
AGENCY OVERVIEW

471 BANK OF NORTH DAKOTA

Date: 12/13/2006

Time: 10:27:52

STATUTORY AUTHORITY

North Dakota Century Code Chapter 6.09.

AGENCY DESCRIPTION

The Bank of North Dakota serves as the development bank for agriculture, commerce, and industry in North Dakota. The strategic objectives of the Bank include the finance, expansion and diversification of the state's economy and jobs; maintaining the capital strength and financial integrity of the Bank; generating a consistent financial return to the state of North Dakota; and delivering first class customer service.

AGENCY MISSION

Bank of North Dakota's mission is to deliver quality, sound financial services that promote agriculture, commerce, and industry in North Dakota.

AGENCY PERFORMANCE MEASURES

In meeting BND's performance, there are three areas that we believe should be monitored: Financial performance, achieving BND's mission, and meeting legislative expectations.

1. Financial Performance - The Department of Financial Institutions(DFI) evaluates the safety and soundness of banks utilizing the "CAMELS" rating system. CAMELS is an acronym standing for: Capital, Asset Quality, Management, Earnings, Liquidity and funds management, and Sensitivity.
2. Meeting the Mission - To deliver quality, sound financial services that promote agriculture, commerce, and industry. We measure our success in achieving our mission by the quality and usage of our programs.
3. Meeting Legislative expectations - ND legislature has two distinct expectations of BND. They expect that BND will continue to be a major player in the economic evolution of the State of North Dakota and that BND will be a significant source of revenue for the State's General Fund. We believe that if we meet our mission and financial performance objectives, we will fulfill the expectations of the legislature.

Performance Measurement Tools:

Return on Average Assets: The target for BND for 2006 is 1.93%. Return on assets for 2005, 2004, and 2003 were 1.84%, 1.77%, and 1.63%.

Return on Average Equity: The target for BND for 2006 is 23.23%. Return on average equity for 2005, 2004, and 2003 were 22.94%, 22.14%, and 20.74%.

Leverage Ratio: The target for BND is 8.05%. Leverage ratio for 2005, 2004, and 2003 were 8.34%, 7.89% and 8.09%.

Review utilization of business and farm loan programs.

MAJOR ACCOMPLISHMENTS

Developed partnerships that deliver quality programs and services to expand the economy of North Dakota through innovative programs to add value to the state and help build a variety of areas including agriculture, small business, economic development and education.

Worked with private financial institutions and business owners to create programs that, in 2005, funded 190 businesses and industrial projects.

The loan portfolio grew by approximately \$11 million in 2005 to \$1.47 billion, which is important due to the fact that BND sold approximately \$66 million in student loans to the Student Loan Trust. BND has a diverse and stable loan portfolio with commercial loans accounting for 30 percent, student loans 31 percent, residential loans 23 percent and agriculture making up the remaining 16 percent.

Maintained the strength and financial integrity of the bank as demonstrated on December 31, 2005 financial statements. BND was well-capitalized with a tier one leverage ratio of 8.34% and primary capital (capital plus loan loss reserve) of 9.26%.

Generated a consistent return to the state of North Dakota for the 2005 year ending with a stable performance and net income of \$36.4 million. A return on average assets of 1.84% was earned and the return on average equity of 22.9%, compared to 1.77% and 22.1% in 2004.

Provided a culture that develops people and is a model of efficient business and government.

FUTURE CRITICAL ISSUES

Costs to continue include salaries and ConnectND charges.

