
  - A concurrent resolution directing the Legislative Management to consider studying postproduction deductions from royalty payments.
- **HB 1014: Department of Mineral Resources Budget**
  - AN ACT to provide for an appropriation for defraying the expenses of the industrial commission and the agencies under the management of the industrial commission; to create and enact a new section to chapter 6-09 of the North Dakota Century Code, relating to a rebuilders home loan program; to amend and reenact section 54-17-40 and subdivision f of subsection 1 of section 57-51-15 of the North Dakota Century Code and section 7 of House Bill No. 1435, as approved by the sixty-sixth legislative assembly, relating to the housing incentive fund, the fund balance of the abandoned oil and gas well plugging and site reclamation fund, and a transfer to the statewide interoperable radio network fund; to provide a contingent authorization; to provide for a transfer; to provide for a contingent transfer; to provide an exemption; to provide for a report; to provide for a study; to provide a statement of legislative intent; and to declare an emergency.
- **HB 1439: Extraction Tax incentive for Captured CO2**
  - AN ACT to amend and reenact sections 57-06-17.1 and 57-39.2-04.14, subsection 3 of section 57-51.1-03, and section 57-60-06 of the North Dakota Century Code, relating to a property tax exemption for pipelines used for secure geologic storage, a sales and use tax exemption for materials used for secure geologic storage, an oil extraction tax exemption for the incremental production from tertiary recovery projects using carbon dioxide, and property classification of secure geologic storage equipment for coal conversion tax purposes; and to provide an effective date.
- **SB 2037: High Level Radioactive Waste**
  - Was a complete rewrite of previous Geological Survey duties creating two new chapters in the ND Century Code: NDCC 38-23 High-Level Radioactive Waste and NDCC 38-24 Underground Storage and Retrieval of Nonhydrocarbons.

- AN ACT to create and enact chapters 38-23 and 38-24 of the North Dakota Century Code, relating to the disposal and storage of high-level radioactive waste and subsurface storage and retrieval of nonhydrocarbons; to amend and reenact sections 12.1-06.1-01 and 38-19-09 of the North Dakota Century Code, relating to the definition of illegal transportation or disposal of radioactive waste material or hazardous waste and disposition of unusable products; to repeal chapter 23-20.2 of the North Dakota Century Code, relating to the disposal of nuclear waste material; to provide a penalty; and to provide a continuing appropriation.
- **SB 2123: DMR Authority to confiscate equipment**
  - AN ACT to amend and reenact sections 38-08-04.4, 38-08-04.5, 38-08-04.8, and 38-08-04.9 of the North Dakota Century Code, relating to the authorization to enter contracts, abandoned oil and gas well plugging and site reclamation fund, and confiscation of equipment and recovery for costs of plugging and reclamation of sites with bonds held by the North Dakota industrial commission.
- **SB 2344: Pore Space**
  - AN ACT to create and enact section 47-31-09 of the North Dakota Century Code, relating to injection or migration of substances into pore space; and to amend and reenact sections 38-08-25, 38-11.1-01, and 38-11.1-03 of the North Dakota Century Code, relating to pore space and oil and gas production.

### **Key Responsibilities Added or Deleted from the Department during the 2017-2019 Biennium**

The OGD expanded requirements on royalty statements to require producers to identify each owner deduction as transportation, processing, compression, or administrative costs and provide the mineral owner with a statement identifying the spacing unit and gross acres, the net minerals owned, and the mineral owner's decimal interest in a newly producing well. New rules also require a schematic identifying all operator-owned pipelines leaving a pad/facility to accompany every well transfer, require all saltwater disposal wells to have surface casing set through the Fox Hills Formation, and annually test all disposal injection lines if located off-pad. Tax exemptions for horizontal, horizontal re-entry, and two-year inactive wells were allowed to sunset by the North Dakota Legislative Assembly, therefore the applicable administrative rules promulgated by the OGD under North Dakota Administrative Code Chapter 43-02-11 were repealed.

### **Major Accomplishments and Activities**

#### New Oil and Gas Division Rules:

New rules for royalty statements and for the operation of saltwater handling facilities and treating plants were created (N.D.A.C. 43-02-03-51.3; 43-02-03-53.3; 43-02-05-06; 43-02-05-12; 43-02-06-01; and 43-02-06-01.1) along with substantial revisions to general rules (NDAC 43-02-03) related to: enforcement, oil and gas metering systems, bond and transfer of wells, sign on a well

and facility, defective casing or cementing, notification of fires, leaks, spills or blowouts, leak and spill cleanup, notice of intention to plug well, reclamation of surface, oil production equipment, dikes, and seals, treating plant construction, operation, abandonment, and reclamation requirements, saltwater handling facility construction, operation, and abandonment requirements, and special procedures for hearings.

#### Oil and Gas Resources:

The OGD decreased field inspection, engineering technician staffing and clerical staff as mandated by the North Dakota Legislative Assembly's reduction of eight full-time employees. OGD continued converting files to various electronic formats. The agency made improvements to the website to make automatic reporting functions and records more accessible to the public; and continued to enhance the process of batch electronic filing of production, injection, and disposal data. The OGD issued 2,216 oil and gas permits and 18 geophysical permits; heard approximately 2,400 cases docketed for hearing, and regulated an average drilling rig count of 61 rigs and an increase of more than 1,000 producing wells. This resulted in more than 365,000 OGD inspections during the biennium.

#### Geological Survey Reports and Presentations:

NDGS scientists published 452 articles, maps, and reports on various aspects of North Dakota's geology during this biennium. In addition, the NDGS gave 171 presentations to more than 7,600 people. All but a handful of these talks were presented in North Dakota. The DMR co-sponsored two Williston Basin Petroleum Conferences in 2018 and 2019, the first in Bismarck and the latter in Regina, Saskatchewan.

#### Petroleum Geology:

Ten of the Survey publications this biennium focused on North Dakota's subsurface geology including the Red River, Prairie, Birdbear, Bakken, Three Forks, Mission Canyon, Tyler, Inyan Kara, and Spearfish Formations. The majority of these dealt with oil and gas studies, but the Inyan Kara maps were generated to guide industry in the disposal of produced saltwater and the Prairie Formation maps identified areas of potash reserves.

#### Core Library:

The Wilson M. Laird Core and Sample Library underwent major expansion and renovation during the 2015-2017 biennium. A total of 72,122 feet of core was studied by industry and academia in the core library during the 17-19 biennium. In addition, 25,286 feet of core was photographed generating nearly 45,000 core photographs for the subscription website. Industry submitted 15,153 feet of core and 4,340 sample boxes to the core library during this biennium.

#### Geologic Mapping:

NDGS geologists completed five surface geology maps (quadrangles) in the Bismarck area. Survey geologists also mapped 8,622 landslides in 374 quadrangles, primarily in areas of oil and gas infrastructure and proposed wind farms. A total of 899 LiDAR map shapefiles were converted to pdfs and posted on the Geological Survey website.

### Mineral Studies:

The NDGS continued working on a rare earth project that was initiated in the previous biennium. To date, 1,200 lignite samples have been collected from 184 sites in western North Dakota and 755 of those samples have been analyzed for their rare earth concentrations. A total of 106 of the Survey samples contain rare earth element concentrations that exceed DOE's economic threshold of 300ppm.

### Paleontology:

Eight public fossil digs were conducted this biennium near the towns of Medora, South Heart, Huff, and Walhalla. NDGS paleontologists also undertook 13 fossil excavations across the state. The Dakota (a mummified hadrosaur) exhibit in the ND Heritage Center was redesigned and is currently under construction.

### Other:

The NDGS issued 51 geothermal, coal exploration and subsurface mineral permits and answered more than 5,000 inquiries during the 2017-2019 biennium. The Geological Survey performed 376 geotechnical and paleontological reviews of infrastructure projects (roads, bridges, pipelines, transmission lines, proposed wind farms, etc). Paleontologists evaluated the paleontological significance of 730 ND Trust Land's mineral tracts. The NDGS also laid the groundwork this biennium to eventually transfer ownership of the State's GPS Community Base Station at Bismarck State College to the city of Bismarck.

## **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 OGD intends to restructure and improve the interagency use of the internal database known as Risk Based Data Management System. Oil and gas activity remained strong throughout most of the biennium, resulting in high levels of well permitting, core and sample library visits, office visits, requests for digital data and well file information, and hearing case load. An oil price slump at the end of the biennium was short-lived and did not have any significant reduction in rig count, in fact, oil production, gas production and producing wells continued to set record levels.

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
- 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 other technologies

#### 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

#### Public Information/Outreach

Geologic presentations, tours, and fieldtrips  
Release of new publications

#### Oil and Gas Resources

Develop and implement 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.  
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.  
Encourage beneficial use of surplus gas to reduce gas flaring emissions.  
Document institutional knowledge of senior employees.  
Create and update policies on administrative waivers and variances allowed by rule.  
Provide hearing exhibits live through video streaming.

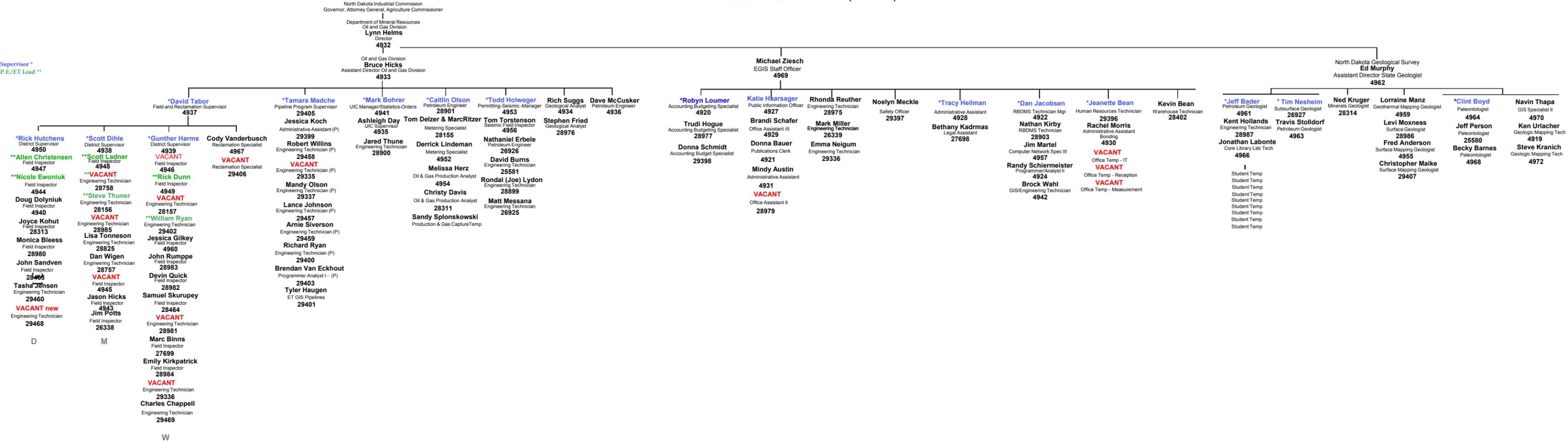
### **Resources and Publications Available from the Department**

More than 2,000 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 2017-2019 (09/04/2019)



Supervisor \*  
P.E./ET Lead \*\*

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## **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 Industrial Commission of North Dakota. State statute (NDCC 54-17) authorizes the Agency to operate single- and multi-family housing finance programs, a secondary mortgage program, home improvement and grant programs to encourage housing availability for persons of low- to moderate-income, and 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 robust financing system accomplished through public-private partnerships with local lenders, real estate agents, homebuilders, and community organizations. In-state, personalized loan servicing elevates citizen success. Since the Agency was founded, over 45,000 single-family loans totaling more than \$3.9 billion have been purchased.

- FirstHome™, offers low interest rate mortgages to first-time buyers.
- HomeAccess provides similar low-interest rate mortgages to special needs buyers including single-parent, elderly, disabled and veteran households.
- North Dakota Roots is for moderate-income buyers who may have previously owned a home can qualify for homeownership incentives.
- Down payment and closing cost assistance is available for those who qualify.

### **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 gap financing through the Housing Incentive Fund.

Affordable 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 the cost of land, labor and materials.

### **Multifamily Housing Oversight**

The Agency is responsible for monitoring the long-term compliance of rental properties receiving tax credits, gap financing, project-based rental assistance, and monthly payments for housing assistance vouchers. Compliance staff monitors state and federal compliance regulations by conducting annual file reviews and periodic on-site inspections of a percentage of housing units.

The Agency's compliance portfolio includes 9,825 units and seven state and federal compliance programs. State and federal programs require compliance oversight for 20 to 30 years. Programs administered include: the state's HIF; the Internal Revenue Service's Low Income Housing Tax Credit program; and HUD's Performance-Based Contract Administration, Moderate Rehabilitation Program and Affordable Housing Disposition Program. A portion of the units overseen were constructed or rehabilitated by leveraging multiple programs.

### **Collaboration**

The Agency in collaboration with the ND Department of Human Services and a number of housing and supportive service partners are breaking down silos by working in partnership with local communities, state, tribal and federal entities, and non-profit and faith based organizations to help alleviate housing shortages.

### **Homeless/Underserved**

Bridging state, federal and local entities and 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.

### **Accomplishments and Activities during the Biennium Homeownership Program Stats**

During the biennium, the Agency purchased 2,976 mortgage loans totaling \$496,403,360. Of these loans, 72 percent utilized down payment assistance under the Agency's Start and Down Payment and Closing Cost Assistance programs. The Agency also purchased 463 North Dakota Roots loans worth \$100,234,051 during the biennium, 84 percent of which utilized the Start program.

### **Homeownership Breaking Records**

The FirstHome™ program was 134 percent higher in May than last year. Lower interest rates contributed to statewide demand, the highest non-special event month on record. Additional staff were hired to process the loans and manage the extensive backlog of loan servicing.

### **Roots Income Limits Increased**

The North Dakota Industrial Commission approved an income limits increase for North Dakota Roots, a program that provides affordable financing and down payment and closing cost assistance to households who many have previously owned a home and first-time buyers whose income exceeds the limits of the FirstHome™ program.

### **Opening Doors Launched**

Households with poor credit, a history of evictions or a criminal record will be aided in securing housing with a landlord risk mitigation fund, which encourages property owners to lease apartments to individuals and families who may not meet standard rental criteria. Participants are covered for up to 18 months. During that time, the landlord may receive compensation for damages or lost rent claim coverage for up to \$2,000. Opening Doors is a joint effort between the Agency and the ND Department of Human Services.

### **Construction Loan Guarantee Enhanced**

Rural communities with a population under 35,000 that are struggling to meet the demand for affordable single-family housing can leverage the Construction Loan Guarantee program receiving up to \$500,000 per community or per contractor. Prior to the change the program limited the number of loans guaranteed to no more than three per contractor and five per community. The change allows lenders to work with builders to determine the balance between construction costs and local demand, taking advantage of the economies of scale that comes with building multiple homes in one location at one time.

