

Industrial Commission of North Dakota

Biennial Report
July 1, 2021 to June 30, 2023



Governor Doug Burgum, Chairman
Attorney General Drew H. Wrigley
Agriculture Commissioner Doug Goehring

North Dakota Industrial
Commission 2021-2023 Biennial
Report

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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Administration

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

Bank of North Dakota

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

Building Authority

1200 Memorial Highway, Bismarck, ND 58504
Phone: 701-328-7100 www.ndic.nd.gov/building-authority

Clean Sustainable Energy Authority

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

Department of Mineral Resources

1016 E Calgary, Bismarck, ND 58503 www.dmr.nd.gov

Geological Survey

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

Oil and Gas Division

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

Housing Finance Agency

Physical Address: 2624 Vermont Avenue, Bismarck, ND 58502-1535
Phone: 800/292-8621 www.ndhfa.org

Lignite Research, Development & Marketing Program

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

Mill & Elevator

1823 Mill Rd, Grand Forks, ND 58203
Phone: 800-538-7721 www.ndmill.com

Oil and Gas Research Program

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 www.ndic.nd.gov/oil-gas-research-program

Outdoor Heritage Fund

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3726 www.ndic.nd.gov/research-grant-programs-0/outdoor-heritage-fund

Pipeline Authority

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

Public Finance Authority

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

Renewable Energy Program

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3726 www.ndic.nd.gov/research-grant-programs-0/renewable-energy-program

Student Loan Trust

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

Transmission Authority

State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 406-489-3881 www.ndic.nd.gov/north-dakota-transmission-authority

Industrial Commission of North Dakota

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. From July of 2021 to January of 2022 Governor Doug Burgum, the late Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring served on the Commission. From February of 2022 through June of 2023, Governor Doug Burgum, Attorney General Drew H. Wrigley, and Agriculture Commissioner Doug 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 26 times during the 2021-2023 biennium. The Industrial Commission Administrative Office as of June 30, 2023 had four employees—Interim Executive Director Karen Tyler, Deputy Executive Director Reice Haase, Administrative Assistant II, Andrea Rebsom, and Grant Program Specialist Brenna Jessen. Administrative offices are located on the 14th Floor of the State Capitol, 600 East Boulevard Ave., Bismarck, North Dakota and contact information is listed on page ii. The Commission also contracts with outside consultants for administration of programs as needed.

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 and loans through the Clean Sustainable Energy Authority, the Lignite Research, Development and Marketing Program, the Oil and Gas Research Program, the Renewable Energy Development Fund/Program, and other short term grant programs approved by the Legislature. The statutory reference for the Industrial Commission is found in Chapter 54-17, North Dakota Century Code.

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 2021-2023 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

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

Key Legislation Passed During 2023 Legislative Session Related to the Industrial Commission Several bills were passed during the 2023 legislative session related 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. The 2023 Legislative Assembly also established the IJA Grid Resiliency Grant Program and the Clean Natural Gas Capture and Emissions Reduction Program under the oversight of the Commission.

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 2023 Legislative Assembly. Those responsibilities have been noted in the summaries by the agencies on the following pages. The oversight of the Western Area Water Supply Authority was moved from the Industrial Commission to the Department of Water Resources by the 2023 Legislative Assembly. The Natural Gas Pipeline Grant Program was not renewed.

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

Resources and Publications Available from the Industrial Commission

Additional information about the Industrial Commission is available at:

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



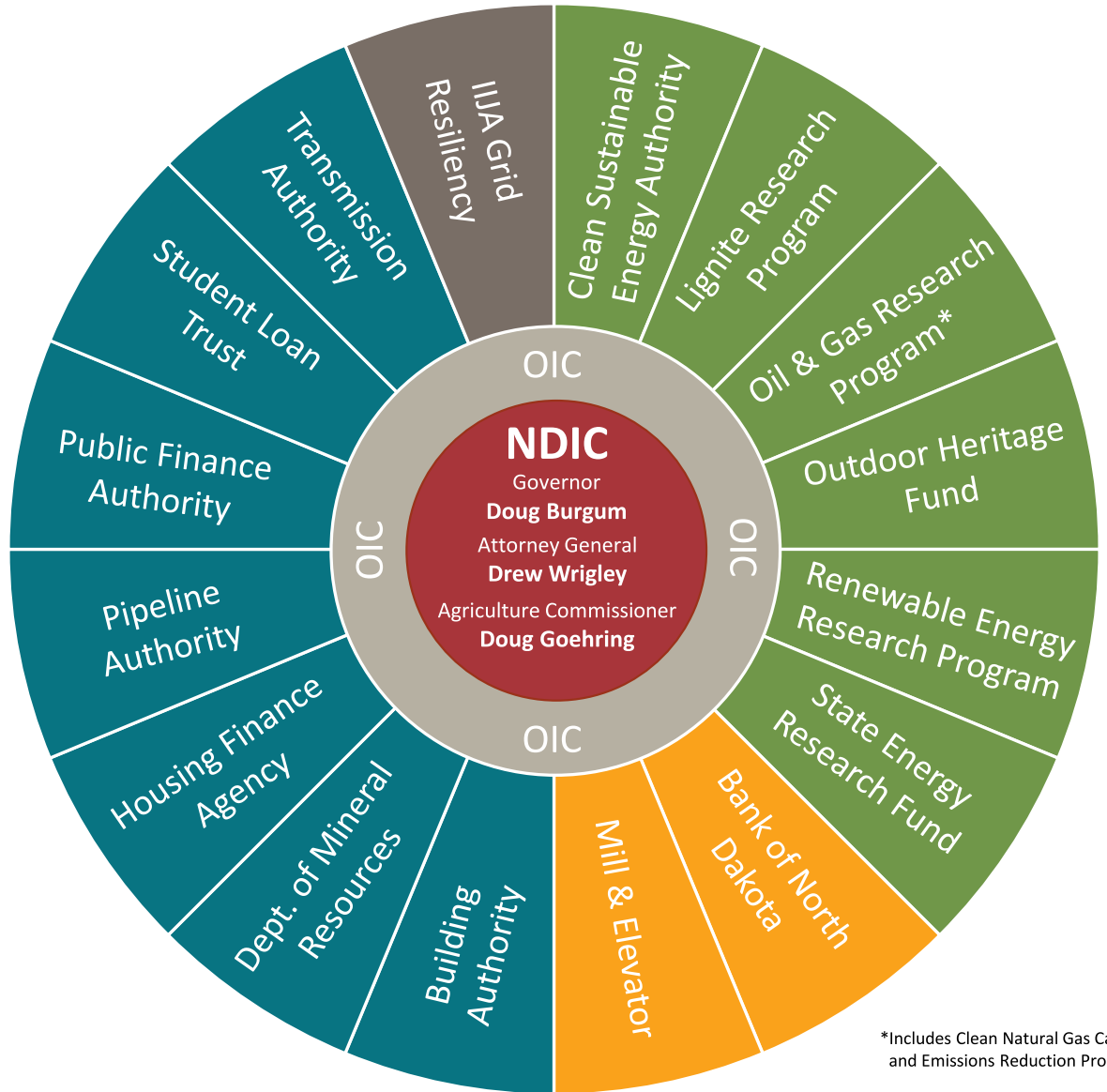
Industrial Commission

Industries, Agencies, and Programs

Legend

- Commission
- Office of IC
- Agency Role
- Grant Program
- State-Owned Enterprise
- Short Term Grant

October 2023



*Includes Clean Natural Gas Capture and Emissions Reduction Program

SCOPE

This audit of the Industrial Commission is for the three-year period ended June 30, 2023.

This audit of the Industrial Commission is limited to the following entities and programs under the direction and control of the Commission:

- Department of Mineral Resources (Geological Survey and Oil and Gas Division)
- Pipeline Authority
- Clean Sustainable Energy Authority
(Non-Loan Activity)
- Lignite Research, Development, and Marketing Program
- Natural Gas Pipeline Program
- Oil and Gas Research Program
- Outdoor Heritage Fund
- Renewable Energy Program
- Transmission Authority

Financials

Revenues and Expenditures

REVENUE AND OTHER SOURCES	JUNE 30, 2023	JUNE 30, 2022	JUNE 30, 2021
Federal Revenue	\$ 3,250,058	\$ 158,514	\$ 110,387
Fines and Forfeitures	2,815,944	1,996,678	5,152,947
Interest and Investment Earnings	1,362,288	85,752	98,835
Permits and Fees	423,954	418,994	222,743
Charges for Sales and Services	233,153	201,353	240,622
Miscellaneous Revenue	158,638	308,235	88,163
Refunds	85,186	473	143,569
Transfers-In	23,644,637	94,580,602	85,905,389
Total Revenue and Other Sources	\$ 31,973,858	\$ 97,750,601	\$ 91,962,655

Source: ConnectND Financials

Continued on the following page

Financials

Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2023	JUNE 30, 2022	JUNE 30, 2021
Grants	\$ 35,349,173	\$ 25,405,813	\$ 35,264,503
Salaries and Benefits	11,444,534	10,679,920	11,033,068
Contract Services	6,099,137	12,268,161	74,451,455
Travel	849,047	632,694	526,869
Rentals/Leases - Buildings	393,833	1,015,090	371,342
Professional Fees and Services	389,142	867,911	1,465,246
Operating Fees and Services	355,177	302,988	414,341
IT Communications and Data Processing	332,789	354,817	265,544
Equipment	138,368	67,730	41,868
IT Equipment and Software	81,948	59,975	2,241,916
Professional Development	62,562	92,946	81,558
Transfers-Out	926,704	25,011,249	42,451
Total Expenditures and Other Uses*	\$ 56,422,414	\$ 76,759,294	\$ 126,200,161

Source: ConnectND Financials

**The Industrial Commission had a total of \$71,013,107 of non-appropriated expenditures during the 2021 - 2023 biennium and a total of \$77,890,007 of non-appropriated expenditures during the 2019 -2021 biennium.*

Appropriations

For the Biennium Ended June 30, 2023

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Salaries and Wages ²	\$ 23,747,182	\$ 22,256,046	\$ 1,491,136
Operating Expenses ²	5,574,631	4,419,711	1,154,920
Capital Assets	100,660	96,891	3,769
Technology Project Carryover	74,171	74,171	-
Pipeline Infrastructure Grant	150,000,000	-	150,000,000
Abandoned Oil Well Conv. Grant	3,200,000	162	3,199,838
Hydrogen Development Grant	20,000,000	4,763,929	15,236,071
IIJA Funding	2,500,000	118,339	2,381,661
General Fund Transfers	25,077,459	25,015,001	62,458
Bond Payments ¹	22,040,721	21,973,743	66,978
CARES Act Funding - 2020	5,935,352	5,935,352	-
Totals	\$ 258,250,176	\$ 84,653,345	\$ 173,596,831
<i>Source: ConnectND Financials</i>			
Expenditures by Source			
General	\$ 51,727,928	\$ 49,952,639	\$ 1,775,289
Other	206,522,248	34,700,706	171,821,542
Totals	\$ 258,250,176	\$ 84,653,345	\$ 173,596,831

Source: ConnectND Financials

¹ The Industrial Commission appropriation includes Building Authority. The above appropriation statement includes expenditures of \$21,973,743 from the Building Authority which were not included in the scope of the audit.

² Industrial Commission appropriation includes Public Finance Authority. The above appropriation statement includes expenditures of \$511,000 for Public Finance Authority obtained from the Statement of Appropriations in the Authority's audited financial statements. Public Finance Authority was not included in the scope of the audit.

