
PROGRAM NARRATIVE

471 BANK OF NORTH DAKOTA

Date: 12/13/2006

Time: 12:05:05

Program: Bank of North Dakota Operations	Reporting Level: 00-471-100-00-00-00-00000000
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PROGRAM 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.

PROGRAM STATISTICAL DATA

Lending services loan portfolio grew from \$1.39 billion at December 31, 2003 to \$1.47 billion at December 31, 2005. This represents a 5.8% growth rate in loans over the two year period. We provide lending services in four major areas: business, agriculture, student and home lending. All of these areas support diversification as BND's loan portfolio remains well-balanced with commercial loans accounting for 30 percent, student loans 31 percent, residential loans 23 percent and agricultural loans 16 percent.

Treasury services provides a federal funds program to approximately 100 North Dakota financial institutions. Treasury services provides safekeeping services to 90 North Dakota financial institutions. Treasury services also provides bond accounting for 32 North Dakota financial institutions. Within the Treasury services area, BND also provides trust services on 59 municipal issues, bond registrar, transfer agent and paying agent services for more than 319 municipal issues. BND also serves as escrow agent for more than 313 accounts.

Banking services provide check clearing and correspondent bank account services to North Dakota financial institutions, state agencies, and political subdivisions. 122 North Dakota financial institutions utilize the check clearing services and have correspondent bank accounts with BND. ACH and wire transfer services are also provided to correspondent banks.

EXPLANATION OF PROGRAM COSTS

BND is a development and wholesale bank which generates revenue to fund its cost of operations and provide a return to the general fund.

PROGRAM GOALS AND OBJECTIVES

BND objectives:

1. Develop partnerships that deliver quality programs and services to expand the economy of North Dakota.
2. Maintain capital strength and financial integrity of the Bank.
3. Generate a consistent financial return to the State of North Dakota.
4. Provide a culture that develops people and is a model of efficient business and government.

REQUEST DETAIL BY PROGRAM

471 BANK OF NORTH DAKOTA

Biennium: 2007-2009

Bill#: HB 1014

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Program: Bank of North Dakota Operations		Reporting Level: 00-471-100-00-00-00-00000000			
Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Request 2007-2009
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

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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

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
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
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

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Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Request 2007-2009
PROGRAM FUNDING SOURCES					
SPECIAL FUNDS	30,226,808	44,575,075	-7,815,872	36,759,203	0
GENERAL FUND	8,075,000	6,900,000	0	6,900,000	3,725,000
FEDERAL FUNDS	0	0	0	0	0
PROGRAM FUNDING TOTAL	38,301,808	51,475,075	-7,815,872	43,659,203	3,725,000
FTE EMPLOYEES	178.50	178.50	-2.00	176.50	.00
FUNDING DETAIL					
GENERAL FUND	8,075,000	6,900,000	0	6,900,000	3,725,000
SPECIAL FUNDS					
973 BEG FARMER REVOLVING LOAN FUND	0	2,375,000	-1,425,000	950,000	0
998 BANK OF NORTH DAKOTA	30,226,808	42,200,075	-6,390,872	35,809,203	0
TOTAL	30,226,808	44,575,075	-7,815,872	36,759,203	0

CHANGE PACKAGE DETAIL
471 BANK OF NORTH DAKOTA
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PROGRAM: Bank of North Dakota Operations	REPORTING LEVEL: 00-471-100-00-00-00-00000000				
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 REQUEST

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