### **Housing Incentive Fund Allocated**

During the 2019-2021 Legislative Session, \$7.5 million was allocated to the Housing Incentive Fund 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 age in population, persons with disabilities, and individuals and families at risk of becoming or experiencing homelessness.

### **North Dakota Interagency Council on Homelessness 2008-2018 Report Finalized**

The original Ten-Year Plan to End Long Term Homelessness was authored in 2008. Seven state agencies and a statewide homeless coalition worked with local service providers to implement practices to prevent and reduce chronic homelessness. The final plan provided recommendations to enhance service offerings to vulnerable populations, increase collaboration and improve government efficiencies.

### **Multifamily Revenue Bonds Issued**

The Agency issued \$9.25 million in Multifamily Revenue Bonds as short-term cash collateralization with the agency acting as a financing conduit for Community Homes, which was built in 1970. Simultaneously with the bond closing, the developer closed on a HUD FHA 221(d)(4) loan that satisfied the Internal Revenue Service requirements, allowing the project to access 4% tax credits. Redevelopment of the property will cost more than \$18.8 million and all of the units will be rent and income restricted.

### **Identification of Trends in Direction for the Agency**

The housing market moderated in many communities during the 2017-2019 biennium after rapid economic expansion in the first half of the decade pushed housing prices and market rents to historic levels. Because of this moderation, low- and moderate-income and first-time homebuyers were better able to access the market. Production under Agency programs grew significantly and the percentage of borrowers using purchase assistance has steadily increased.

The Agency has had success in utilizing mortgage revenue bonds as well as mortgage backed securities to fund its loan portfolio. The Agency expects to continue to utilize these mechanisms to offer affordable and competitive financing to low- to moderate-income homebuyers.

As the senior population in the state increases and chooses different senior-friendly housing options, it is expected that more existing single-family homes will become available for younger workers and families. It will also mean the demand for senior rental housing will continue to increase. By assisting seniors to age-in-place either with accessibility adaptations to their existing homes or by providing appropriate and affordable housing options, the Agency is helping produce real cost savings for the state by keeping people out of nursing homes and more costly institutionalized settings.

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.

Demand for development programs, like LIHTC, Housing Trust Fund and HIF, has been about double the amount of funding available in each funding round.

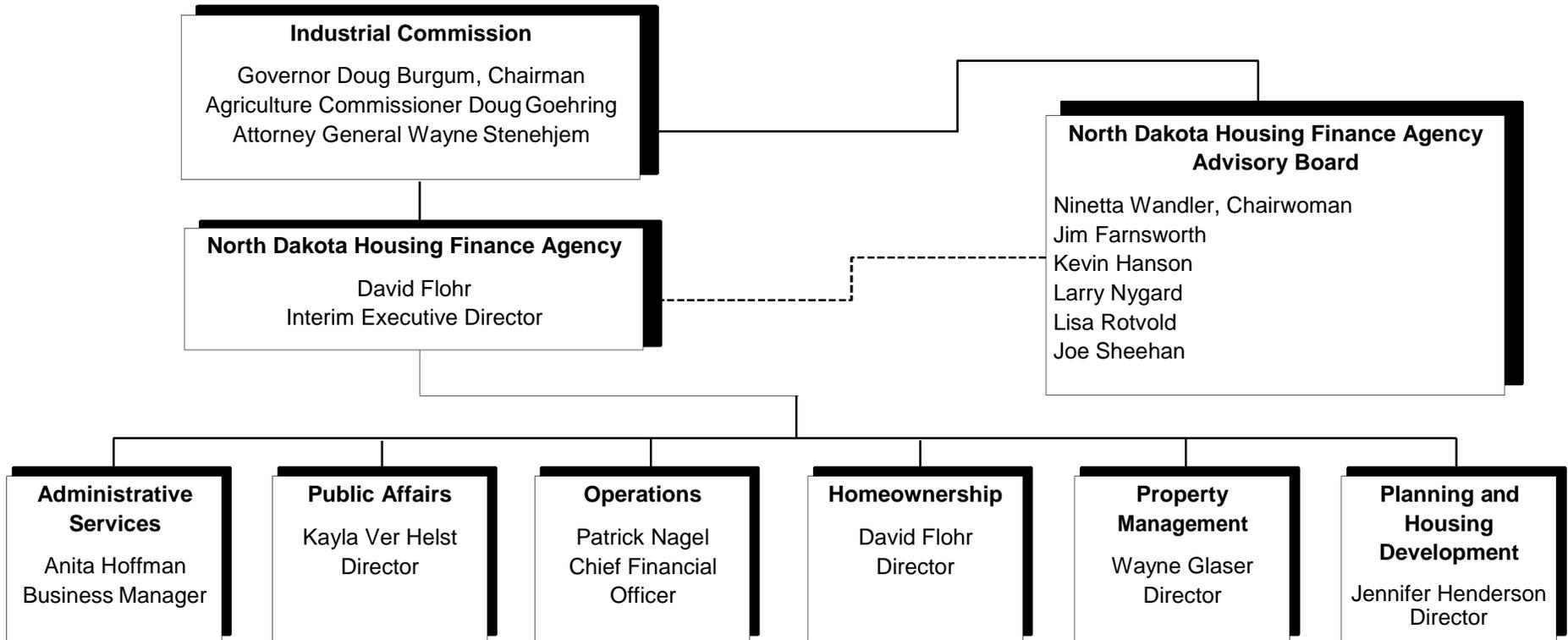
To sustain economic growth across the state, affordable housing options need to be available for the workforce and for elderly, disabled, homeless and other special needs households. Rehabilitation of existing affordable housing stock will be important in keeping options viable in many communities. Additional 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.

### **Resources and Publications Available**

The Agency publishes an annual report, newsletter and numerous housing related publication. The most recent audit, official statements, and bond disclosure information are available as printed copies or online at [www.ndhfa.org](http://www.ndhfa.org).



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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.

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 40,000 North Dakota households achieve and succeed in homeownership.

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.

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.

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**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**  
(In Thousands)

|  | 2019      | 2018 (Restated) |
|--|-----------|-----------------|
| <b>ASSETS</b>                              |           |                 |
| <b>CURRENT ASSETS - UNRESTRICTED</b>       |           |                 |
| Cash and cash equivalents                  | \$ 7,430  | \$ 5,928        |
| Due from State Agencies                    | 6         | 9               |
| Receivables                                |           |                 |
| Interest                                   |           |                 |
| Loans                                      | 4         | 8               |
| Investments                                | 104       | 51              |
| Due from HUD                               | 530       | 152             |
| Other                                      | 807       | 546             |
| Current portion of service release premium | 763       | 621             |
| Prepaid expenses                           | 63        | 29              |
| Total unrestricted current assets          | 9,707     | 7,344           |
| <b>CURRENT ASSETS - RESTRICTED</b>         |           |                 |
| Cash and cash equivalents                  | 231,105   | 182,667         |
| Investments                                | 7,335     | -               |
| Receivables                                |           |                 |
| Current portion of loans receivable        | 27,954    | 23,209          |
| Interest                                   |           |                 |
| Loans                                      | 4,268     | 3,449           |
| Investments                                | 220       | 166             |
| Other                                      | 1         | -               |
| Total restricted current assets            | 270,883   | 209,491         |
| Total current assets                       | 280,590   | 216,835         |
| <b>NONCURRENT ASSETS - UNRESTRICTED</b>    |           |                 |
| Service release premium, net               | 5,321     | 4,260           |
| Equipment, net                             | 13        | 11              |
| Total unrestricted noncurrent assets       | 5,334     | 4,271           |
| <b>NONCURRENT ASSETS - RESTRICTED</b>      |           |                 |
| Loans receivable, net of current portion   | 1,170,418 | 943,040         |
| Investments                                | 42,133    | 19,975          |
| Total restricted noncurrent assets         | 1,212,551 | 963,015         |
| Total noncurrent assets                    | 1,217,885 | 967,286         |
| Total assets                               | 1,498,475 | 1,184,121       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>      |           |                 |
| Deferred outflow - pension                 | 1,677     | 1,919           |
| Deferred outflow - OPEB                    | 51        | 49              |
| Financial derivative instrument            | 7,886     | -               |
| Total deferred outflows of resources       | 9,614     | 1,968           |

See Notes to Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF NET POSITION - CONTINUED**  
**JUNE 30, 2019 AND 2018**  
(In Thousands)

|  | 2019       | 2018 (Restated) |
|--|------------|-----------------|
| <b>LIABILITIES</b>                           |            |                 |
| <b>CURRENT LIABILITIES</b>                   |            |                 |
| Due to HUD                                   | \$ 13      | \$ 13           |
| Due to state agencies                        | 17         | 14              |
| Current portion of rebate due to IRS         | 81         | -               |
| Other  | 1,490      | 833             |
| Current portion of compensated absences      | 237        | 229             |
| Current portion of bonds payable             | 39,830     | 20,024          |
| Accrued interest                             | 16,337     | 12,650          |
| Funds held in trust                          | 14,941     | 12,136          |
| Grant funds received in advance              | 343        | 41              |
| Total current liabilities                    | 73,289     | 45,940          |
| <b>NONCURRENT LIABILITIES</b>                |            |                 |
| Compensated absences, net of current portion | 107        | 121             |
| Rebate due to IRS                            | 9          | 38              |
| Grant funds received in advance              | 4,463      | 4,369           |
| Net pension liability                        | 4,000      | 3,906           |
| Net OPEB liability                           | 190        | 191             |
| Financial derivative instrument              | 7,886      | (1,239)         |
| Bonds payable, net of current portion        | 1,222,566  | 948,181         |
| Total noncurrent liabilities                 | 1,239,221  | 955,567         |
| Total liabilities                            | 1,312,510  | 1,001,507       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>         |            |                 |
| Deferred inflow - pension                    | 324        | 198             |
| Deferred inflow - OPEB                       | 11         | 14              |
| Financial derivative instrument              | -          | 1,239           |
| Total deferred inflows of resources          | 335        | 1,451           |
| <b>NET POSITION</b>                          |            |                 |
| Net investment in capital assets             | 13         | 11              |
| Restricted for debt service                  | 183,913    | 173,892         |
| Unrestricted                                 | 11,318     | 9,228           |
| Total net position                           | \$ 195,244 | \$ 183,131      |

See Notes to Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**  
(In Thousands)

|  | <u>2019</u>       | <u>2018 (Restated)</u> |
|--|-------------------|------------------------|
| <b>OPERATING REVENUES</b>  |                   |                        |
| Mortgage interest income   | \$ 40,728         | \$ 33,932              |
| Investment income  | 5,460             | 2,772                  |
| Gain on sale of investments  | 79                | 182                    |
| Fee income   | 3,114             | 2,954                  |
| Total revenues   | <u>49,381</u>     | <u>39,840</u>          |
| <br><b>OPERATING EXPENSES</b>  |                   |                        |
| Interest expense   | 27,159            | 20,035                 |
| Agency grants  | 231               | 242                    |
| Administrative and operating expenses  | 6,219             | 5,432                  |
| Salaries and benefits  | 3,570             | 3,589                  |
| Pension expense  | 636               | 580                    |
| OPEB expense   | 23                | 23                     |
| Depreciation   | 5                 | 4                      |
| Total expenses   | <u>37,843</u>     | <u>29,905</u>          |
| <br><b>OPERATING INCOME</b>  | <u>11,538</u>     | <u>9,935</u>           |
| <br><b>NONOPERATING REVENUES (EXPENSES)</b>                                  |                   |                        |
| Federal grants   | 14,868            | 14,823                 |
| Non-federal grants   | 2                 | -                      |
| Investment income  | 461               | 108                    |
| Federal grants   | (14,868)          | (14,823)               |
| Total nonoperating revenues (expenses)                                       | <u>463</u>        | <u>108</u>             |
| <br><b>INCOME BEFORE TRANSFERS</b>   | <u>12,001</u>     | <u>10,043</u>          |
| <br><b>TRANSFERS</b>   |                   |                        |
| Transfer from ND Department of Human Services                                | 150               | -                      |
| Transfer to Industrial Commission  | (38)              | (38)                   |
| <br><b>CHANGE IN NET POSITION</b>  | <u>12,113</u>     | <u>10,005</u>          |
| <br><b>TOTAL NET POSITION, BEGINNING OF YEAR,<br/>AS PREVIOUSLY REPORTED</b> | 183,131           | 170,373                |
| <br><b>PRIOR PERIOD ADJUSTMENT (SEE NOTE 23)</b>                             | <u>-</u>          | <u>2,753</u>           |
| <br><b>TOTAL NET POSITION, BEGINNING OF YEAR, RESTATED</b>                   | <u>183,131</u>    | <u>173,126</u>         |
| <br><b>TOTAL NET POSITION, END OF YEAR</b>                                   | <u>\$ 195,244</u> | <u>\$ 183,131</u>      |

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**  
(In Thousands)

|   | 2019       | 2018 (Restated) |
|---|------------|-----------------|
| <b>OPERATING ACTIVITIES</b>                                 |            |                 |
| Receipts from customers                                     | \$ 163,412 | \$ 196,057      |
| Proceeds from sale of loans receivable                      | 25,110     | 27,552          |
| Grant funds received in advance                             | 396        | (2)             |
| Payment of grants   | (609)      | (263)           |
| Payments to service providers                               |            |                 |
| State agencies  | (155)      | (216)           |
| Mortgage loan purchases                                     | (369,723)  | (296,347)       |
| Other   | (12,221)   | (18,026)        |
| Payments to employees                                       | (3,565)    | (3,587)         |
| Net cash used by operating activities                       | (197,355)  | (94,832)        |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>                      |            |                 |
| Principal payments on loan from BND / FHLB                  | (37,353)   | (32,038)        |
| Principal payments on bonds payable                         | (89,660)   | (126,620)       |
| Proceeds from loan borrowings from BND / FHLB               | 37,353     | 32,038          |
| Proceeds from bond issuance                                 | 389,022    | 316,064         |
| Interest paid on loans and bonds                            | (23,474)   | (18,900)        |
| Proceeds from federal grants                                | 14,868     | 14,823          |
| Proceeds from non-federal grants                            | 2          | -               |
| Payment of federal grants                                   | (14,868)   | (14,823)        |
| Transfer from ND Department of Human Services               | 150        | -               |
| Transfers to Industrial Commission                          | (38)       | (38)            |
| Net cash provided (used) by noncapital financing activities | 276,002    | 170,506         |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |            |                 |
| Purchase of equipment                                       | (7)        | -               |
| <b>INVESTING ACTIVITIES</b>                                 |            |                 |
| Purchase of investments                                     | (33,108)   | (19,583)        |
| Proceeds from sale of investments                           | 4,055      | 3,811           |
| Interest received from investments                          | 353        | 473             |
| Net cash provided (used) by for investing activities        | (28,700)   | (15,299)        |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>              | 49,940     | 60,375          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       | 188,595    | 128,220         |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             | \$ 238,535 | \$ 188,595      |
| <b>CASH AND CASH EQUIVALENTS - UNRESTRICTED</b>             | \$ 7,430   | \$ 5,928        |
| <b>CASH AND CASH EQUIVALENTS - RESTRICTED</b>               | 231,105    | 182,667         |
|   | \$ 238,535 | \$ 188,595      |