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Salaries and Wages ^{1,2}	\$ 23,584,450	\$ 22,107,504	\$ 1,476,946
Operating Expenses ²	8,303,798	6,008,130	2,295,668
Capital Assets	5,000,000	4,925,829	74,171
Contingencies	229,544	-	229,544
Bond Payments ¹	10,508,767	10,508,767	-
CARES Act Funding - 2020	71,475,000	53,754,481	17,720,519
High-Level Radioactive TSFR	20,000	20,000	-
Totals	\$ 119,121,559	\$ 97,324,711	\$ 21,796,848
Expenditures by Source			
General	\$ 27,449,198	\$ 24,382,299	\$ 3,066,899
Other	91,672,361	72,942,412	18,729,949
Totals	\$ 119,121,559	\$ 97,324,711	\$ 21,796,848

Source: ConnectND Financials

¹ The Industrial Commission appropriation includes Building Authority. The above appropriation statements include expenditures of \$10,511,072 from the Building Authority which was not included in the scope of the audit.

² Industrial Commission appropriation includes Public Finance Authority. The above appropriation statement includes expenditures of \$572,000 for Public Finance Authority obtained from the Statement of Appropriations in the Authority's audited financial statements. 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, Todd Steinwand, reports to the ND Industrial Commission. The BND Advisory Board, appointed by the ND Governor as described in 6-09-02.1, also provides oversight of the Bank.

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

Chief Financial Officer/ Senior VP of Accounting & Treasury– Rob Pfennig
Chief Credit Officer/ Senior VP of Credit Administration – Kirby Evanger
Chief Risk Officer/ Senior VP of Risk Management – Christy Steffenhagen
Chief Banking & Innovation Officer / Senior VP Banking & Innovation– Alison Anderson
Chief Administration Officer/ Senior VP Human Resources and Communication– Lori Leingang
Chief Business Development Officer/SVP of Business Development– Kelvin Hullet
Chief Lending Officer/SVP of Lending– Craig Hanson

Bank of North Dakota is legislatively authorized 187 full-time equivalent employees.

Statutory/Constitutional Responsibilities

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

Major Programs and Activities

Operations Programs

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

Customer Service Programs

- Checking, savings and certificate of deposit accounts
- Coin and currency services for financial institutions
- Merchant services for state agencies, boards, commissions, and higher education institutions

Lending/Business Development

BND's loan portfolio as of December 31, 2022 is well diversified and as a percentage of the entire portfolio, it is comprised as follows: commercial loans 60%, student loans 21%, agricultural loans 13%, and residential loans 7%.

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 loan programs allow for a great deal of flexibility when building the best deal.

- Business startup (Beginning Entrepreneur and Business Development)
- 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)
- Agriculture loans (Family Farm, Farm Operating, Established Farmer Real Estate, Ag PACE, Biofuels PACE)

Education Market Programs

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

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

Residential Loans

In an effort to increase efficiency in state government, the transition of all residential originations to North Dakota Housing Finance Agency occurred on August 1, 2021 and the transition of nearly all residential servicing and collections occurred on October 1 2021. As a result, the residential loan portfolio will continue to decline with paydowns.

Disaster Relief Programs

BND's disaster relief programs are created in response to needs that have been identified by local financial institutions, economic developers and other key stakeholders and are not covered by federal relief programs. The Bank introduced the Livestock Rebuilder Loan Program and Livestock Drought Loan Program to help the state's livestock producers cover expenses related to the extreme drought conditions in the state.

- In total BND funded 190 Livestock Rebuilder Loans for \$18 million.

Legislatively Directed Loan Programs

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

- School Construction Assistance Revolving Loan Fund
- Infrastructure Revolving Loan Fund
- Clean Sustainable Energy Fund
- Agriculture Diversification and Development Fund
- State Institutions
- Medical Facility Infrastructure
- Water Infrastructure Revolving Loan Fund
- Rebuilders Permanent Loan Fund
- Trust Lands
- Value Added Loan Guarantee
- Innovation Loan Fund (LIFT)
- Health Information Technology
- Addiction Counselor Internship
- Bulk Propane Storage Tank Revolving Loan Fund (*new July 1, 2023*)
- PACE/Ag PACE (6 total)
- Beginning Farmer
- COVID-19 PACE Recovery
- Long Term Care
- State Water – Resources Trust Fund

Treasury Services Programs

- Investments
- Bond accounting and safekeeping
- Corporate trust

Key Legislation Passed During the 2023 ND Legislative Assembly Impacting BND

- **HB 1014: Clean Sustainable Energy Authority**

The clean sustainable energy authority was created by the 2021 Legislative Assembly to support research and development of technological advancements through financial support for the large-scale development and commercialization of projects, that reduce environmental impacts and increase sustainability of energy production and delivery. The purpose of the financial support is to make the state a world leader in the production of clean sustainable energy, and to diversify and grow the state's economy. HB1014 authorizes increased the line of credit amount from \$250 million to \$390 million, to be used for clean sustainable energy authority to make loans or loan guarantees, until June 30, 2025. HB 1014 also appropriated \$60 million from the Strategic Investment and Improvements Fund, of which \$30 million to be used to repay a portion of the Clean Sustainable Energy Authority line of credit and \$30 million to be used to provide Clean Sustainable Energy Authority grants.

- **HB 1018: Innovation Loan Fund**

The Innovation Loan Fund (LIFT) is to support technology advancement put in place by the 2019 legislative session. LIFT is a loan fund established for the purpose of providing financing for commercialization of intellectual property within the State of ND. HB1018 appropriated \$10 million from the Strategic Improvement Investment Fund (SIIF) to LIFT which is administered by BND.