REQUEST SUMMARY

471 BANK OF NORTH DAKOTA

Biennium: 2007-2009

Bill#: HB 1014

Date: 12/13/2006

Time: 10:27:52

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
BY MAJOR PROGRAM					
BANK OF NORTH DAKOTA OPERATIONS	38,301,808	51,475,075	-7,815,872	43,659,203	3,725,000
TOTAL MAJOR PROGRAMS	38,301,808	51,475,075	-7,815,872	43,659,203	3,725,000
BY LINE ITEM					
SALARIES AND WAGES	16,076,541	17,802,410	1,109,793	18,912,203	0
OPERATING EXPENSES	10,882,986	11,425,665	1,871,335	13,297,000	0
CAPITAL ASSETS	821,067	11,272,000	-9,372,000	1,900,000	0
CONTINGENCY	2,446,214	1,700,000	0	1,700,000	0
PACE FUND	5,700,000	5,700,000	0	5,700,000	2,300,000
AGRICULTURE PACE PROG.	1,425,000	1,425,000	-1,425,000	0	1,425,000
BEGINNING FARMER PROG.	950,000	950,000	0	950,000	0
BIODIESEL PACE PROG.	0	1,200,000	0	1,200,000	0
TOTAL LINE ITEMS	38,301,808	51,475,075	-7,815,872	43,659,203	3,725,000
BY FUNDING SOURCE					
GENERAL FUND	8,075,000	6,900,000	0	6,900,000	3,725,000
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	30,226,808	44,575,075	-7,815,872	36,759,203	0
TOTAL FUNDING SOURCE	38,301,808	51,475,075	-7,815,872	43,659,203	3,725,000
TOTAL FTE	178.50	178.50	-2.00	176.50	.00

REQUEST DETAIL

Date: 12/13/2006

471 BANK OF NORTH DAKOTA

Bill#: HB 1014

Time: 10:27:52

Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
SALARIES AND WAGES					
SALARIES - PERMANENT	11,815,827	12,808,178	854,942	13,663,120	0
TEMPORARY SALARIES	134,223	240,000	200,000	440,000	0
OVERTIME	151,389	0	0	0	0
FRINGE BENEFITS	3,975,102	4,754,232	54,851	4,809,083	0
SALARY INCREASE	0	0	0	0	0
BENEFIT INCREASE	0	0	0	0	0
TOTAL	16,076,541	17,802,410	1,109,793	18,912,203	0
SALARIES AND WAGES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	16,076,541	17,802,410	1,109,793	18,912,203	0
TOTAL	16,076,541	17,802,410	1,109,793	18,912,203	0
OPERATING EXPENSES					
TRAVEL	269,226	306,000	0	306,000	0
SUPPLIES - IT SOFTWARE	1,214,963	302,040	107,960	410,000	0
SUPPLY/MATERIAL-PROFESSIONAL	51,348	45,000	0	45,000	0
OFFICE SUPPLIES	571,899	530,665	237,335	768,000	0
POSTAGE	1,573,785	1,650,440	-650,440	1,000,000	0
IT EQUIP UNDER \$5,000	354,598	160,080	89,920	250,000	0
OTHER EQUIP UNDER \$5,000	0	40,000	935,000	975,000	0
UTILITIES	200,594	225,000	55,000	280,000	0
INSURANCE	82,614	75,000	20,000	95,000	0
RENTALS/LEASES-EQUIP & OTHER	171,145	60,000	46,000	106,000	0
REPAIRS	437,770	350,000	156,000	506,000	0
IT - DATA PROCESSING	1,382,013	2,750,000	750,000	3,500,000	0
IT-COMMUNICATIONS	338,208	462,360	2,640	465,000	0
IT CONTRACTUAL SERVICES AND RE	1,422,436	2,085,080	-235,080	1,850,000	0
PROFESSIONAL DEVELOPMENT	407,906	500,000	0	500,000	0
OPERATING FEES AND SERVICES	602,296	485,000	357,000	842,000	0
FEES - PROFESSIONAL SERVICES	1,802,185	1,399,000	0	1,399,000	0
TOTAL	10,882,986	11,425,665	1,871,335	13,297,000	0