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**  
(In Thousands)

|  | 2019                | 2018 (Restated)    |
|--|---------------------|--------------------|
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b> |                     |                    |
| Operating income   | \$ 11,538           | \$ 9,935           |
| Adjustments to reconcile operating income to net cash from operating activities:   |                     |                    |
| Depreciation   | 5                   | 4                  |
| Amortization   |                     |                    |
| Original issue discounts and premiums  | (5,173)             | (4,694)            |
| Service release premium  | 1,048               | 919                |
| Fair value (increases) decreases of investments                                    | (384)               | -                  |
| Reclassification of interest income/expense to other activities                    | 27,106              | 21,442             |
| Effect on cash flows due to changes in:  |                     |                    |
| Deferred outflow - pension   | 242                 | (1,183)            |
| Deferred outflow - OPEB  | (2)                 | (19)               |
| Deferred inflows - pension   | 126                 | (52)               |
| Deferred inflows - OPEB  | (3)                 | 14                 |
| Effect on cash flows due to changes in:  |                     |                    |
| Due from HUD   | (378)               | (21)               |
| Due from State Agencies  | 3                   | (7)                |
| Other receivables  | 11,133              | (59,177)           |
| Service release premium  | (2,251)             | (1,538)            |
| Prepaid expenses   | (34)                | 31                 |
| Loan interest receivable   | (815)               | (592)              |
| Loans receivable   | (232,123)           | (120,048)          |
| Due to HUD   | (1)                 | (1)                |
| Due to State Agencies  | 3                   | 5                  |
| Rebate due to IRS  | 51                  | (64)               |
| Other liabilities  | (10,734)            | 59,285             |
| Compensated absences   | (6)                 | 10                 |
| Funds held in trust  | 2,804               | (716)              |
| Net pension liability  | 94                  | 1,637              |
| Grant funds received in advance  | 396                 | (2)                |
| Net cash used by operating activities  | <u>\$ (197,355)</u> | <u>\$ (94,832)</u> |
| Non-cash disclosures:  |                     |                    |
| Increase (decrease) in fairvalue of investments                                    | <u>\$ 439</u>       | <u>\$ (388)</u>    |

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**BALANCE SHEETS**  
**JUNE 30, 2018 AND 2017**

|   | 2018         | 2017          |
|---|--------------|---------------|
| <b>ASSETS</b>                                 |              |               |
| Cash and cash equivalents                     | \$ 4,717,676 | \$ 11,619,420 |
| Total assets                                  | \$ 4,717,676 | \$ 11,619,420 |
| <b>LIABILITIES</b>                            |              |               |
| Due to state agencies                         | \$ 4,151     | \$ 1,078      |
| Accounts payable                              | -            | 322,563       |
| Total liabilities                             | \$4,151      | \$323,641     |
| <b>FUND BALANCE</b>                           |              |               |
| Restricted for affordable multifamily housing | 4,713,525    | 11,295,779    |
| Total fund balance                            | 4,713,525    | 11,295,779    |
| Total liabilities and fund balance            | \$ 4,717,676 | \$ 11,619,420 |

See Note to the Financial Statements

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

|                                       | 2018         | 2017          |
|---------------------------------------|--------------|---------------|
| REVENUES                              |              |               |
| Contributions                         | \$ -         | \$ 2,967,605  |
| Total revenues                        | -            | 2,967,605     |
| EXPENDITURES                          |              |               |
| Current:                              |              |               |
| Administrative and operating expenses | 18,531       | 18,729        |
| Grant expenses                        | 6,563,723    | 18,025,663    |
| Total expenditures                    | 6,582,254    | 18,044,392    |
| Revenue over (under) expenditures     | (6,582,254)  | (15,076,787)  |
| INCOME (LOSS) BEFORE TRANSFERS        | (6,582,254)  | (15,076,787)  |
| TRANSFERS                             |              |               |
| Transfers from Bank of North Dakota   | -            | -             |
| CHANGE IN FUND BALANCE                | (6,582,254)  | (15,076,787)  |
| TOTAL FUND BALANCE, BEGINNING OF YEAR | 11,295,779   | 26,372,566    |
| TOTAL FUND BALANCE, END OF YEAR       | \$ 4,713,525 | \$ 11,295,779 |

See Notes to the Financial Statements

# **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 CO<sub>2</sub> 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 if certain financial triggers are met (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.

## **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 a number of carbon management projects, there were several projects related to Rare Earth Element recovery from lignite and ash, evaluation of greenhouse agriculture integrated into a power plant, 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 the Lignite Vision 21 Program (“LV21”). The goal of LV21 is for the construction of nothing short of the finest coal-fired electrical generating plant in the world, employing the latest clean-coal technology to provide energy for a rapidly growing region. The cooperation and vision has 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 66th North Dakota Legislative Assembly included House Bill 1439 which provided an exemption from oil extraction taxes for the use of carbon dioxide in enhanced oil recovery and geologic storage, In the previous biennium House Bill 1152 provided an additional \$3 million from the SIIF. In the current biennium, this was replaced by House Bill 1066 called “Project Prairie Dog”, which increased the additional Lignite Research Program appropriation to \$10 million per biennium starting in FY19-21. Senate Bill 2344 offers clarity that the surface owner possesses pore space rights to provide investor certainty in carbon capture, utilization, and storage projects and House

Bill 1014 includes \$4.5 million for continued funding of the Lignite Research Program that can be used for research and development, marketing and litigation. 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 lignite conversion 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 2017-2019 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, CO<sub>2</sub> capture, utilization, and storage, NO<sub>x</sub> control and investigation of additional value-added opportunities for lignite and ash use. Research projects during this biennium included several projects related to Rare Earth Element recovery from lignite and ash, evaluation of greenhouse agriculture integrated into a power plant, 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 the 2015-2017 biennium, the Program’s work on addressing the needs to apply the Allam Cycle technology to lignite coal applications continued and work ramped up on moving toward demonstration of integrated carbon management for North Dakota (Project Tundra). The development of clean coal technology is critical to the future of the industry and considerable resources are needed in order for the lignite industry to be able to continue and to expand the use of this valuable natural resource.

During the 2017-2019 biennium, the investments in carbon capture, utilization, and storage technology developments have led to commercial interest in capture of CO<sub>2</sub> from North Dakota power plants for 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 CO<sub>2</sub> for producing additional oil from conventional wells that are nearing the end of economic viability without enhanced oil recovery with CO<sub>2</sub>. A project titled Project Tundra was awarded \$15 million in funding from the Lignite Research Program (over \$30 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). Great River Energy is planning to participate in the Lignite Research Program as well, as they initiate an effort to evaluate the viability of carbon management at their Coal Creek Energy Park.

Work on the Allam technology development for application in future lignite-fired power plants began in the previous biennium and continued into this biennium. Initial North Dakota efforts to address potential challenges for application to lignite were completed and the summary report addressed recommendations for gasifier selection, materials of construction for sensitive components, syngas cleanup, and initial studies on the syngas combustion. Additional funding was obtained from the US Department of Energy to further evaluate the needs to address syngas combustion and plan for a future large pilot system. Development of the Allam Cycle technology continues on two fronts. The \$150 million, 50 Megawatts (thermal) demonstration of the technology on natural gas continues down at La Port, Texas, separate from our efforts under the Lignite Research Development and Marketing Program. They are making progress as they move operations closer to full load and providing electricity to the grid, and the North Dakota team continues to track their efforts.

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](http://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 CO<sub>2</sub> 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](http://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.

## **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 56% 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 30,000,000 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. Manufacturers flour to bakery specifications from hard red spring wheat.
3. Manufacturers 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 \$651,195,000 for the two years ended June 30, 2019.
  2. During the biennium, the Mill shipped 29,951,000 hundredweight of flour.
- Mill operations provided more than \$487,574,000 to the region in direct economic impact and \$1,131,172,000 in secondary economic impact for a total economic impact of \$1,618,746,000.

### **Legislation Passed During the 2019 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.

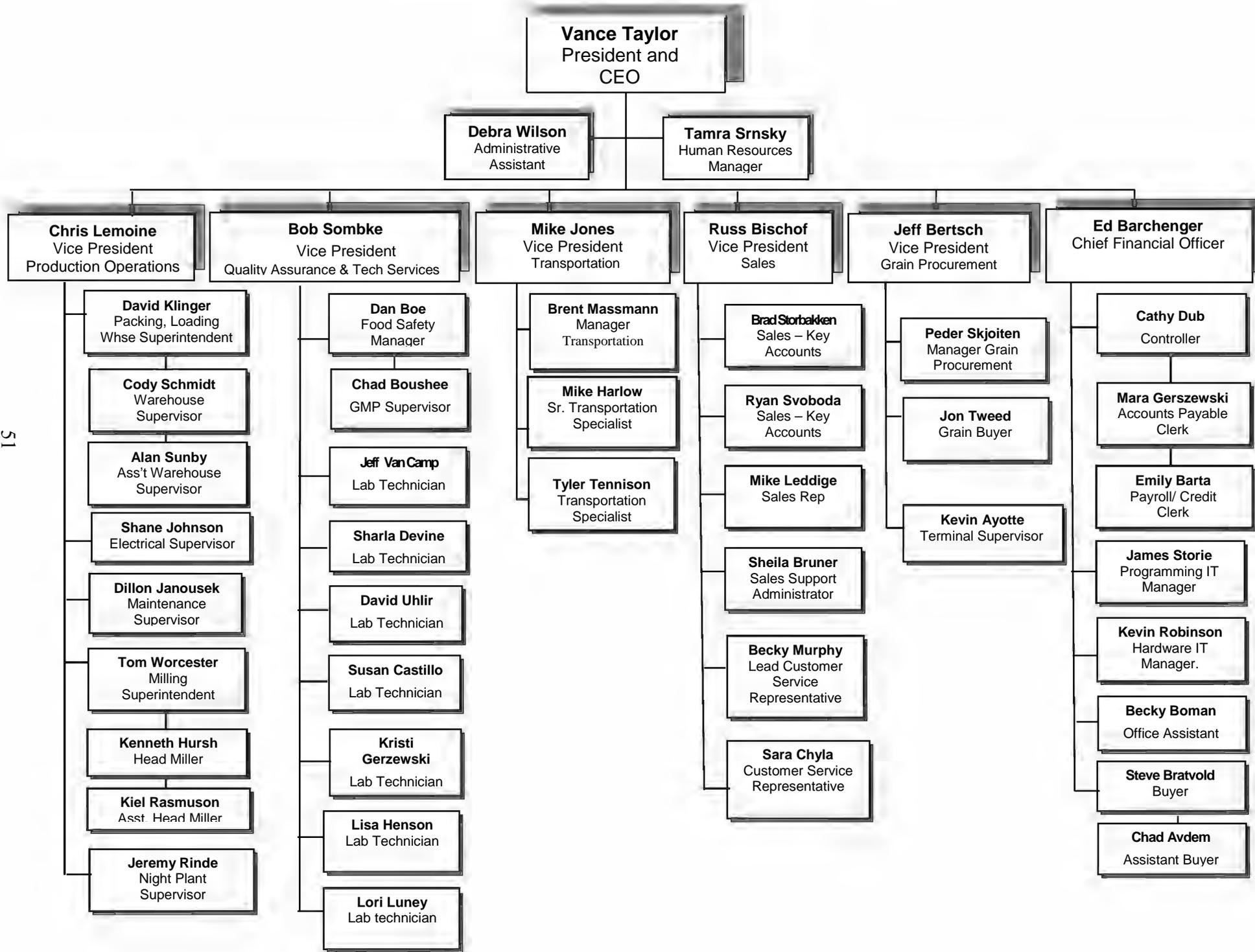
The North Dakota Mill has developed a strategic plan, which includes the following strategic thrusts:

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](http://www.ndmill.com).

# NORTH DAKOTA MILL ORGANIZATION CHART



## *Financial Statements*

### Comparative Statement of Net Position

| <b>ASSETS</b>   | <b>June 30, 2019</b> | <b>June 30, 2018</b> |
|---|----------------------|----------------------|
| <b>Current assets:</b>                                    |                      |                      |
| Cash and cash equivalents                                 | \$ 1,754,988         | \$ 638,868           |
| Receivables, net (note 4)                                 | 39,350,917           | 49,221,368           |
| Inventories (note 5)                                      | 25,394,997           | 25,918,862           |
| Derivative instrument                                     | 15,750               |                      |
| Prepaid expense   | 1,419,783            | 1,086,989            |
| Total current assets                                      | \$ 67,936,435        | \$ 76,868,087        |
| <b>Noncurrent assets:</b>                                 |                      |                      |
| Patronage capital credits                                 | \$ 463,408           | \$ 434,794           |
| Other assets  | 13,150               | 13,150               |
| Capital assets, net (note 6)                              | 109,844,536          | 92,904,923           |
| Total noncurrent assets                                   | 110,321,094          | 93,352,867           |
| Total assets  | \$ 178,257,529       | \$ 170,218,954       |
| <br><b>DEFERRED OUTFLOW OF RESOURCES</b>                  |                      |                      |
| Accumulated decrease in fair value of hedging derivatives |                      | \$ 1,544,112         |
| Derived from pensions                                     | \$ 6,724,416         | 6,058,841            |
| Derived from other post-employment benefits               | 266,283              | 179,614              |
| Total deferred outflows of resources                      | \$ 6,990,699         | \$ 7,782,567         |
| <br><b>LIABILITIES</b>                                    |                      |                      |
| <b>Current liabilities:</b>                               |                      |                      |
| Accounts payable and other liabilities (note 7)           | \$ 17,568,113        | \$ 21,172,830        |
| Due to state general fund                                 | 7,568,325            | 10,109,147           |
| Due to ag products utilization fund                       | 531,111              | 709,413              |
| Derivative instrument                                     |                      | 1,544,113            |
| Notes payable   | 25,000,000           | 34,000,000           |
| Long-term liabilities - current portion                   |                      |                      |
| Notes payable   | 1,691,083            |                      |
| Total current liabilities                                 | \$ 52,358,632        | \$ 67,535,503        |
| <b>Noncurrent liabilities:</b>                            |                      |                      |
| Notes payable   | \$ 17,653,057        |                      |
| Compensated absences                                      | 1,091,292            | \$ 1,117,895         |
| Net other post-employment benefit liability               | 615,199              | 559,783              |
| Net pension liability                                     | 14,040,992           | 12,054,415           |
| Total noncurrent liabilities                              | 33,400,540           | 13,732,093           |
| Total liabilities   | \$ 85,759,172        | \$ 81,267,596        |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>                  |                      |                      |
| Accumulated increase in fair value of hedging derivatives | \$ 15,750            |                      |
| Derived from pensions                                     | 1,242,649            | \$ 975,778           |
| Derived from other post-employment benefits               | 25,946               | 34,818               |
| Total deferred inflows of resources                       | \$ 1,284,345         | \$ 1,010,596         |
| <br><b>NET POSITION</b>                                   |                      |                      |
| Invested in capital assets                                | \$ 109,844,536       | \$ 92,904,923        |
| Unrestricted  | (11,639,825)         | 2,818,405            |
| Total net position  | \$ 98,204,711        | \$ 95,723,328        |