- **SB 2330: Legacy Fund**

The 2021 legislative session created a pathway to use the principal of the Legacy Fund to invest in infrastructure and support large scale economic development projects. SB 2330 establishes the amounts available to BND, with a portion of the funds available for the “Match” program offering low interest loans to investment rated companies and a portion available for legacy infrastructure loan fund which provides 2% loans to local political subdivisions.

- **HB 1276: Agriculture Diversification and Development Fund**

The Agriculture Innovation Fund provides grants, loans and buydowns for projects that aid in the diversification and value-added businesses in the agriculture economy in North Dakota. The program is jointly administered by BND and the Office of the Agriculture Commissioner. HB 1276 appropriated \$25 million from the general fund to the Agriculture Diversification and Development Fund, of which up to \$10 million is available for agriculture infrastructure grants to political subdivisions. and Improvements Fund to the Economic Diversification Research Fund. BND shall distribute the grants funding as awarded by the state board of higher education.

- **HB 1003: Economic Diversification Research Fund**
 HB 1003 creates the Economic Development Research Fund which provides grants to institutions under the control of the state board of higher education for economic diversification research. HB 1003 appropriated \$5.5 million from the Strategic Investment and Improvements Fund to the Economic Diversification Research Fund. BND shall distribute the grants funding as awarded by the state board of higher education.
- **SB 2196: Western Area Water Supply Authority**
 SB 2196 directed BND to transfer the outstanding principal balance of the Western Area Water Supply Authority consolidation loan, which was authorized by the 2017 legislative assembly, to the infrastructure revolving loan fund.
- **SB 2397: Water Infrastructure Revolving Loan Fund**
 SB 2397 provided a \$100 million line of credit, to the Department of Water Resources, to be used for local cost share loans from the Water Infrastructure Revolving Loan Fund.
- **SB 2242: Bulk Propane Storage Tank Revolving Loan Fund**
 SB 2242 creates the Bulk Propane Storage Tank Revolving Loan Fund to provide loans to propane retailers to purchase and install storage containers to be used for the bulk storage of propane. BND shall administer the bulk propane storage tank revolving loan fund. SB 2242 appropriated \$5 million from the Strategic Investment and Improvements Fund to the Bulk Propane Storage Tank Revolving Loan Fund.
-
- **SB 2284: School Construction Assistance Revolving Loan Fund**
 The School Construction Assistance Revolving Loan Fund provides loans to school districts for school construction or remodeling projects. SB 2284 appropriated \$75 million from the Foundation Aid Stabilization Fund to the School Construction Assistance Revolving Loan Fund.

Major Accomplishments and Activities

- The Bank set a record net income of \$191.2 million in 2022, up \$47 million from 2021. Our asset size set a record as well - \$10.2 billion. The return on investment was a healthy 19% with an efficiency ratio of 14.8%. The efficiency ratio measures a bank's overhead costs as a percentage of its revenue, the lower the ratio, the better. BND's efficiency ratio has historically been three to four times better than the state average.
- The total loan portfolio grew by \$676 million to \$5.4 billion in 2022.
- Standard & Poor's (S&P) affirmed the Bank's credit rating as A+/Stable in its annual review in November 2023.
- Implemented DOSS for commercial, agricultural and administered loan application management and documentation tracking. DOSS has streamlined numerous workflows by encompassing processes previously performed in three separate systems into one system. It has also provided efficient access to data utilized for reporting, portfolio monitoring, decision making, and trend analysis. DOSS also provides a customer portal for submitting applications and supporting documentation. BND will continue to leverage this technology to streamline processes.
- To assist residents with making decisions on student loans and the amount that was affordable based on the starting salary a graduate would make, BND initiated the Be Confident campaign with a landing page at www.nd.nd.gov/confident.
- The statewide banking associations identified the need for timely, reasonably priced collateral valuation services and approached BND to fill that gap. The 2021 Legislature approved the staffing level required, a pilot was completed, and services were offered beginning in January 2022.
- The 2022-2024 Strategic Plan was implemented with annual review that includes staff input.
- BND 101, a four-week online training, was made available to all bankers and economic developers to gain an understanding of BND programs and its role in the state.
- A state agency calling program was implemented and Your Direct Line for State Agencies was started to increase communication with these stakeholders.
- BND sponsored a ransomware communications workshop for state agency public information officers to increase awareness of the sensitivity of communications in the event of this occurring.
- "A Better Way," an internal initiative to increase the use of innovation technologies and streamlining systems was introduced and will be fully implemented in 2024.