REQUEST DETAIL471 BANK OF NORTH DAKOTA
Biennium: 2007-2009

Bill#: HB 1014

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Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
OPERATING EXPENSES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	10,882,986	11,425,665	1,871,335	13,297,000	0
TOTAL	10,882,986	11,425,665	1,871,335	13,297,000	0
CAPITAL ASSETS					
LAND AND BUILDINGS	0	11,000,000	-10,900,000	100,000	0
EQUIPMENT OVER \$5000	821,067	90,000	310,000	400,000	0
IT EQUIPMENT OVER \$5000	0	182,000	1,218,000	1,400,000	0
TOTAL	821,067	11,272,000	-9,372,000	1,900,000	0
CAPITAL ASSETS					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	821,067	11,272,000	-9,372,000	1,900,000	0
TOTAL	821,067	11,272,000	-9,372,000	1,900,000	0
SPECIAL LINES					
CONTINGENCY	2,446,214	1,700,000	0	1,700,000	0
PACE FUND	5,700,000	5,700,000	0	5,700,000	2,300,000
AGRICULTURE PACE PROG.	1,425,000	1,425,000	-1,425,000	0	1,425,000
BEGINNING FARMER PROG.	950,000	950,000	0	950,000	0
BIODIESEL PACE PROG.	0	1,200,000	0	1,200,000	0
BIOFUELS PACE FUND	0	0	0	0	0
TOTAL	10,521,214	10,975,000	-1,425,000	9,550,000	3,725,000
SPECIAL LINES					
GENERAL FUND	8,075,000	6,900,000	0	6,900,000	3,725,000
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	2,446,214	4,075,000	-1,425,000	2,650,000	0
TOTAL	10,521,214	10,975,000	-1,425,000	9,550,000	3,725,000
FUNDING SOURCES					
GENERAL FUND	8,075,000	6,900,000	0	6,900,000	3,725,000
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	30,226,808	44,575,075	-7,815,872	36,759,203	0
TOTAL FUNDING SOURCES	38,301,808	51,475,075	-7,815,872	43,659,203	3,725,000

CHANGE PACKAGE SUMMARY

471 BANK OF NORTH DAKOTA

Biennium: 2007-2009

Bill#: HB 1014

Date: 12/13/2006

Time: 10:27:52

Description	FTE	General Fund	Federal Funds	Special Funds	Total Funds
AGENCY BUDGET CHANGES					
Cost To Continue	-2.00	0	0	-10,162,207	-10,162,207
1 Increase in IT licensing and supply needs	.00	0	0	107,960	107,960
2 Change in supply needs	.00	0	0	237,335	237,335
3 Decrease in check clearing courier services	.00	0	0	-650,440	-650,440
4 Replacement of IT equipment	.00	0	0	1,400,000	1,400,000
5 Electricity for 2 facilities for a period of time	.00	0	0	55,000	55,000
6 Maintaining 2 facilities for a period of time	.00	0	0	156,000	156,000
7 Changes related to core banking software conversion	.00	0	0	-235,080	-235,080
8 Increase marketing efforts	.00	0	0	357,000	357,000
9 Equipment for new building	.00	0	0	400,000	400,000
10 Landscaping for new facility	.00	0	0	100,000	100,000
11 Increased insurance costs	.00	0	0	20,000	20,000
12 Increased rental costs	.00	0	0	46,000	46,000
13 Increased ITD rates	.00	0	0	752,640	752,640
16 Increased need for equipment costing < \$5,000	.00	0	0	1,024,920	1,024,920
20 Change in AG Pace funding source	.00	0	0	-1,425,000	-1,425,000
Agency Total	-2.00	0	0	-7,815,872	-7,815,872
OPTIONAL REQUESTS					
17 Change in AG Pace funding source	.00	1,425,000	0	0	1,425,000
18 Increased demand for PACE and Flex PACE programs	.00	2,300,000	0	0	2,300,000
Optional Total	.00	3,725,000	0	0	3,725,000

BUDGET CHANGES NARRATIVE

471 BANK OF NORTH DAKOTA

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Change Group: A	Change Type: A	Change No: 1	Priority:
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Increase in IT licensing and supply needs - Increase in IT licensing and supply needs

Increase in IT licensing and supply needs

Change Group: A	Change Type: A	Change No: 2	Priority:
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Change in supply needs - Change in supply needs

Change in supply needs

Change Group: A	Change Type: A	Change No: 3	Priority:
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Decrease in check clearing courier services - Decrease in check clearing courier services