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

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

| <b>OPERATING REVENUES</b>  | <u>June 30, 2019</u>  | <u>June 30, 2018</u>  |
|--|-----------------------|-----------------------|
| Sales (net of sales deductions of \$66,745,464 and \$68,277,814, respectively) | \$ 245,597,327        | \$ 270,574,780        |
| Total operating revenues   | <u>\$ 245,597,327</u> | <u>\$ 270,574,780</u> |
| <b>OPERATING EXPENSES</b>  |                       |                       |
| Material cost  | \$ 197,054,154        | \$ 219,698,839        |
| Wages and benefits   | 19,088,505            | 18,956,606            |
| Repairs and maintenance  | 2,495,109             | 2,633,756             |
| Operating supplies   | 992,290               | 1,058,919             |
| Utilities  | 4,265,165             | 4,379,960             |
| Insurance  | 1,135,169             | 1,031,451             |
| Outside services   | 1,366,085             | 1,048,004             |
| Office supplies  | 95,402                | 109,393               |
| Computer expense   | 222,138               | 233,460               |
| Communications   | 68,079                | 66,716                |
| Travel and entertainment   | 244,685               | 267,173               |
| Employee expense   | 139,294               | 136,410               |
| Safety expense   | 99,266                | 123,286               |
| Postage and mailing  | 25,845                | 23,508                |
| Advertising  | 130,503               | 138,904               |
| Dues and subscriptions   | 185,396               | 160,729               |
| Legal and professional   | 35,999                | 47,875                |
| Depreciation   | 5,644,673             | 5,291,226             |
| Total operating expenses   | <u>233,287,757</u>    | <u>255,406,215</u>    |
| Operating income   | <u>\$ 12,309,570</u>  | <u>\$ 15,168,565</u>  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |                       |                       |
| Interest income  | \$ 9,246              | \$ 3,744              |
| Interest expense   | (1,753,116)           | (1,089,949)           |
| Miscellaneous income   | 80,391                | 132,321               |
| Other expense  | (23,880)              | (26,405)              |
| Total nonoperating expenses  | <u>(1,687,359)</u>    | <u>(980,289)</u>      |
| Gain before transfers  | <u>\$ 10,622,211</u>  | <u>\$ 14,188,276</u>  |
| Transfer to state general fund   | \$ (7,568,325)        | \$ (10,109,147)       |
| Transfer to ag products utilization fund                                       | (531,111)             | (709,414)             |
| Transfer to Industrial Commission  | (41,392)              | (41,393)              |
| Change in net position   | <u>\$ 2,481,383</u>   | <u>\$ 3,328,322</u>   |
| Total net position - beginning of year as restated                             | <u>95,723,328</u>     | <u>92,395,006</u>     |
| Total net position - ending  | <u>\$ 98,204,711</u>  | <u>\$ 95,723,328</u>  |

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

## **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 has been increasing with the final increase from \$4,000,000 to \$10,000,000 taking place during the 2013 legislative session for the 2013-2015 biennium. Subsequent to the 2013-2015 biennium the level of funding and the fund’s continuing appropriation has been \$10 million per biennium from oil and gas tax revenues until the 2019-2021 biennium. For the 2019-2021 biennium the funding level was increased by \$6,000,000 to allow for a specific project/study to be completed. [2005-2007 biennium \$1.3 million; 2007-2009 biennium \$3 million; 2009-2011 biennium \$4 million; 2011-2013 biennium \$4 million and 2013-2015, 2015-2017 and 2017-2019 biennia \$10 million, 2019-2021 biennium \$16 million.]

### **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 2017-2019 biennium 6 grant rounds were held with 8 projects approved for funding in the total amount of \$6,745,460 including the \$500,000 legislative directed study with total project costs of \$13,681,120. During the 2017-2019 biennium the Commission adopted a funding allocation of 78.25% for research, 13.50% for education, 3.25% for the Pipeline Authority, 5% for a legislative study and 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. The Commission has entered into a non-match contract with the Energy and Environmental Research Center for \$500,000 to be used for emerging issues. A Legislative-

directed project may or may not be matched depending on the language adopted by the Legislature.

### **Legislation Passed During the 2019 Legislative Session Related to the Program/Fund**

In House Bill 1014 the 2019 Legislature increased the transfers to the Oil and Gas Research Fund for the 2019-2021 biennium to \$16,000,000. This increased funding of \$6,000,000 is to be used for a contract with the Energy and Environmental Research Center (EERC) to conduct pilot projects relating to the underground storage of produced natural gas. The pilot projects may include studies and demonstration projects. During the 2019-20 interim, the EERC shall provide quarterly reports to the Industrial Commission and at least one report to the legislative management regarding the results and recommendation of the pilot project. The 2019 Legislature also directed that the Industrial Commission use \$300,000 from the Oil and Gas Research Fund to contract with the sponsor of the proposal selected for the study. The Industrial Commission shall issue a request for proposals for a study regarding the recycling of water used in oil and gas operations, also known as produced water, from oil and gas-producing regions of North Dakota. The study must include the development or compilation of data regarding methods for the recycling of produced water specific to this state, and must examine the relevant, objective economic, regulatory, scientific, technological, and feasibility considerations. The contractor shall provide reports on the status of the study at the request of the legislative management during the 2019-20 interim and shall provide a final report to the legislative management by October 1, 2020.

### **Key Responsibilities Added to or Deleted from the Program during the Biennium**

Other than the continuation of the Pipeline Leak Detection Study that was completed during the 2017-2019 biennium the only other key responsibilities added were the two studies authorized during the 2019 legislative session as noted above.

### **Major Accomplishments and Activities**

During the 2017-2019 biennium the Program awarded funding for several projects including but not limited to:

- Conceptual Design for Chlor-Alkali and valuable Materials Production from oilfield Brine – Barr Engineering & Triple 8 LLC
- Unitized Legacy Oil Fields: Prototypes for Revitalizing a Conventional Oil Field in North Dakota – Eagle Energy/EERC
- Solar Powered Electrokinetic Soil Desalination – Terran Corp/Oasis Petroleum
- Intelligent Pipeline Integrity Program (iPIPE) – Hess, Statoil, OASIS Midstream/EERC
- Public -Private Research Partnership with the University of North Dakota
- History of North Dakota Oil and Natural Gas Industry – Petroleum Foundation
- Energy of North Dakota Program – Petroleum Foundation

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. The Council has previously identified five top priorities which include: enhanced oil recovery, refracturing opportunities, pipeline safety, water challenges, and opportunities to explore conventional reservoirs.

**Resources and Publications Available from the Industrial Commission**

Additional information about the Oil and Gas Research Program is available at:  
[www.oilresearch.nd.gov](http://www.oilresearch.nd.gov)

Industrial Commission of North Dakota  
State Capitol – 14<sup>th</sup> Floor  
600 East Boulevard  
Bismarck, North Dakota 58505  
701-328-3722 or 701-328-3726  
**<https://www.dmr.nd.gov/ogr/>**

## 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 for the 2019-2021 biennium it is capped at \$15,000,000.

### 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;

- **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**

During the 2017-2019 biennium, the Commission held 5 OHF grant rounds. As a result of those rounds, the Commission approved funding for 44 projects totaling \$14,872,054.

**Key Legislation Passed During the 2019 Legislative Session Related to the OHF**

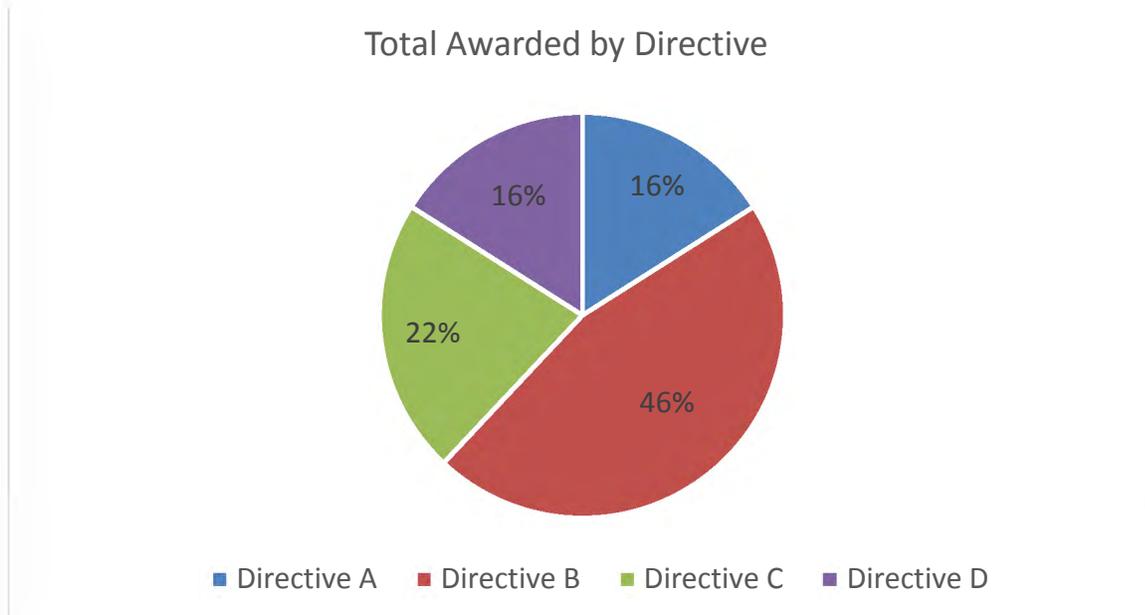
The total amount of funding available per biennium was limited to \$15,000,000 for the 2019-2021 biennium. Senate Bill 2058 was passed, which requires any application forwarded by the Board to the Industrial Commission for final consideration to have a minimum of 7 votes recommending funding.

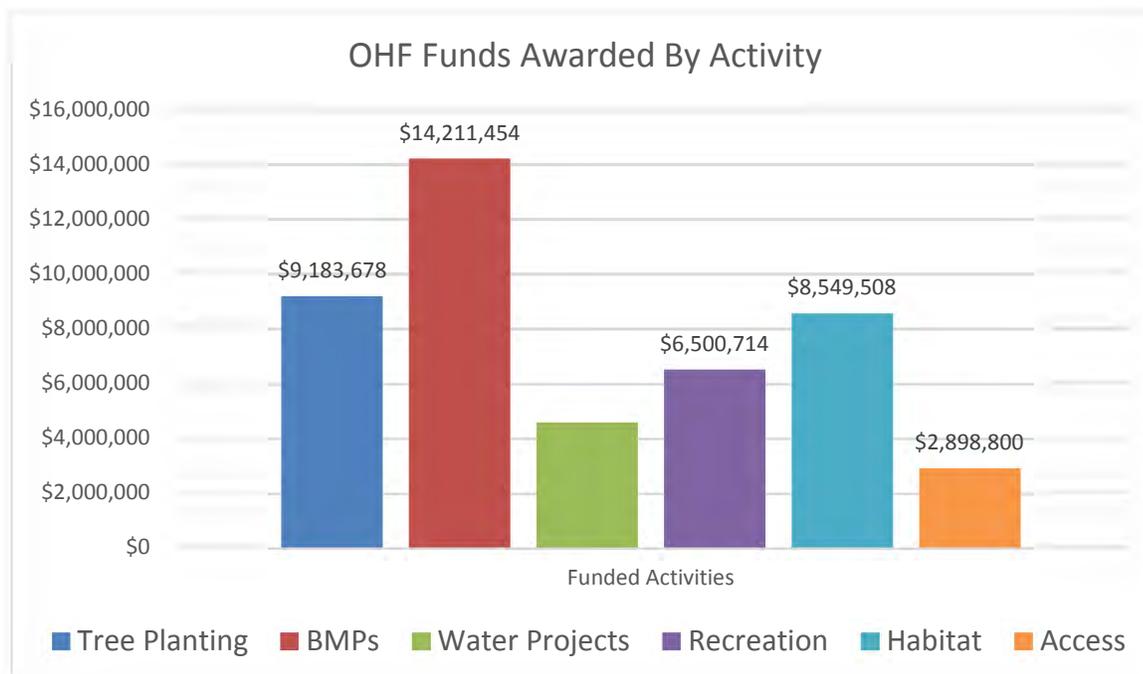
**Key Responsibilities Added To or Deleted from the OHF for the 2019-2021 Biennium**

The continuing appropriation authorization for the OHF was capped at \$10,000,000 from oil and gas production tax revenues for the 2017-2019 biennium.

**Major Accomplishments and Activities**

As of June 30, 2019, the Commission has awarded funding for 156 projects totaling over \$46 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 – 14<sup>th</sup> Floor  
 600 East Boulevard  
 Bismarck, North Dakota 58505  
 701-328-3722  
<http://www.nd.gov/ndic/outdoor-infopage.htm>

## **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 2015-2017 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 is 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 \$200,400 from the Oil and Gas Research Fund to the Pipeline Authority Administrative Fund for the operations of the Authority.

### **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 2016 and 2017 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 State Rail Plan Participant – 2016 & 2017
- Bakken Refracturing Analysis – 2017 (Ongoing)
- Bakken Drilling Economics Study – Updated Quarterly (Ongoing)
- Governor’s Meeting on Pipelines – May 23, 2017
- Pipeline Authority Websites – Ongoing updates and content additions
- Monthly Updates – Monthly publication updating interested parties on pipeline related activities
- Pipeline Publication Newsletter – Newsletter to interested parties and stakeholders
- Presentations – On demand informational and outreach presentations to industry and citizen groups

### **Legislation Passed During the 2017 Session**

The Pipeline Authority was actively following pipeline related bills during the 2017 legislative session. Four bills were passed that directly impact or relate to the pipeline industry and/or the Pipeline Authority. A brief bill summary is below.

- HB 1144: Bill modifies the Public Service Commission’s gas and liquid energy conversion, gas and liquid transmission facility siting statute.
- SB 2013: During the 2017-18 interim, the Tax Department, in consultation with the Board of University and School Lands, the Industrial Commission, and other state agencies as necessary, shall study the valuation of oil and gas as used to determine mineral royalty payments and tax liability.
- HCR 3011: A concurrent resolution extending appreciation to the President of the United States for expediting the approval of the easement required for the completion of the Dakota Access Pipeline.
- HCR 3027: A concurrent resolution directing the Legislative Management to consider studying the estimated fiscal impact to the state of refracturing existing oil wells.