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

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

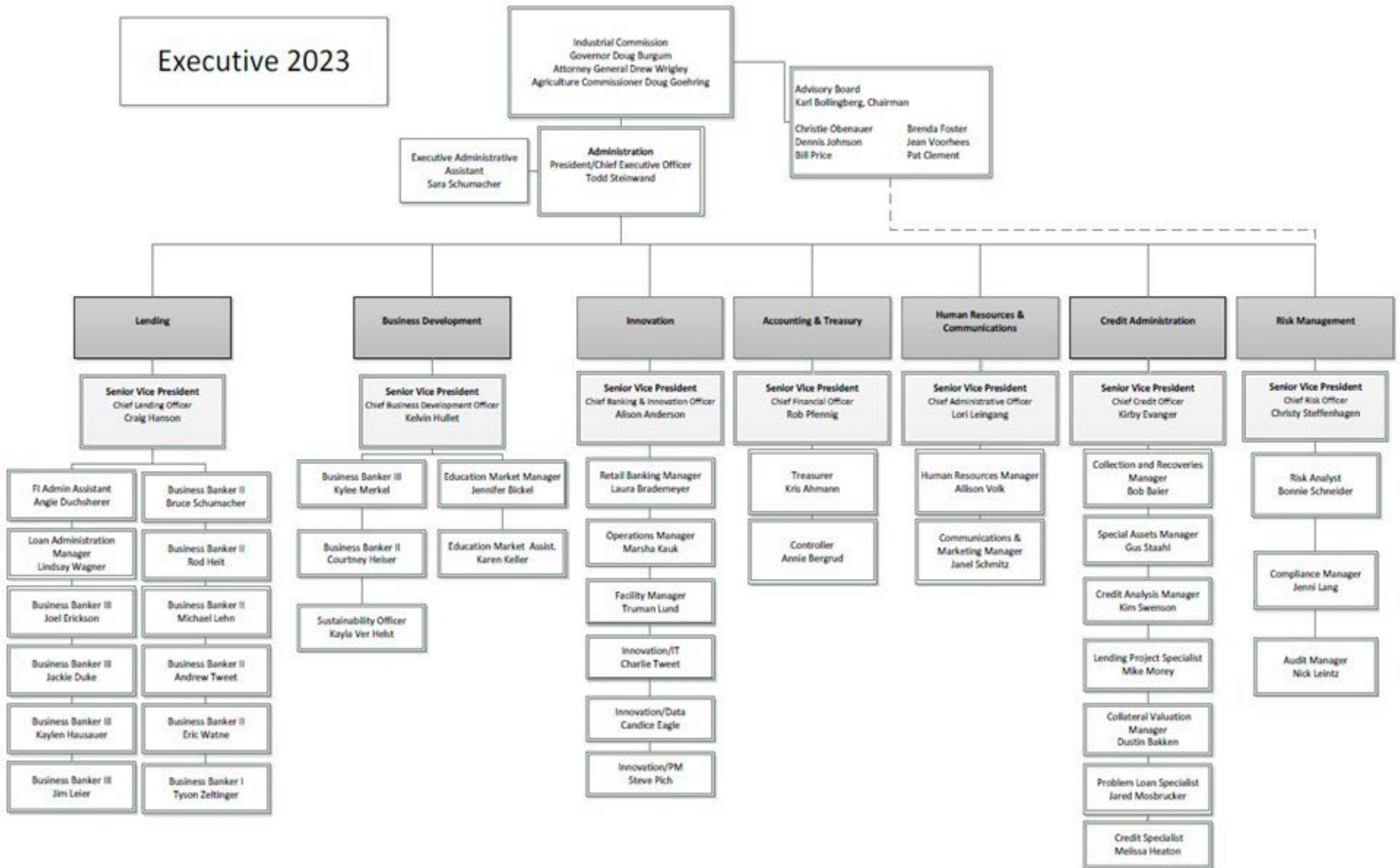
The Bank prepares a comprehensive strategic plan, operating unit objectives and an annual operating budget.

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

Resources and Publications Available from BND

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

Executive 2023



BANK OF NORTH DAKOTA
BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and due from banks	\$ 405,718	\$ 2,768,582
Federal funds sold	44,605	4,450
Cash and cash equivalents	450,323	2,773,032
Securities	4,344,352	2,600,007
Loans held for investment	5,364,627	4,688,820
Less allowance for loan losses	<u>(108,752)</u>	<u>(108,047)</u>
	5,255,875	4,580,773
Interest receivable	60,392	46,169
Bank premises, equipment, and software, net	9,311	9,234
Rebuilders loan program receivable	-	2,149
Other assets	75,562	16,764
Total assets	<u>\$ 10,195,815</u>	<u>\$ 10,028,128</u>
LIABILITIES AND EQUITY		
Deposits		
Non-interest bearing	\$ 632,498	\$ 765,200
Interest bearing	<u>7,679,449</u>	<u>7,368,694</u>
	8,311,947	8,133,894
Federal funds purchased	205,845	763,250
Short and long-term debt	675,000	108,000
Other liabilities	5,835	41,415
Total liabilities	<u>9,198,627</u>	<u>9,046,559</u>
Equity		
Capital	2,000	2,000
Capital surplus	72,000	72,000
Undivided profits	1,100,653	939,900
Accumulated other comprehensive loss	<u>(177,465)</u>	<u>(32,331)</u>
Total equity	<u>997,188</u>	<u>981,569</u>
Total liabilities and equity	<u>\$ 10,195,815</u>	<u>\$ 10,028,128</u>

BANK OF NORTH DAKOTA
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>
INTEREST INCOME		
Loans, including fees	\$ 186,158	\$ 169,842
Securities	73,873	34,594
Federal funds sold	560	21
	<u>260,591</u>	<u>204,457</u>
INTEREST EXPENSE		
Deposits	29,241	23,470
Federal funds purchased and repurchase agreements	5,649	859
Short and long-term debt	5,992	4,592
	<u>40,882</u>	<u>28,921</u>
NET INTEREST INCOME	219,709	175,536
PROVISION FOR LOAN LOSSES	-	4,750
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>219,709</u>	<u>170,786</u>
NONINTEREST INCOME		
Service fees and other	4,751	6,381
	<u>4,751</u>	<u>6,381</u>
NONINTEREST EXPENSE		
Salaries and benefits	17,547	17,979
Data processing	7,354	7,140
Long-term debt prepayment fee	1,171	-
Occupancy and equipment	752	731
Other operating expenses	6,486	7,146
Total noninterest expenses	<u>33,310</u>	<u>32,996</u>
NET INCOME	<u>\$ 191,150</u>	<u>\$ 144,171</u>

North Dakota Building Authority

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

Organizational Structure

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

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

Statutory/Constitutional Responsibilities

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

Major Programs and Activities

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

Key Legislation Passed During 2023-2025 Legislative Session Related to North Dakota Building Authority

Bonding was not authorized for the 2023-2025 biennium.

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

There were no additional statutory responsibilities added or deleted from the Building Authority for the 2023-2025 biennium.