Decrease in check clearing courier services

Change Group: A	Change Type: A	Change No: 4	Priority:
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Replacement of IT equipment - Replacement of IT equipment

Replacement of IT equipment

Change Group: A	Change Type: A	Change No: 5	Priority:
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Electricity for 2 facilities for a period of time - Electricity for 2 facilities for a period of time

Electricity for 2 facilities for a period of time

Change Group: A	Change Type: A	Change No: 6	Priority:
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Maintaining 2 facilities for a period of time - Maintaining 2 facilities for a period of time

Maintaining 2 facilities for a period of time

Change Group: A	Change Type: A	Change No: 7	Priority:
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Changes related to core banking software conversion - Changes related to core banking software conversion

Changes related to core banking software conversion

Change Group: A	Change Type: A	Change No: 8	Priority:
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Increase marketing efforts - Increase marketing efforts

Increase marketing efforts

Change Group: A	Change Type: A	Change No: 9	Priority:
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Equipment for new building - Equipment for new building

Equipment for new building

Change Group: A	Change Type: A	Change No: 10	Priority:
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Landscaping for new facility - Landscaping for new facility

Landscaping for new facility

Change Group: A	Change Type: A	Change No: 11	Priority:
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Increased insurance costs - Increased insurance costs

Increased insurance costs

Change Group: A	Change Type: A	Change No: 12	Priority:
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Increased rental costs - Increased rental costs

Increased rental costs

Change Group: A	Change Type: A	Change No: 13	Priority:
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Increased ITD rates - Increased ITD rates

Increase in ITD rates

Change Group: A	Change Type: A	Change No: 16	Priority:
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Increased need for equipment costing < \$5,000 -

Increased need for equipment costing < \$5,000

Change Group: A	Change Type: A	Change No: 20	Priority:
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Change in AG Pace funding source -

The AG Pace program, along with the Beginning Farmer program, was previously funded with the cash balances of the Beginning Farmer Revolving Loan Fund. There are insufficient cash balances to continue funding the AG Pace program. An optional package is requested to restore this program with general funds.

Change Group: A	Change Type: A	Change No: 100	Priority:
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OMB Agriculture PACE Funding Source Change -

This adjustment funds the Agriculture PACE program at \$1,400,000 and changes the program's funding source from the Beginning Farmer Loan Fund to the State's general fund.

Change Group: A	Change Type: A	Change No: 101	Priority:
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OMB PACE Funding Level Adjustment -

This change package reduces the general fund dollars allocated to the PACE program to \$4,500,000, with the \$1,200,000 difference transferred to the Agriculture PACE program.

Change Group: A	Change Type: A	Change No: 102	Priority:
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OMB Biodiesel PACE Funding Level Adjustment -

The executive budget transfers the general fund dollars allocated to the Biodiesel PACE program to Agriculture PACE program (\$200,000) and the newly created Biofuels PACE program (\$1,000,000.)

Change Group: A	Change Type: A	Change No: 103	Priority:
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OMB Biofuels PACE Fund -

The executive recommendation establishes a Biofuels PACE Fund with \$4,200,000 general fund dollars. Anticipated carryover from the current Biodiesel PACE Fund will be transferred to the new biofuels fund. With this carryover, total 2007 - 2009 general fund dollars dedicated to the Biofuels PACE Fund are anticipated to be \$5,000,000.

Change Group: O	Change Type: A	Change No: 17	Priority: 1
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Change in AG Pace funding source - The AG Pace program, along with the Beginning Farmer program, was previously funded from the cash balances of the Beginning Farmer Revolving loan fund. There are insufficient cash balances to continue to fund both programs.

The AG Pace program, along with the Beginning Farmer program, was previously funded with the cash balances of the Beginning Farmer Revolving Loan Fund. There are insufficient cash balances to continue funding the AG Pace program.

Change Group: O	Change Type: A	Change No: 18	Priority: 1
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Increased demand for PACE and Flex PACE programs - Increased demand for PACE and Flex PACE programs

Increased demand for PACE and Flex PACE programs.