### **Activities During the 2017-2019 Biennium**

For the 2017-2019 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, newsletters, and presentations, will continue during the 2017-2019 biennium. Website updates will also continue as new information becomes available.

Copies of the 2016 and 2017 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](http://www.pipeline.nd.gov) ; [www.northdakotapipelines.com](http://www.northdakotapipelines.com)

# 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.

The PFA continues to have a close working relationship with the BND. In addition to being the sole depository for all of the PFA’s operating funds, the BND through its Trust Department has served as Trustee, Registrar, and/or Paying Agent for numerous PFA bond issues. BND also provides letters of credit that act as 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

Lisa Froelich - Business Manager

## **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 Health and the PFA.

The interest rates on SRF Program loans are set by the Health Department 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 2017-2019 biennium under this program and there are no loans outstanding as of June 30, 2019.

### **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.

### **Major Accomplishments and Activities During 15-17 Biennium**

During the 17-19 biennium, the PFA issued \$1,360,000 of bonds under the CFP. These proceeds were used to provide funding for a qualifying project. From the inception through June 30, 2019, the total cumulative amount of bonds issued under the CFP General Bond Resolution was \$259,480,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was \$144,765,000.

During the 2017-2019 biennium, the PFA did not approve any Disaster Financing CFP loans. As of June 30, 2019, \$20,824,737 had been advanced to 27 political subdivisions and \$138,298 was outstanding. The total cumulative amount of PFA bonds issued to fund the Disaster Loan Program was \$14,455,612 and the bonds are paid in full.

There were no bonds issued under the IDB Program during the 2017-2019 biennium. As of June 30, 2019, 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 \$1,955,000.

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 \$213,853,000 of loans to 28 political subdivisions during the 17-19 biennium. As of June 30, 2019, the cumulative amount of the 303 loans closed under the CWSRF Program was \$846,401,241. Under the DWSRF Program, the PFA closed \$110,005,500 of loans to 49 political subdivisions during the 17-19 biennium. As of June 30, 2019, the cumulative amount of the 255 loans closed under the DWSRF Program was \$675,970,930.

During the 17-19 biennium, the PFA issued \$128,625,000 of 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, 2019, the total amount of SRF Program Bonds outstanding was \$343,555,000.

### **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."

### **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](mailto:dament@nd.gov)  
(701) 426-5723

Lisa Froelich, Business Manager  
[lmfroelich@nd.gov](mailto:lmfroelich@nd.gov)  
(701) 328-7120

North Dakota Public Finance Authority Website:  
[www.nd.gov/pfa](http://www.nd.gov/pfa)

**NORTH DAKOTA PUBLIC FINANCE AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**  
(In Thousands)

|                                       | <u>2018</u>         | <u>2017</u>       |
|---------------------------------------|---------------------|-------------------|
| <b>ASSETS</b>                         |                     |                   |
| <b>CURRENT ASSETS</b>                 |                     |                   |
| Restricted                            |                     |                   |
| Cash and cash equivalents             | \$ 80,856           | \$ 44,553         |
| Interest receivable                   | 5,933               | 5,381             |
| Investments                           | 64,739              | 34,391            |
| Municipal securities                  | 37,970              | 33,031            |
| Total restricted current assets       | <u>189,498</u>      | <u>117,356</u>    |
| Total current assets                  | <u>189,498</u>      | <u>117,356</u>    |
| <b>NONCURRENT ASSETS - RESTRICTED</b> |                     |                   |
| Investments                           | 92,799              | 74,307            |
| Municipal securities                  | 790,492             | 731,980           |
| Total restricted noncurrent assets    | <u>883,291</u>      | <u>806,287</u>    |
| Total assets                          | <u>\$ 1,072,789</u> | <u>\$ 923,643</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                     |                   |
| Deferred loss on bond refunding       | \$ 3,802            | \$ 4,502          |
| Derived from pension                  | 113                 | 125               |
| Total deferred outflows of resources  | <u>\$ 3,915</u>     | <u>\$ 4,627</u>   |
| <b>LIABILITIES</b>                    |                     |                   |
| <b>CURRENT LIABILITIES</b>            |                     |                   |
| Accounts payable                      | \$ 113              | \$ 26             |
| Rebate due to IRS                     | 3                   | 13                |
| Bonds payable                         | 26,960              | 22,555            |
| Interest payable                      | 4,802               | 3,386             |
| Total current liabilities             | <u>31,878</u>       | <u>25,980</u>     |
| <b>NONCURRENT LIABILITIES</b>         |                     |                   |
| Bonds payable                         | 522,940             | 401,658           |
| Net pension liability                 | 279                 | 266               |
| Total noncurrent liabilities          | <u>523,219</u>      | <u>401,924</u>    |
| Total liabilities                     | <u>\$ 555,097</u>   | <u>\$ 427,904</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                   |
| Derived from pension                  | \$ 21               | \$ 15             |
| Total deferred inflows of resources   | <u>\$ 21</u>        | <u>\$ 15</u>      |
| <b>NET POSITION</b>                   |                     |                   |
| Unrestricted                          | \$ 1,919            | \$ 1,997          |
| Restricted for debt service           | 98,810              | 92,102            |
| Restricted for loan purposes          | 420,857             | 406,252           |
| Total net position                    | <u>\$ 521,586</u>   | <u>\$ 500,351</u> |

**NORTH DAKOTA PUBLIC FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
(In Thousands)

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| <b>OPERATING REVENUES</b>                    |                   |                   |
| Investment income                            | \$ 20,190         | \$ 19,591         |
| Grant and set-asides                         | 1,063             | 555               |
| Administrative fees and other                | <u>3,265</u>      | <u>2,957</u>      |
|  | <u>24,518</u>     | <u>23,103</u>     |
| <b>OPERATING EXPENSES</b>                    |                   |                   |
| Interest expense                             | 20,121            | 17,316            |
| State Revolving Fund loan forgiveness        | 2,162             | 2,041             |
| State Revolving Fund administration          | 2,099             | 2,188             |
| State Revolving Fund set-asides              | 212               | 198               |
| Rebate (Benefit) due to IRS                  | 12                | (1)               |
| Salaries and benefits                        | 266               | 247               |
| Bond issue costs                             | 722               | -                 |
| Operating                                    | 43                | 53                |
| Paying agent fees                            | <u>2</u>          | <u>2</u>          |
|  | <u>25,639</u>     | <u>22,044</u>     |
| <b>OPERATING LOSS</b>                        | <u>(1,121)</u>    | <u>1,059</u>      |
| <b>NONOPERATING REVENUE</b>                  |                   |                   |
| Grant and set-asides                         | 16,622            | 13,650            |
| Investment income                            | <u>5,734</u>      | <u>4,714</u>      |
|  | <u>22,356</u>     | <u>18,364</u>     |
| <b>CHANGE IN NET POSITION</b>                | 21,235            | 19,423            |
| <b>TOTAL NET POSITION, BEGINNING OF YEAR</b> | <u>500,351</u>    | <u>480,928</u>    |
| <b>TOTAL NET POSITION, END OF YEAR</b>       | <u>\$ 521,586</u> | <u>\$ 500,351</u> |

## **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 2017-2019 biennium for the Renewable Energy Program.

### **Key Legislation Passed During the 2019 Legislative Session Related to the Renewable Energy Program**

None.

### **Key Responsibilities Added To or Deleted from the Renewable Energy Program for the 2019-2021 Biennium**

There were no key responsibilities added or deleted for the Renewable Energy Program for the 2019-2021 biennium.

### **Major Accomplishments and Activities**

During the 2017-2019 biennium the Industrial Commission held seven Renewable Energy Program grant rounds. As a result of those rounds, the Commission approved funding of \$3,409,176 for nine new Renewable Energy Projects. These projects included:

- *Integrated Carbon Capture and Storage for North Dakota Ethanol Production - Phase II*
  - Expansion of a feasibility study for integrating carbon capture and storage (CCS) of CO<sub>2</sub> emissions from Red Trail Energy to include information regarding regulatory, processing, and financial requirements.
- *Preparation of Graphene-Modified LiFeP04 Cathode for Li-Ion Battery*
  - Development of graphene-modified lithium iron phosphate cathode materials (LFP/G) at pilot scale (10 tons/year.) The project will extract and purify humic acid from North Dakota sourced leonardite.
- *Low-Pressure Electrolytic Ammonia (LPEA) Production*
  - Research to optimize the EERC-developed LPEA production process, with goals of demonstrating LPEA technical and economic viability and compatibility with renewable and/or off-peak electricity. Unlike traditional commercial ammonia processes that require the use of expensive high operating pressure, the LPEA process operates at ambient pressure, which translates to significantly reduced capital cost, operating cost, input energy requirement, and carbon dioxide emissions.
- *Barley Protein Concentrate*
  - Research regarding the use of North Dakota barley to produce a high value protein concentrate designed for aquaculture and a low carbon advanced biofuel at Dakota Spirit AgEnergy.
- *Integrated Carbon Capture and Storage for North Dakota Ethanol Production - Phase III*
  - Field research regarding integrating carbon capture and storage (CCS) of CO<sub>2</sub> emissions from Red Trail Energy.
- *Fargo's Smart Energy Ramp*
  - Demonstration of how renewable energy and artificial intelligence (AI) can add value, cost-effectively attract tenants, and enhance economic development while making efficient use of the utility grid in a public-private partnership.
- *New Implementation of Stack Heat Recovery Technology to Increase Efficiency and Production at Existing Ethanol Production Facility*

- Demonstration of Stack Heat Recovery technology at an ethanol plant can result in increased ethanol production, increased demand for corn, increased supply of coproducts, and additional revenue in the state.
- *Enterprise Autonomy - Secure, Remote, Autonomous, Multi-Drone Operations within the Renewable Energy Sector*
  - Development of Airtonomy, an autonomous, multidrone operations solution that will be installed onsite in a custom drone housing unit. It will be powered by solar energy and operated remotely. The
- *Portable Solar Array Modules Phase II*
  - Development and enhancement of the design of a portable solar power generation system in preparation of production.

**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 – 14<sup>th</sup> Floor  
 600 East Boulevard  
 Bismarck, North Dakota 58505  
 701-328-3722 or 701-328-3786

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

## **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, 2019.

### **Organizational Structure**

The Industrial Commission has named the Commission’s Executive Director, Karlene Fine, as the Authorized Officer 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. As 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 in the past 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 Student Loan 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 Student Loan Trust for the 2019 -2021 biennium.

### **Major Accomplishments and Activities**

During the 2017-2019 biennium the Trust expended funding totaling \$16,381,930 as follows:

\$371,969 for the professional student exchange program

\$539,437 for the Connect ND Campus Solutions

\$500,000 for grants to Tribal Community Colleges

\$13,806,856 for residency positions at the UND School of Medicine and Health Sciences

\$360,000 for the Dental Loan Repayment Program through the Health Department

\$197,000 for a dual-credit courses pilot program  
\$300,058 Tribal workforce grants through the Commerce Department  
\$220,000 to the Department of Public Instruction for a one-time grant for the North Dakota Governor's School Science, Technology, Engineering and Mathematics programs  
\$86,610 for a portion of the costs of the Industrial Commission administrative office.

No additional student loans were purchased from the Bank. To provide liquidity for the Trust to distribute the funding as appropriated by the Legislature, the Trust sold most of its student loan portfolio to the Bank of North Dakota.

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

Following the transfer of funds from the Student Loan Trust during the 2017-2019 biennium the net position of the Trust as of June 30, 2019 is \$1,189,000. 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 statements for bond offerings made by the Student Loan Trust are available at the Industrial Commission Administrative Office at the addresses noted on the back of this biennial report.

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**NORTH DAKOTA STUDENT LOAN TRUST**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 and 2018**  
**(In Thousands)**

|   | <u>2019</u>            | <u>2018</u>             |
|---|------------------------|-------------------------|
| <b>ASSETS</b>                           |                        |                         |
| <b>CURRENT ASSETS - UNRESTRICTED</b>    |                        |                         |
| Cash and cash equivalents               | \$ -                   | \$ 967                  |
| Investments                             | -                      | 7,170                   |
| Interest receivable                     | -                      | 3                       |
| Due from other state agencies           | 10                     | 17                      |
| Student loans receivable                | <u>-</u>               | <u>251</u>              |
| Total unrestricted current assets       | <u>10</u>              | <u>8,408</u>            |
| <b>CURRENT ASSETS - RESTRICTED</b>      |                        |                         |
| Cash and cash equivalents               | 225                    | -                       |
| Investments                             | 1,000                  | 1,500                   |
| Student loans receivable                | <u>162</u>             | <u>-</u>                |
| Total restricted current assets         | <u>1,387</u>           | <u>1,500</u>            |
| <b>NONCURRENT ASSETS - UNRESTRICTED</b> |                        |                         |
| Student loans receivable                | <u>816</u>             | <u>866</u>              |
| Total assets                            | <u><u>\$ 2,213</u></u> | <u><u>\$ 10,774</u></u> |

|                                      | <u>2019</u>            | <u>2018</u>             |
|--------------------------------------|------------------------|-------------------------|
| <b>LIABILITIES AND NET POSITION</b>  |                        |                         |
| <b>CURRENT LIABILITIES</b>           |                        |                         |
| Accrued interest payable             | \$ 3                   | \$ 2                    |
| Accrued fees payable - related party | 7                      | 51                      |
| Appropriation payable                | <u>14</u>              | <u>8,843</u>            |
| Total current liabilities            | <u>24</u>              | <u>8,896</u>            |
| <b>NONCURRENT LIABILITIES</b>        |                        |                         |
| Bonds payable                        | <u>1,000</u>           | <u>1,000</u>            |
| Total noncurrent liabilities         | <u>1,000</u>           | <u>1,000</u>            |
| Total liabilities                    | <u>1,024</u>           | <u>9,896</u>            |
| <b>NET POSITION</b>                  |                        |                         |
| Restricted for debt service          | 379                    | 455                     |
| Unrestricted                         | <u>810</u>             | <u>423</u>              |
| Total net position                   | <u>1,189</u>           | <u>878</u>              |
| Total liabilities and net position   | <u><u>\$ 2,213</u></u> | <u><u>\$ 10,774</u></u> |

**NORTH DAKOTA STUDENT LOAN TRUST**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**YEARS ENDED JUNE 30, 2019 and 2018**  
**(In Thousands)**

|  | <u>2019</u>     | <u>2018</u>   |
|--|-----------------|---------------|
| <b>OPERATING REVENUES</b>                    |                 |               |
| Interest on student loans                    | \$ 70           | \$ 195        |
| Special allowance and interest subsidy       | -               | 22            |
|  | <u>70</u>       | <u>217</u>    |
| Total operating revenues                     |                 |               |
| <b>OPERATING EXPENSES</b>                    |                 |               |
| Interest                                     | 31              | 22            |
| Service fees                                 | 9               | 84            |
| Administration fees                          | 1               | 5             |
| Provision for loan losses                    | -               | (68)          |
| Bond related expenses                        | 28              | 36            |
|  | <u>69</u>       | <u>79</u>     |
| Total operating expenses                     |                 |               |
| <b>OPERATING INCOME</b>                      | 1               | 138           |
| <b>NONOPERATING REVENUE</b>                  |                 |               |
| Investment income                            | 14              | 20            |
|  | <u>15</u>       | <u>158</u>    |
| <b>INCOME BEFORE TRANSFERS</b>               |                 |               |
| <b>TRANSFERS (TO) FROM STATE AGENCIES</b>    | 296             | (16,679)      |
| <b>CHANGE IN NET POSITION</b>                | 311             | (16,521)      |
| <b>TOTAL NET POSITION, BEGINNING OF YEAR</b> | <u>878</u>      | <u>17,399</u> |
| <b>TOTAL NET POSITION, END OF YEAR</b>       | <u>\$ 1,189</u> | <u>\$ 878</u> |

# North Dakota Transmission Authority

## **N.D. 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 2019 Legislative Session Related to the Authority**

Energy development continued to be a focus of the 2019 Legislative Session. The Transmission Authority was not directly impacted by any of the legislation considered.