Major Accomplishments and Activities

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

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

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

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

Resources and Publications Available from the North Dakota Building Authority

The most recent official statements for bond offerings made by the North Dakota Building Authority are available www.ndic.nd.gov/building-authority

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

NORTH DAKOTA BUILDING AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2023 and 2022
(In Thousands)

ASSETS	2023	2022
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents at the Bank of North Dakota	\$ 2,461	\$ 12,905
Investments at the Bank of North Dakota	235	663
Leases receivable	7,186	7,151
Lease interest receivable	366	390
Total restricted current assets	<u>10,248</u>	<u>21,109</u>
NONCURRENT ASSETS - RESTRICTED		
Lease receivable	<u>99,911</u>	<u>98,577</u>
Total restricted noncurrent assets	<u>99,911</u>	<u>98,577</u>
Total assets	<u><u>\$ 110,159</u></u>	<u><u>\$ 119,686</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	<u>\$ 178</u>	<u>\$ 607</u>
Total deferred outflows of resources	<u><u>\$ 178</u></u>	<u><u>\$ 607</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 6	\$ -
Due to Universities	1,181	3,539
Bonds payable	5,795	5,955
Interest payable	365	389
Total current liabilities	<u>7,347</u>	<u>9,883</u>
NONCURRENT LIABILITIES		
Bonds payable	<u>102,990</u>	<u>110,410</u>
Total liabilities	<u><u>\$ 110,337</u></u>	<u><u>\$ 120,293</u></u>
NET POSITION	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NORTH DAKOTA BUILDING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Lease interest	\$ 3,258	\$ 3,624
Other	66	77
	<u>3,324</u>	<u>3,701</u>
OPERATING EXPENSES		
Interest expense	3,307	3,679
Operating	38	45
	<u>3,345</u>	<u>3,724</u>
OPERATING LOSS	(21)	(23)
NONOPERATING REVENUE		
Investment interest	21	23
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 20th Century, the NDGS focused their studies on the coal and clay resources of North Dakota. With the discovery of oil near Tioga in 1951, the NDGS grew rapidly to both research the geology of the petroleum-bearing formations and regulate the exploration, and production of the resource.

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

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

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

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

Regulation of underground gathering pipelines was added to the duties of the OGD in 2013. The Oil and Gas Division was approved by the EPA for primacy over Class VI injection wells on April 24, 2018. Regulation of Underground Storage of Oil and Gas was added in 2021.

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 Wilson M. Laird Core and Sample Library located on the campus of the University of North Dakota in Grand Forks. The OGD operates field offices in Williston, Dickinson, and Minot.

Organizational Chart

See attached

Statutory/Constitutional Responsibilities

Oil and Gas Division Enabling Legislation:

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

North Dakota Geological Survey Enabling Legislation:

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

NDCC 23.1-01-02	Environmental Review Advisory Counsel
NDCC 23.1-08-13	Solid Waste Management and Land Protection: Preconstruction Site Review
NDCC 23.1-11-10	Ground Water Protection: Wellhead Protection Program
NDCC 38-11.1	Oil and Gas Damage Compensation
NDCC 38-11.2	Subsurface Exploration Damages
NDCC 38-12	Regulation, Development, and Production of Subsurface Minerals
NDCC 38-12.1	Exploration Data – Coal
NDCC 38-14.1	Surface Mining and Reclamation Operations
NDCC 38-19	Geothermal Resource Development Regulation
NDCC 38-21	Exploration Fund
NDCC 38-23	High-Level Radioactive Waste
NDCC 38-24	Underground Storage and Retrieval of Nonhydrocarbons
NDCC 38-25	Underground Storage of Oil and Gas
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 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 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 Class II enhanced oil recovery operations, Class II disposal of oil field brines and other fluid wastes, proper construction, monitoring, and abandonment of underground gathering pipelines, Class VI underground storage of carbon dioxide, underground storage of oil and natural gas, 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. NDGS 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 During the 2023 Legislative Session Related to the Department

SB2009 & SB2194: Create and fund royalty owner ombudsman program.

SB2057: Amended 38-22-06 to streamline mineral owner notice requirement for Carbon Capture and Storage (CCS).

SB2058: Amended 30-08-04 to place all equipment located at or on an oil or gas well site and underground pipeline surface facilities under NDIC jurisdiction.

SB2059: Increased Abandoned Oil and Gas Well Plugging and Site Restoration Fund limit to \$100 million.

SB2089: Created a \$3 million Oil and Gas Research Council (OGRC) grant program, added tank vapor capture technologies, gas lift, and temporary gas injection.

SB2289: Amended 54-35-18 to require Energy Development and Transmission Committee (EDTC) committee to develop a statewide energy policy.

SB2209, SB2212, SB2313, SB2314, SB2228, SB2317, SB2383: Carbon dioxide pipelines, storage (also oil & gas), and eminent domain.

NDAC 43-02-03-14.2: Shifts focus of meter inventory and witnessed tests from operators to provers.

NDAC 43-02-03-16: Can extend a permit to drill to recomplete or drill horizontally for up to one year upon application. Extends verbal waivers for site construction with single Application for Permit to Drill (APD) on multiwell pad.

NDAC 43-02-03-19.3: Produced water for fracture stimulations stored in open receptacles upon approval by the director.

NDAC 43-02-03-21: Requires an accurate gauge be maintained on the surface casing of any well, not properly plugged and abandoned, to detect any buildup of pressure.

NDAC 43-02-03-28: Allows potential ignition sources closer to processing vessels.

NDAC 43-02-03-29.1 (10): Requires filing of data sharing plan on underground gathering pipelines.

NDAC 43-02-03-31: Confidentiality for information furnished to the director on refracs except the operator's name, well name, location, permit date, confidentiality period, spacing or drilling unit description, spud date, rig contractor, any production runs, or volumes injected into an injection well.

NDAC 43-02-03-35: Change responsibility to record reclamation waivers from operator to commission.

HB1014: DMR budget

Transition on premise servers to North Dakota Information Technology Department (NDITD) environment.