The Energy Development and Transmission Committee was tasked with continuing to study energy issues over the 2019-2020 interim including reports of the Transmission Authority activities.

### **Summary of Responsibilities Added or Deleted During the Biennium**

No specific new responsibilities were added nor were any responsibilities deleted during the biennium.

### **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. Of considerable interest are the changes that have taken place at the federal level over the 2017-2019 biennium.

### **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. These are approved as part of the Midwest Transmission Expansion Projects or as Multi-Value Projects (MVPs). The transmission lines identified by the MVP studies are lines that are expected to have significant economic and reliability benefits to MISO customers. The significance of a transmission project being identified as an “MVP line” is that the cost of building the line will be allocated across the MISO footprint. Of particular importance to North Dakota are the Ellendale to Big Stone, the Big Stone to Brookings, and Brookings to Twin Cities MVP lines which now in service. ([www.misoenergy.org](http://www.misoenergy.org)).
- ***Southwest Power Pool Expansion*** - With the Western Area Power Administration (Western) and Basin Electric Power Cooperative (BEPC) joining the Southwest Power Pool (SPP), a FERC-approved Regional Transmission Organization (RTO), in 2015, infrastructure planning and cost sharing through SPP is available to these entities.
- ***MISO - SPP Coordinate System Plan*** – SPP and MISO are engaged in a seams study to develop transmission solutions that efficiently address identified seams issues. The

study includes locations near Grand Forks, ND. The other areas in the current study are not clearly impacting 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. Soon after taking office, President Donald Trump signed the Energy Independence Policy Executive Order effectively repealing the Environmental Protection Agency's Clean Power Plan and many other regulations impacting the energy industry. The Affordable Clean Energy plan has been issued as a replacement. This plan is more sensitive to fuel and plant designs while requiring improvements that will have a beneficial impact on emissions.
- ***Department of Energy Grid Study***- On April 14, 2017, Department of Energy Secretary Rick Perry directed the DOE to initiate a study to “explore critical issues central to protecting the long-term reliability of the electric grid.” In particular, Secretary Perry directed the Department to focus on the following issues:
  - a) The evolution of wholesale electricity markets, including the extent to which federal policy interventions and the changing nature of the electric fuel mix are challenging the original policy assumptions that shaped the creation of those markets;
  - b) Whether wholesale energy and capacity markets are adequately compensating attributes such as on-site fuel supply and other factors that strengthen grid resilience and, if not, the extent to which this could affect grid reliability in the future; and
  - c) The extent to which continuing regulatory burdens, mandates and tax and subsidy policies, are responsible for forcing the premature retirement of baseload power plants.

The Staff report was issued in August, 2017. The report examines the various generation resources on the grid from base load to variable intermittent resources. The report points out that in many parts of the country base load resources using coal are at an economic disadvantage to natural gas resources and that there is a need to compete in the market with variable intermittent resources such as wind and solar.

DOEs work is continuing with a Grid Modernization Initiative.

The Grid Modernization Initiative (GMI) works across the U.S. Department of Energy (DOE) to create the modern grid of the future. The GMI focuses on developing new architectural concepts, tools, and technologies that will better measure, analyze, predict, protect, and control the grid, as well as enable the institutional conditions that allow for rapid development and widespread adoption of these tools and technologies.

The variety of generation sources in ND are all valuable to the grid reliability and modernization.

- ***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.

## **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. Specific projects the Authority is working on include the following:

- **CapX2020** – All of the lines in the CapX2020 project have been completed and energized. The operation has resulted in less curtailment of generation from transmission congestion in North Dakota.
- **Basin Electric's Western North Dakota 345kV line** - In response to growth in western North Dakota related to oil and gas development, Basin Electric (BEPC) is operating the newly constructed 200-mile 345 kV line from the Antelope Valley Station (AVS) to the Neset Substation near Tioga, North Dakota. BEPC has also completed Phase I of the North Killdeer Loop. This portion consists of approximately 28-miles of 345kV line and two substations that tie into the AVS-Neset Line going west of Watford City. Phase II of the North Killdeer Loop is currently on-hold. BEPC and their members have continuing plans to serve loads in the Bakken area with additional build out from the 345KV system.
- **MVP project – 345kV lines from North Dakota to South Dakota to Minnesota** – Operation began on the Big Stone South to Ellendale (BSSE) MVP line. BSSE is a 150-175-mile transmission line from the Big Stone South substation to the Ellendale substation near Ellendale, North Dakota. Montana-Dakota Utilities Co. and Otter Tail Power Company jointly own the line.
- **Great River Energy High Voltage Direct Current (HVDC) Refurbishment** - GRE's 436 mile- HVDC line has provided 99 percent reliability since being put into service in 1978 and is now ready for many more years of reliable service. It transports power from the converter Station at Coal Creek Station in Underwood, N.D., to the Dickinson Converter station in Buffalo, MN. There, electric power is converted to alternating current and distributed within GRE's service territory in Minnesota. GRE refurbished the line and put it back in service in May 2019. The line is operating well and showing improved efficiency.
- **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. Most see Direct Current transmission as a viable option for North Dakota especially for getting additional renewable generation to market from North Dakota.

## **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 2019 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 has been noticeably rising. 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.

### **Resources and Publications Available**

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

## **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 2019 Legislative Session Related to the Industrial Commission’s oversight of the WAWS Industrial Sales**

No legislation was passed during the 2019 Legislative Session that impacts the role of the Industrial Commission as it relates to oversight of the WAWS industrial sales.

### **Key Responsibilities Added to or Deleted from the Commission’s Oversight of the WAWS Industrial Sales**

The 2017 Legislature authorized that an independent study be conducted of the feasibility and desirability of the sale or lease of the industrial water supply assets of the Western Area Water Supply Authority. That independent study was conducted by Stantec and is available in the Industrial Commission offices. The results of that study were presented to the Water Topics interim legislative committee.

### **Major Accomplishments and Activities**

The Industrial Commission named an advisory committee, chaired by State Engineer Garland Erbele, to recommend a firm to conduct the independent study authorized by the Legislature in Section 11 of House Bill 1020. The legislation directed that the study examine the feasibility of the sale or lease of the industrial water supply assets of WAWS and provide information regarding the financial impact to WAWS, its members and customers, the financial viability of WAWS and the options available to WAWS for debt servicing. Following the procurement process Stantec/Houston Engineering was selected to do the study. The advisory committee then met with Stantec/Houston Engineering officials on numerous occasions and the study was completed and presented to the Industrial Commission on June 5, 2018. The study was also presented to the Western Area Water Supply Authority Board of Directors and to the interim Water Topics Committee. A copy of the study is available in the Commission files.

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 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, 2019, there are 348 Ag PACE loans outstanding. The total principal outstanding is \$45,820,224 of which the Bank of North Dakota participates in \$16,281,786. The remaining amount of buydown interest to be paid by this Fund on these loans is \$2,722,041. There were 76 loans totaling \$13,153,322 made in the year ended June 30, 2019 and 40 loans totaling \$5,201,195 made during the year ended June 30, 2018. Loans funded in the year ended June 30, 2019 will require \$1,549,165 in buydown interest during the life of the loans. There are 11 pending loan commitments totaling \$1,330,500 as of June 30, 2019.

As of June 30, 2019, there were no interest buydown funds remaining for the 2017-2019 biennium. A total of \$2,212,467 was available for the 2017-2019 biennium as follows: \$2,000,000 legislative appropriation transfer from the Bank plus a carry forward from the 2015-2017 biennium of \$1,669,694 plus adjustments on Defaulted or Prepaid Loans of \$42,773 and a transfer of \$1,500,000 to the PACE Fund.

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 provides the Fund with adequate resources to meet its mission. The Fund may also use up to \$1,000,000 of this funding to assist farmers and livestock producers that have suffered recent disaster-related losses. For further information regarding the Ag PACE Fund contact the Bank.

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**AG PACE FUND  
BALANCE SHEETS  
JUNE 30, 2019 AND 2018**

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| <b>CURRENT ASSETS</b>   |                     |                     |
| Cash deposits at the Bank of North Dakota                           | \$ 164,133          | \$ 706,400          |
| Cash deposits at the Bank of North Dakota<br>for buydowns committed | <u>2,722,041</u>    | <u>1,941,841</u>    |
| Total assets  | <u>\$ 2,886,174</u> | <u>\$ 2,648,241</u> |
| <b>LIABILITIES AND FUND BALANCE</b>                                 |                     |                     |
| <b>LIABILITIES</b>  | <u>\$ -</u>         | <u>\$ -</u>         |
| <b>FUND BALANCE</b>   |                     |                     |
| Committed   | <u>2,886,174</u>    | <u>2,648,241</u>    |
| Total fund balance  | <u>2,886,174</u>    | <u>2,648,241</u>    |
| Total liabilities and fund balance                                  | <u>\$ 2,886,174</u> | <u>\$ 2,648,241</u> |

**AG PACE FUND****STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEARS ENDED JUNE 30, 2019 AND 2018**

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|                                 | <u>2019</u>         | <u>2018</u>         |
|---------------------------------|---------------------|---------------------|
| REVENUES                        | \$ -                | \$ -                |
| EXPENDITURES                    |                     |                     |
| Buydown interest                | <u>762,067</u>      | <u>852,389</u>      |
| EXPENDITURES OVER REVENUES      | (762,067)           | (852,389)           |
| OTHER FINANCING SOURCES (USES)  |                     |                     |
| Transfers in                    | 2,000,000           | -                   |
| Transfers out                   | <u>(1,000,000)</u>  | <u>(500,000)</u>    |
| NET CHANGE IN FUND BALANCE      | 237,933             | (1,352,389)         |
| FUND BALANCE, BEGINNING OF YEAR | <u>2,648,241</u>    | <u>4,000,630</u>    |
| FUND BALANCE, END OF YEAR       | <u>\$ 2,886,174</u> | <u>\$ 2,648,241</u> |

## **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 Direct 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. The interest rate will be fixed at one percent below the Bank of North Dakota’s then current base rate for the first five years of the loan with maximum interest rate of 6% and variable at one percent below the Bank’s then current base rate adjusted annually on the anniversary date. For the remaining period of the loan, interest may be charged at the Bank’s base rate

Currently 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 95 loans totaling \$26,142,000 made during 2018 with this program. These loans will require \$2,530,000 in buy down interest during the life of the loans. There were 62 loans totaling \$16,464,000 made during 2017, which will utilize \$1,572,000 in buydown interest during the life of the loans. As of December 31, 2018, there are currently 380 loans outstanding totaling \$98,432,000 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 74 loans totaling \$7,666,000 made during 2018 with this loan program, of which BND participated in \$3,930,000. These loans will utilize \$566,000 in buy down interest. There were 53 loans totaling \$5,101,000 made during 2017 with this program, of which BND participated in \$2,579,000. These loans will utilize \$401,000 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 \$5,548,000 as of December 31, 2018. There was a \$6,000,000 appropriation from BND's undivided profits for the biennium July 1, 2017 through June 30, 2019 for interest buy down purposes to beginning farmers, of which \$2,750,000 had been transferred to the Fund as of December 31, 2018. The Fund also received transfer of \$500,000 from the PACE Fund in November of 2017.

#### **Envest 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 (Envest) 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 Envest loans made during 2018 or 2017.

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/>

**BEGINNING FARMER REVOLVING LOAN FUND**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**  
(Dollars in Thousands)

|   | <u>2018</u>      | <u>2017</u>      |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| Current Assets  |                  |                  |
| Cash deposits at the Bank of North Dakota             | \$ 5,548         | \$ 5,707         |
| Prepaid interest, current portion                     | <u>2,449</u>     | <u>2,114</u>     |
| Total current assets                                  | <u>7,997</u>     | <u>7,821</u>     |
| Noncurrent Assets                                     |                  |                  |
| Prepaid interest                                      | <u>3,912</u>     | <u>3,622</u>     |
| Total noncurrent assets                               | <u>3,912</u>     | <u>3,622</u>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 | <u>-</u>         | <u>-</u>         |
| Total assets and deferred outflows                    | <u>\$ 11,909</u> | <u>\$ 11,443</u> |
| <b>LIABILITIES</b>                                    | <u>\$ -</u>      | <u>\$ -</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  | <u>-</u>         | <u>-</u>         |
| <b>NET POSITION</b>                                   |                  |                  |
| Unrestricted  | <u>11,909</u>    | <u>11,443</u>    |
| Total liabilities, deferred inflows, and net position | <u>\$ 11,909</u> | <u>\$ 11,443</u> |

**BEGINNING FARMER REVOLVING LOAN FUND**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
(Dollars in Thousands)

|                                       | <u>2018</u>      | <u>2017</u>      |
|---------------------------------------|------------------|------------------|
| OPERATING REVENUES                    | \$ -             | \$ -             |
| OPERATING EXPENSES                    |                  |                  |
| Buy-down interest                     | 2,283            | 2,193            |
| Other expenses                        | 6                | 6                |
|                                       | <u>2,289</u>     | <u>2,199</u>     |
| OPERATING LOSS                        | (2,289)          | (2,199)          |
| NONOPERATING REVENUES                 |                  |                  |
| Investment income                     | 5                | 3                |
| LOSS BEFORE TRANSFERS                 | <u>(2,284)</u>   | <u>(2,196)</u>   |
| TRANSFERS                             |                  |                  |
| Transfer from Bank of North Dakota    | 2,750            | 2,500            |
| Transfer from PACE                    | -                | 500              |
| TRANSFERS IN                          | <u>2,750</u>     | <u>3,000</u>     |
| CHANGE IN NET POSITION                | 466              | 804              |
| TOTAL NET POSITION, BEGINNING OF YEAR | <u>11,443</u>    | <u>10,639</u>    |
| TOTAL NET POSITION, END OF YEAR       | <u>\$ 11,909</u> | <u>\$ 11,443</u> |

## **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 2018. There was one new loan for \$1,575,000 made by the Fund in 2017. As of December 31, 2018, there are 51 loans outstanding. The gross amount of outstanding loans is \$21,344,000 with an allowance for loan losses of \$286,000, for net loans of \$21,058,000.

Cash available for investment in loans at the end of calendar year 2018 was \$14,005,000. There was no loan commitments outstanding as of December 31, 2018.

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

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**COMMUNITY WATER FACILITY LOAN FUND**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**  
(Dollars in Thousands)

|  | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|
| <b>ASSETS</b>  |                  |                  |
| Current Assets   |                  |                  |
| Cash deposits at the Bank of North Dakota                            | \$ 14,005        | \$ 12,628        |
| Loans, current portion   | 744              | 786              |
| Interest receivable  | <u>275</u>       | <u>281</u>       |
| Total current assets   | <u>15,024</u>    | <u>13,695</u>    |
| Noncurrent Assets  |                  |                  |
| Loans, net of allowance for loan losses<br>of \$286 in 2018 and 2017 | <u>20,314</u>    | <u>21,092</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                |                  |                  |
| Total assets and deferred outflows                                   | <u>\$ 35,338</u> | <u>\$ 34,787</u> |
| <b>LIABILITIES</b>   |                  |                  |
| Current Liabilities  |                  |                  |
| Due to the Bank of North Dakota                                      | <u>\$ 27</u>     | <u>\$ 28</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |                  |                  |
| <b>NET POSITION</b>  |                  |                  |
| Unrestricted   | <u>35,311</u>    | <u>34,759</u>    |
| Total liabilities, deferred inflows, and net position                | <u>\$ 35,338</u> | <u>\$ 34,787</u> |

**COMMUNITY WATER FACILITY LOAN FUND**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
(Dollars in Thousands)

|                                       | <u>2018</u>      | <u>2017</u>      |
|---------------------------------------|------------------|------------------|
| OPERATING REVENUES                    |                  |                  |
| Interest on loans                     | \$ 653           | \$ 667           |
| OPERATING EXPENSES                    |                  |                  |
| Administrative fees                   | 109              | 111              |
| Other expenses                        | 6                | 6                |
|                                       | <u>115</u>       | <u>117</u>       |
| OPERATING INCOME                      | 538              | 550              |
| NONOPERATING REVENUES                 |                  |                  |
| Interest on deposits                  | 14               | 6                |
| CHANGE IN NET POSITION                | 552              | 556              |
| TOTAL NET POSITION, BEGINNING OF YEAR | <u>34,759</u>    | <u>34,203</u>    |
| TOTAL NET POSITION, END OF YEAR       | <u>\$ 35,311</u> | <u>\$ 34,759</u> |

## **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 4 loans originated for \$32,838,000 with \$15,463,000 funds advanced on these loans during the year ended June 30, 2019. There were 22 loans originated for \$50,004,000 with \$20,650,000 funds advanced on these loans during the year ended June 30, 2018. As of June 30, 2019, the gross amount of outstanding loans is \$85,630,000 with an allowance for credit losses of \$1,070,000 for net loans of \$84,560,000. There were 7 loan commitments for \$38,955,000 as of June 30, 2019. Funds available for investment in loans as of June 30, 2019 were \$5,573,000.

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**INFRASTRUCTURE REVOLVING LOAN FUND**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**  
(Dollars in Thousands)

|   | <u>2019</u>      | <u>2018</u>      |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| Current Assets  |                  |                  |
| Cash and cash equivalents   | \$ 5,573         | \$ 11,203        |
| Loans, current portion  | 4,449            | 3,360            |
| Interest receivable   | <u>761</u>       | <u>551</u>       |
| Total current assets  | <u>10,783</u>    | <u>15,114</u>    |
| Noncurrent Assets   |                  |                  |
| Loans, net of allowance for credit losses<br>of \$1,070 in 2019 and \$826 in 2018 | <u>80,111</u>    | <u>50,889</u>    |
| Total assets  | <u>\$ 90,894</u> | <u>\$ 66,003</u> |
| <b>LIABILITIES</b>  |                  |                  |
| Current Liabilities   |                  |                  |
| Due to the Bank of North Dakota   | <u>\$ 97</u>     | <u>\$ 65</u>     |
| <b>NET POSITION</b>   |                  |                  |
| Unrestricted  | <u>90,797</u>    | <u>65,938</u>    |
| Total liabilities and net position  | <u>\$ 90,894</u> | <u>\$ 66,003</u> |

**INFRASTRUCTURE REVOLVING LOAN FUND**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(Dollars in Thousands)**

|                                       | <u>2019</u>      | <u>2018</u>      |
|---------------------------------------|------------------|------------------|
| OPERATING REVENUES                    |                  |                  |
| Interest on loans                     | <u>\$ 1,452</u>  | <u>\$ 784</u>    |
| OPERATING EXPENSES                    |                  |                  |
| Administrative fees                   | 362              | 194              |
| Other expenses                        | 6                | 6                |
| Provision for credit loss             | <u>244</u>       | <u>575</u>       |
| Total Operating Expenses              | <u>612</u>       | <u>775</u>       |
| OPERATING INCOME                      | 840              | 9                |
| NONOPERATING REVENUES                 |                  |                  |
| Investment income                     | <u>19</u>        | <u>9</u>         |
| INCOME BEFORE TRANSFERS               | 859              | 18               |
| TRANSFERS IN                          |                  |                  |
| Transfers from Bank of North Dakota   | <u>24,000</u>    | <u>16,000</u>    |
| CHANGE IN NET POSITION                | 24,859           | 16,018           |
| TOTAL NET POSITION, BEGINNING OF YEAR | <u>65,938</u>    | <u>49,920</u>    |
| TOTAL NET POSITION, END OF YEAR       | <u>\$ 90,797</u> | <u>\$ 65,938</u> |

## **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 were no loans made by the Fund during the year ended June 30, 2019 and there was \$1,922,000 advanced on loans originated in prior years. There were no loans made by the Fund during the year ending June 30, 2018. As of June 30, 2019, the gross amount of outstanding loans is \$45,619,000 with an allowance for loan losses of \$1,026,000 for net loans of \$44,593,000.

There were no pending loan commitments as of June 30, 2019. The entire \$50,000,000 Fund has been committed. Funds available for investment in loans for the year ended June 30, 2019 were \$5,343,000.

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**MEDICAL FACILITY INFRASTRUCTURE LOAN FUND**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**  
(Dollars in Thousands)

|   | <u>2019</u>      | <u>2018</u>      |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| Current Assets  |                  |                  |
| Cash and cash equivalents   | \$ 5,343         | \$ 5,418         |
| Loans, current portion  | 1,812            | 1,710            |
| Interest receivable   | 25               | 25               |
| Total current assets  | <u>7,180</u>     | <u>7,153</u>     |
| Noncurrent Assets   |                  |                  |
| Loans, net of allowance for loan losses<br>of \$1,026 in 2019 and \$1,020 in 2018 | <u>42,781</u>    | <u>42,582</u>    |
| Total assets and deferred outflows  | <u>\$ 49,961</u> | <u>\$ 49,735</u> |
| <b>LIABILITIES</b>  |                  |                  |
| Current Liabilities   |                  |                  |
| Due to the Bank of North Dakota   | <u>\$ 57</u>     | <u>\$ 57</u>     |
| <b>NET POSITION</b>   |                  |                  |
| Unrestricted  | <u>49,904</u>    | <u>49,678</u>    |
| Total liabilities, deferred inflows and net position                              | <u>\$ 49,961</u> | <u>\$ 49,735</u> |

**MEDICAL FACILITY INFRASTRUCTURE LOAN FUND**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
(Dollars in Thousands)

|                                       | <u>2019</u>             | <u>2018</u>             |
|---------------------------------------|-------------------------|-------------------------|
| OPERATING REVENUES                    |                         |                         |
| Interest on loans                     | <u>\$ 458</u>           | <u>\$ 433</u>           |
| OPERATING EXPENSES                    |                         |                         |
| Administrative fees                   | 228                     | 216                     |
| Other expenses                        | 6                       | 6                       |
| Provision for loan loss               | <u>6</u>                | <u>129</u>              |
| OPERATING INCOME                      | 218                     | 82                      |
| NONOPERATING REVENUES                 |                         |                         |
| Investment income                     | <u>8</u>                | <u>5</u>                |
| CHANGE IN NET POSITION                | 226                     | 87                      |
| TOTAL NET POSITION, BEGINNING OF YEAR | <u>49,678</u>           | <u>49,591</u>           |
| TOTAL NET POSITION, END OF YEAR       | <u><u>\$ 49,904</u></u> | <u><u>\$ 49,678</u></u> |

## **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.

### *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 2018 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 fifteen months ending December 31, 2018 were \$170 million compared to \$193 million during the fiscal year ending September 30, 2017.

Alternative Loan Fund guarantees outstanding at December 31, 2018 totaled \$1.171 billion compared to \$1,133 billion at September 30, 2017.

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

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**NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND SEPTEMBER 30, 2017**

|   | <u>December 31,<br/>2018</u> | <u>September 30,<br/>2017</u> |
|---|------------------------------|-------------------------------|
| <b>ASSETS</b>   |                              |                               |
| Cash and cash equivalents                                       |                              |                               |
| Unrestricted  | \$ 42,124,746                | \$ 45,230,383                 |
| Restricted  | 131,595                      | 167,900                       |
| Receivables   |                              |                               |
| Administrative fee  | <u>773,515</u>               | <u>236,925</u>                |
| Total assets  | <u>43,029,856</u>            | <u>45,635,208</u>             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           | <u>-</u>                     | <u>-</u>                      |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>                       | <u>\$ 43,029,856</u>         | <u>\$ 45,635,208</u>          |
| <b>LIABILITIES</b>  |                              |                               |
| <b>CURRENT LIABILITIES</b>                                      |                              |                               |
| Due to BND  | \$ 126,149                   | \$ 71,880                     |
| Payable to lenders  | 602,189                      | 944,062                       |
| Allowance for future credit losses                              | 4,356,000                    | 3,915,000                     |
| Estimated future refunds<br>of default aversion fees            | <u>131,595</u>               | <u>167,900</u>                |
| Total current liabilities                                       | <u>5,215,933</u>             | <u>5,098,842</u>              |
| <b>NONCURRENT LIABILITIES</b>                                   |                              |                               |
| Allowance for future credit losses                              | <u>18,273,765</u>            | <u>20,579,359</u>             |
| Total liabilities   | <u>23,489,698</u>            | <u>25,678,201</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            | <u>-</u>                     | <u>-</u>                      |
| <b>NET POSITION - UNRESTRICTED</b>                              | <u>19,540,158</u>            | <u>19,957,007</u>             |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>AND NET POSITION</b> | <u>\$ 43,029,856</u>         | <u>\$ 45,635,208</u>          |

**NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FIFTEEN MONTHS ENDED DECEMBER 31, 2018 AND YEAR ENDED SEPTEMBER 30, 2017**

|  | <u>December 31,<br/>2018</u> | <u>September 30,<br/>2017</u> |
|--|------------------------------|-------------------------------|
| <b>OPERATING REVENUES</b>                      |                              |                               |
| Administrative fee                             | \$ 7,082,440                 | \$ 2,557,876                  |
| Grant income                                   | -                            | 48,327                        |
| Referral income                                | <u>28,850</u>                | <u>23,150</u>                 |
|  | <u>7,111,290</u>             | <u>2,629,353</u>              |
| <b>OPERATING EXPENSES</b>                      |                              |                               |
| Service and administrative expense             | 829,087                      | 1,594,768                     |
| Grant expenditures                             | -                            | 48,327                        |
| Credit loss expense                            | <u>6,750,000</u>             | <u>6,439,510</u>              |
|  | <u>7,579,087</u>             | <u>8,082,605</u>              |
| <b>OPERATING LOSS</b>                          | (467,797)                    | (5,453,252)                   |
| <b>NONOPERATING REVENUES</b>                   |                              |                               |
| Interest income                                | <u>50,948</u>                | <u>28,735</u>                 |
| <b>LOSS BEFORE OPERATING TRANSFERS</b>         | <u>(416,849)</u>             | <u>(5,424,517)</u>            |
| <b>OPERATING TRANSFERS</b>                     |                              |                               |
| Transfer from North Dakota Student Loan Trust  | <u>-</u>                     | <u>10,000,000</u>             |
| <b>CHANGE IN NET POSITION</b>                  | (416,849)                    | 4,575,483                     |
| <b>TOTAL NET POSITION, BEGINNING OF PERIOD</b> | <u>19,957,007</u>            | <u>15,381,524</u>             |
| <b>TOTAL NET POSITION, END OF PERIOD</b>       | <u>\$ 19,540,158</u>         | <u>\$ 19,957,007</u>          |

## 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. As of June 30, 2019, there are 86 PACE loans outstanding. The total principal outstanding is \$47,053,711. There were 20 loans totaling \$57,465,726 made in 2018 and 2019. These loans will require \$5,017,314 in buydown interest during the life of the loans. There are 4 loan commitments outstanding as of June 30, 2019 that total \$7,851,358 and will use \$1,251,122 of interest buydown.

Flex PACE loans are made by a lead financial institution in participation with the Bank. As of June 30, 2019, there are 673 Flex PACE loans outstanding. The total principal outstanding is \$185,050,250. There were 226 loans totaling \$130,978,498 made during 2018 and 2019. These loans will require \$15,289,584 in buydown interest during the life of the loans. There are 42 loan commitments outstanding as of June 30, 2019 that total \$30,745,642 and will use \$5,250,671 of interest buydown.

BioFuels PACE loans are made by a lead financial institution in participation with the Bank. As of June 30, 2019, there are 64 BioFuels PACE loans outstanding. The total principal outstanding is \$9,860,333. There were 19 loans totaling \$7,097,824 made during 2018 and 2019. These loans will require \$1,936,341 in buydown interest during the life of the loans. There are 2 loan commitments outstanding as of June 30, 2019 that totals \$905,000 and will use \$313,764 of interest buydown.

Medical PACE loans are made by a lead financial institution in participation with the Bank. As of June 30, 2019, there are 2 Medical PACE loans outstanding. The total principal outstanding is \$10,184,591. There were no loans made during 2018 and 2019. There is 1 loan commitment outstanding as of June 30, 2019 that totals \$5,000,000 and will use \$2,076,583 of interest buydown.

As of June 30, 2019, \$0 is available of PACE interest buydown; \$1,272,880 is available for Flex PACE interest buydown; \$0 is available for BioFuels PACE interest buydown and \$371,014 is available for Medical PACE interest buydown.