Streamline NorthSTAR

\$11.3 million for salt cavern project

\$1.5 million for critical mineral / rare earth research

\$3 million for litigation

\$3 million for Intelligent Pipeline Integrity Program (IPIPE)

\$50 million for Clean Sustainable Energy Authority (CSEA) grants and \$390 million CSEA loans

\$3.2 million for orphan well to water well conversions

HB1272: Creates a new category “enhanced oil recovery potential” for idle wells

NDAC 43-02-03-15 (10): Enhanced oil recovery potential well bond

NDAC 43-02-03-55 (3): Enhanced oil recovery potential well integrity requirements

HB1286: Removed oil extraction tax trigger

HB1427: Extraction tax reduction for restimulations. NDIC Certification – file sundry attesting well meets the 3 items in statute.

Key Responsibilities Added or Deleted from the Department during the 2021-2023

Biennium

Expand upon work begun with CARES Act with Infrastructure and Investment and Jobs Act (IIJA) grants to continue plugging and reclaiming orphaned wells.

Major Accomplishments and Activities

Geological Survey

As it has done for the last two bienniums, the Geological Survey led the nation in the exploration of critical minerals in coal and coal-associated rocks as well as in the identification of landslides utilizing aerial imagery, LiDAR, and drones.

Oil and Gas Resources:

NorthSTAR, the Oil and Gas Division’s tracking and reporting system for operator forms and data was built out to suit the needs of the Division. This program is near completion and will continue to be a new and more efficient resource for the agency. The OGD issued 1,607 permits up 59 from the last biennium; heard approximately 1,967 cases docketed for hearing, and regulated an average drilling rig count of 37 rigs up by 6 rigs from the last biennium. This resulted in North Dakota realizing an increase of 1,553 producing wells to an all-time high of 18,179. These sites were supported by more than 278,000 OGD inspections during the biennium by agency field staff.

Geological Survey Reports and Presentations:

NDGS scientists published 474 maps, reports, and articles on various aspects of North Dakota’s geology during this biennium, the vast majority of these (415) were landslide maps. In addition, the NDGS gave 199 presentations, tours, and field trips to more than 5,200 people. Only a small number of these were virtual presentations, reversing the trend of the previous biennium.

Geologic Surface Mapping:

NDGS geologists completed nine surface geology maps (quadrangles) in Cass and Burleigh Counties. Survey geologists also mapped 31,518 landslides in 415 quadrangles, bringing the multi-year landslide mapping effort to a total of 66,894. Two reports and one map were published on the proppant potential of windblown sand in eastern North Dakota and Cretaceous sandstones in the western part of the state. Building upon the work in the previous biennium that led directly to the opening of several sand mining operations in McHenry and Mercer Counties.

Subsurface Geology:

Seven of the Survey publications this biennium focused on North Dakota's subsurface geology including the Deadwood, Prairie, Three Forks, Mission Canyon, Spearfish, and Piper Formations. Four of these were oil and gas studies and the others dealt with the extent and thickness of three salt layers in the basin. Salt isopach mapping of the Prairie Formation at 100K level was completed with the publication of the final five maps in the series. Eight maps were published on the potash potential of the potash-containing members of the Prairie Formation in northwestern North Dakota. Isopachs of each member were presented along with potassium chloride concentrations as estimated from log analysis at various locations within the 100K maps in the Stanley and Minot areas.

Core Library:

A total of 73,249 feet of core was studied by industry and academia in the core library during the 21-23 biennium, twice that of the previous biennium. The increase was due, in part, to three core workshops that we held, two in the core library in 2021 and 2022 and a third that was held in conjunction with the American Association of Petroleum Geologists Sectional Meeting in Bismarck in June of 2023. In addition, 36,387 feet of core was photographed generating 60,000 core photographs for the subscription website, bringing the total number of core photos on the website to 370,000. Industry submitted 13,621 feet of core (roughly 4,500 boxes) and 2,898 sample boxes to the core library during this biennium. In late 2021, we wrapped up a 12-month project to track down 22,506 feet of outstanding core. We were able to account for 88 percent of the core and 15,766 feet of it was shipped to the core library (most of this was received in the previous biennium).

Mineral Studies:

The NDGS continued working on a multi-biennium critical minerals project. During the 2021-2023 Biennium, the NDGS collected 407 lignite samples from 66 sites in central and western North Dakota. To date, 2,036 lignite samples have been collected from 306 sites in western North Dakota and 1,706 of those samples have been analyzed for their critical mineral concentrations. A total of 324 of the Survey samples contain rare earth element concentrations that exceed DOE's economic threshold of 300ppm. The critical mineral results were published in six reports during this biennium.

Paleontology:

Seven public fossil digs were conducted this biennium near the towns of Medora, South Heart, Huff, and Walhalla. NDGS paleontologists also undertook six fossil excavations across the state. The Dakota (a mummified hadrosaur) exhibit in the ND Heritage Center was redesigned and went on display in the Heritage Center with a Grand Opening on October 16, 2021. We also assisted with the redesign and installation of a paleontology exhibit in the Walsh County Historical Museum in Minto on

May 16, 2023. On June 22, 2023, a new exhibit was created and installed in the Walhalla Public Library for the newly named mosasaur (swimming reptile) species discovered in the Pembina Gorge.

Permits and Reviews:

During the 21-23 Biennium, the Geological Survey issued 65 permits for the geothermal, coal exploration, subsurface mineral, and paleontological resource regulatory programs and answered approximately 2,500 inquiries. The Geological Survey did 526 geotechnical and paleontological reviews of infrastructure projects (roads, bridges, pipelines, transmission lines, proposed wind farms, etc.). In addition, paleontologists evaluated the paleontological resource significance of 1,582 ND Trust Land's mineral tracts.