The 2017 Legislature approved the following appropriations and transfers from the PACE programs during the biennium July 1, 2017 through June 30, 2019 as follows:

|      |             |   |
|------|-------------|---|
| PACE | \$6,000,000 | Legislative Appropriation transfer from BND |
|      | 5,121,585   | Carry Forward from Previous Allocation      |
|      | (7,250,000) | Transfer to Flex PACE                       |
|      | 1,000,000   | Net Transfers from Beginning Farmer         |

|           |                   |  |
|-----------|-------------------|--|
|           | 1,500,000         | Transfer from Ag PACE                                    |
|           | <u>125,315</u>    | Adjustments on Defaulted or Prepaid PACE Loans           |
|           | \$6,496,900       |  |
| Flex PACE | \$10,000,000      | Legislative Appropriation transfer from BND              |
|           | 7,250,000         | Transfer from PACE                                       |
|           | (250,000)         | Transfer to Biofuels PACE                                |
|           | 3,943,471         | Carry Forward from Previous Allocation                   |
|           | <u>1,096,248</u>  | Adjustments on Defaulted or Prepaid Flex PACE Loans      |
|           | \$22,039,719      |  |
| BioFuels  | \$1,000,000       | Legislative Appropriation transfer from BND              |
|           | 250,000           | Transfer from Flex PACE                                  |
|           | 714,447           | Carry Forward from Previous Allocation                   |
|           | <u>204,739</u>    | Adjustments on Defaulted or Prepaid Biofuels PACE :Loans |
|           | \$2,169,186       |  |
| Medical   | \$ 0              | Legislative Appropriation transfer from BND              |
|           | <u>10,249,622</u> | Carryforward from Previous Allocation                    |
|           | \$10,249,622      |  |

During the year ended June 30, 2019, the Bank of North Dakota transferred \$4,750,000 to PACE, \$5,500,000 to Flex PACE, and \$900,000 to Biofuels PACE from its current earnings and undivided profits. Additional transfers were made throughout the year, including \$3,250,000 from PACE to Flex PACE, \$1,500,000 from the Beginning Farmer Revolving Loan Fund to PACE, and \$1,000,000 from Ag PACE to PACE.

During the year ended June 30, 2018, the Bank transferred \$1,250,000 to PACE, \$4,500,000 to Flex PACE, and \$100,000 to Biofuels PACE from its current earnings and undivided profits. Additional transfers were made throughout the year, including \$4,000,000 from PACE to Flex PACE, \$500,000 from PACE to Beginning Farmer, \$500,000 from Ag PACE to PACE, and \$250,000 from Flex PACE to Biofuels PACE.

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

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**PACE FUND  
BALANCE SHEETS  
JUNE 30, 2019 AND 2018**

|   | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                             |                      |                      |
| <b>CURRENT ASSETS</b>                     |                      |                      |
| Cash deposits at the Bank of North Dakota | <u>\$ 59,263,652</u> | <u>\$ 55,227,208</u> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                      |                      |
| <b>LIABILITIES</b>                        |                      |                      |
| Accrued interest payable                  | <u>\$ 825,250</u>    | <u>\$ 745,576</u>    |
| <b>FUND BALANCE</b>                       |                      |                      |
| Committed for interest buydown            | 57,330,738           | 51,269,529           |
| Committed for future interest buydown     | <u>1,107,664</u>     | <u>3,212,103</u>     |
| Total fund balance                        | <u>58,438,402</u>    | <u>54,481,632</u>    |
| Total liabilities and fund balance        | <u>\$ 59,263,652</u> | <u>\$ 55,227,208</u> |

**PACE FUND****STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEARS ENDED JUNE 30, 2019 AND 2018**

|   | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
| REVENUES                                  |                      |                      |
| Interest income                           | \$ 289,451           | \$ 200,321           |
| EXPENDITURES                              |                      |                      |
| Buydown interest                          | <u>9,982,681</u>     | <u>9,022,369</u>     |
| EXPENDITURES OVER REVENUES                | (9,693,230)          | (8,822,048)          |
| OTHER FINANCING SOURCES                   |                      |                      |
| Transfers in, net of interfund transfers  | 13,650,000           | 6,350,000            |
| Transfers out, net of interfund transfers | <u>-</u>             | <u>(500,000)</u>     |
| NET CHANGE IN FUND BALANCE                | 3,956,770            | (2,972,048)          |
| FUND BALANCE, BEGINNING OF YEAR           | <u>54,481,632</u>    | <u>57,453,680</u>    |
| FUND BALANCE, END OF YEAR                 | <u>\$ 58,438,402</u> | <u>\$ 54,481,632</u> |

## **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 is open until September 30, 2020. As of June 30, 2019 there are no outstanding applications.

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 no new loans made by the Program during fiscal years 2019 and 2018. There were no loans pending as of June 30, 2019.

As of June 30, 2019, there are 1,206 loans outstanding. The gross amount of outstanding loans is \$26,589,036 with an allowance for credit losses of \$2,658,900 for net loans of \$23,930,136. As of June 30, 2018, the gross amount of outstanding loans was \$29,768,745 with an allowance for credit losses of \$2,977,000 for net loans of \$26,791,745.

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**REBUILDERS LOAN PROGRAM**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

|   | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>CURRENT ASSETS</b>   |                      |                      |
| Cash deposits at the Bank of North Dakota   | \$ 742,345           | \$ 596,806           |
| Loans, current portion  | 1,874,109            | 1,894,096            |
| Interest receivable   | 24,653               | 26,131               |
| Total current assets  | <u>2,641,107</u>     | <u>2,517,033</u>     |
| <b>NONCURRENT ASSETS</b>  |                      |                      |
| Loans, net of allowance for credit losses<br>of \$2,658,900 in 2019 and \$2,977,000 in 2018 | <u>22,056,027</u>    | <u>24,897,649</u>    |
| Total noncurrent assets   | <u>22,056,027</u>    | <u>24,897,649</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                      |                      |
| Total assets and deferred outflows  | <u>\$ 24,697,134</u> | <u>\$ 27,414,682</u> |
| <b>LIABILITIES</b>  |                      |                      |
| <b>CURRENT LIABILITIES</b>  |                      |                      |
| Due to the Bank of North Dakota   | \$ 1,885,390         | \$ 1,900,235         |
| Service fee payable   | 7,262                | 8,582                |
| Total current liabilities   | <u>1,892,652</u>     | <u>1,908,817</u>     |
| <b>NONCURRENT LIABILITIES</b>   |                      |                      |
| Due to the Bank of North Dakota   | 7,450,212            | 10,338,246           |
| Due to the State of North Dakota General Fund   | <u>15,153,282</u>    | <u>14,952,271</u>    |
| Total noncurrent liabilities  | <u>22,603,494</u>    | <u>25,290,517</u>    |
| Total liabilities   | <u>24,496,146</u>    | <u>27,199,334</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                      |
|   | -                    | -                    |
| <b>NET POSITION - UNRESTRICTED</b>  |                      |                      |
|   | <u>200,988</u>       | <u>215,348</u>       |
| Total liabilities, deferred inflows and net position  | <u>\$ 24,697,134</u> | <u>\$ 27,414,682</u> |

**REBUILDERS LOAN PROGRAM****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
YEARS ENDED JUNE 30, 2019 AND 2018**

|  | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
| OPERATING REVENUES                                 |                   |                   |
| Interest on loans                                  | <u>\$ 277,825</u> | <u>\$ 313,414</u> |
| OPERATING EXPENSES                                 |                   |                   |
| Service fees                                       | 277,087           | 312,266           |
| Other expenses                                     | 14,253            | 11,511            |
| Provision for credit loss                          | <u>(199,745)</u>  | <u>(215,211)</u>  |
|  | <u>91,595</u>     | <u>108,566</u>    |
| OPERATING INCOME                                   | 186,230           | 204,848           |
| NONOPERATING REVENUES                              |                   |                   |
| Investment Income                                  | <u>421</u>        | <u>154</u>        |
| NONOPERATING EXPENSES                              |                   |                   |
| Reinstatement of debt expense - State General Fund | <u>(201,011)</u>  | <u>(136,486)</u>  |
| NONOPERATING LOSS                                  | <u>(200,590)</u>  | <u>(136,332)</u>  |
| CHANGE IN NET POSITION                             | (14,360)          | 68,516            |
| TOTAL NET POSITION, BEGINNING OF YEAR              | <u>215,348</u>    | <u>146,832</u>    |
| TOTAL NET POSITION, END OF YEAR                    | <u>\$ 200,988</u> | <u>\$ 215,348</u> |

## **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.

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 three loans originated for \$21,700,000 with \$14,472,000 advanced on these loans as well as \$20,426,000 in loan purchases from the Bank as authorized by Senate Bill 2272 during the year ended June 30, 2019. There were four loans originated for \$32,255,000 were \$4,929,000 advanced and \$19,474,000 in loan purchases from the Bank during the year ended June 30, 2018. There were five loan commitments for \$38,910,000 as of June 30, 2019.

Funds available for investment in loans as of June 30, 2019 were \$34,467,000.

As of June 30, 2019, there were 33 loans outstanding totaling \$197,638,000 with an allowance for loan losses of \$2,273,000 for net loans of \$195,365,000. As of June 30, 2018, there were 25 loans outstanding totaling \$152,524,000 with an allowance for loans losses of \$1,754,000 for net loans of \$150,770,000.

Senate Bill 2272 of the 2017 North Dakota Legislature states that the Office of Management and Budget shall transfer the sum of \$75,000,000 from the Foundation Aid Stabilization Fund to the Fund during the period beginning August 1, 2017 and ending June 30, 2019. Of that \$75,000,000 transferred to the Fund, up to \$50,000,000 must be used to purchase existing loans originated by the Bank under Section 15.1-36-06. The remaining amount transferred to the Fund is available for new school construction loans. The sum of \$75,000,000 was transferred from the Foundation Aid Stabilization Fund to the Fund in September 2017.

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**SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**  
**(Dollars in Thousands)**

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Current Assets  |                   |                   |
| Cash and cash equivalents   | \$ 34,467         | \$ 77,817         |
| Loans, current portion  | 12,591            | 8,983             |
| Interest receivable   | 791               | 335               |
| Total current assets  | <u>47,849</u>     | <u>87,135</u>     |
| Noncurrent Assets   |                   |                   |
| Loans, net of allowance for loan losses<br>of \$2,273 in 2019 and \$1,754 in 2018 | <u>182,774</u>    | <u>141,787</u>    |
| Total noncurrent assets   | <u>182,774</u>    | <u>141,787</u>    |
| Total assets  | <u>230,623</u>    | <u>228,922</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                   |                   |
| Total assets and deferred outflows  | <u>\$ 230,623</u> | <u>\$ 228,922</u> |
| <b>LIABILITIES</b>  |                   |                   |
| Due to the Bank of North Dakota   | <u>\$ 247</u>     | <u>\$ 194</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                   |                   |
| -   | <u>-</u>          | <u>-</u>          |
| <b>NET POSITION</b>   |                   |                   |
| Unrestricted  | <u>230,376</u>    | <u>228,728</u>    |
| Total liabilities, deferred inflows and net position                              | <u>\$ 230,623</u> | <u>\$ 228,922</u> |

**SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**YEARS ENDED JUNE 30, 2019 AND 2018**  
**(Dollars in Thousands)**

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| OPERATING REVENUES                              |                   |                   |
| Interest on loans                               | <u>\$ 3,015</u>   | <u>\$ 2,282</u>   |
| OPERATING EXPENSES                              |                   |                   |
| Administrative fees                             | 908               | 737               |
| Other expenses                                  | 9                 | 8                 |
| Provision for loan loss                         | <u>519</u>        | <u>191</u>        |
| OPERATING INCOME                                | 1,579             | 1,346             |
| NONOPERATING REVENUES                           |                   |                   |
| Investment income                               | <u>69</u>         | <u>53</u>         |
| INCOME BEFORE TRANSFERS                         | 1,648             | 1,399             |
| TRANSFERS IN                                    |                   |                   |
| Transfer from Foundation Aid Stabilization Fund | <u>-</u>          | <u>75,000</u>     |
| CHANGE IN NET POSITION                          | 1,648             | 76,399            |
| TOTAL NET POSITION, BEGINNING OF YEAR           | <u>228,728</u>    | <u>152,329</u>    |
| TOTAL NET POSITION, END OF YEAR                 | <u>\$ 230,376</u> | <u>\$ 228,728</u> |

## **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 addiction 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 was one loan totaling \$7,500 made by the Program for the year ended June 30, 2019, compared to nine loans totaling \$60,000 for the year ended June 30, 2018. There were no pending applications as of June 30, 2019. At June 30, 2019, the gross amount of outstanding loans was \$116,895 with an allowance for loan losses of \$6,435 for net loans of \$110,460.

Funds available for investment in loans for the year ended June 30, 2019 were \$79,910.

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**ADDICTION COUNSELOR INTERNSHIP LOAN PROGRAM**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

|  | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| Current Assets   |                   |                   |
| Cash and cash equivalents  | \$ 79,910         | \$ 67,193         |
| Loans, current portion   | 9,978             | 8,951             |
| Interest receivable  | <u>1,081</u>      | <u>1,445</u>      |
| Total current assets   | <u>90,969</u>     | <u>77,589</u>     |
| Noncurrent Assets  |                   |                   |
| Loans, net of allowance for loan losses of<br>\$6,435 in 2019 and 2018 | <u>100,482</u>    | <u>113,317</u>    |
| Total assets   | <u>191,451</u>    | <u>190,906</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                  |                   |                   |
|  | <u>-</u>          | <u>-</u>          |
| Total assets and deferred outflows                                     | <u>\$ 191,451</u> | <u>\$ 190,906</u> |
| <b>LIABILITIES</b>   |                   |                   |
|  | <u>\$ -</u>       | <u>\$ -</u>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                   |                   |
|  | <u>-</u>          | <u>-</u>          |
| <b>NET POSITION</b>  |                   |                   |
| Unrestricted   | <u>191,451</u>    | <u>190,906</u>    |
| Total liabilities, deferred inflows and net position                   | <u>\$ 191,451</u> | <u>\$ 190,906</u> |

**ADDICTION COUNSELOR INTERNSHIP LOAN PROGRAM**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

|                                       | <u>2019</u>       | <u>2018</u>       |
|---------------------------------------|-------------------|-------------------|
| OPERATING REVENUES                    |                   |                   |
| Interest on loans                     | <u>\$ 6,128</u>   | <u>\$ 4,550</u>   |
| OPERATING EXPENSES                    |                   |                   |
| Audit expenses                        | 5,700             | 5,683             |
| Provision for loan loss               | <u>-</u>          | <u>2,035</u>      |
| OPERATING INCOME/(LOSS)               | 428               | (3,168)           |
| NONOPERATING REVENUES                 |                   |                   |
| Investment income                     | <u>117</u>        | <u>64</u>         |
| CHANGE IN NET POSITION                | 545               | (3,104)           |
| TOTAL NET POSITION, BEGINNING OF YEAR | <u>190,906</u>    | <u>194,010</u>    |
| TOTAL NET POSITION, END OF YEAR       | <u>\$ 191,451</u> | <u>\$ 190,906</u> |