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

Identifiable trends include increasing the functionality of the DMR websites as a means of accessing information and making data available. The Department continues to see steady levels of well permitting, core and sample library visits, office visits, requests for digital data and well file information, and hearing case load.

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

Resource Evaluations

- 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.
- Evaluation of the salt deposits including the potash potential of the Prairie Formation.
- Assessments of the critical mineral concentrations in ND lignites.
- Shallow and deep gas evaluations.

Geologic Mapping

- Detailed surface mapping and mineral resource mapping – statewide.
- Mineral resource mapping on state-owned land.
- Mapping of landslides and other hazards using drones and LiDAR.
- Methods of evaluating information on surface geology.
- Computerize geologic databases.

Paleontology Activities

- Design and create paleontological exhibits for museums and visitor centers across ND.
- Continue to expand and improve the public fossil dig program.
- Continue to evaluate the feasibility of establishing a dinosaur fossil park on a Trust Land Tract.

Public Information/Outreach

- Geologic presentations, tours, and field trips.
- Release of new publications.

Oil and Gas Resources

- Continue development and implementation of the NorthSTAR Project.
- Continue implementing and upgrading a GIS database for the reporting and management

of GIS shapefiles for underground gathering pipelines.

Collaborate with other state agencies, research organizations, startups, and industry to develop policy and procedure for identifying state-of-the-art pipeline monitoring systems. Continue with scanning and updating historical case files, scanning new information, and scanning central tank battery files.

Continue to provide production summary webinars through the Oil and Gas website in addition to broadening the audience to include podcast format.

Encourage beneficial use of surplus gas to reduce gas flaring emissions.

Promote the use of produced water for hydraulic fracture stimulations.

Create and update policies on administrative waivers and variances allowed by rules.

Provide hearing exhibits live through video streaming.

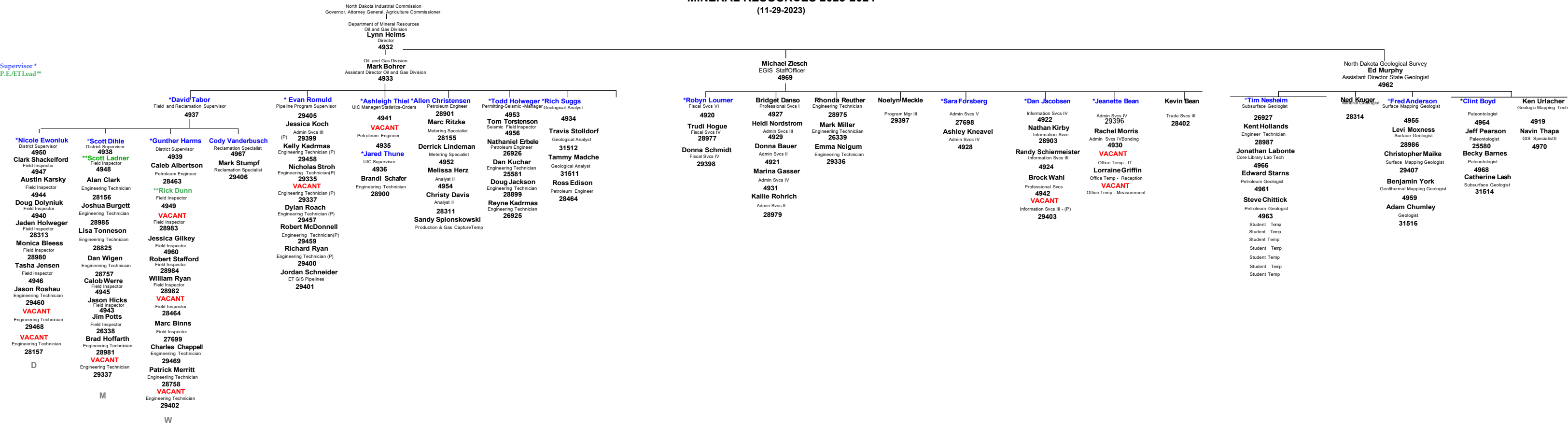
Resources and Publications Available from the Department

More than, 3,500 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 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 2023-2024**
(11-29-2023)



North Dakota Housing Finance Agency

History

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

Statutory/Constitutional Responsibilities

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

Major Programs and Activities

Homeownership

The Agency provides a robust financing system accomplished through public-private partnerships with local lenders, real estate agents, homebuilders, and community organizations. In-state, personalized loan servicing by the Agency elevates citizen success. Since the Agency was founded, over 52,000 mortgage loans totaling more than \$ 5.3 billion have been purchased.

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

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

Multifamily Housing Development and Gap Financing

NDHFA works with development partners to create and preserve affordable multifamily housing in urban and rural communities. Federal and state funded programs administered by the agency provide equity, low-interest loans, and tax-exempt bond financing to reduce market rate debt, which results in more affordable rents for low- to moderate-income wage earners, older adults, persons with disabilities and individuals experiencing or at risk of homelessness.

Additionally, the agency provides low-interest financing to support the work of local community land trusts and loan guarantees to promote single family home construction in rural communities.

Multifamily Housing Oversight

The Agency is responsible for monitoring the long-term compliance of almost 10,000 housing units statewide receiving development or rehabilitation assistance, project-based rental assistance, and monthly payments for housing assistance vouchers. Annual file reviews and periodic on-site

inspections ensure properties adhere to the regulations of the associate state and/or federal housing contracts for periods of 20 to 30 years.

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

Collaboration

The Agency, in collaboration with the ND Health and Human Services (NDHHS) and other housing and supportive service partners, is breaking down silos by working with local communities, state, tribal and federal agencies, and non-profit and faith-based organizations to help alleviate housing shortages and address housing instability. NDHFA is active with the ND Behavioral Health Council, Olmstead Commission, Department of Justice Settlement Agreement and ND Department of Corrections to promote streamlined delivery of services and access to housing and supportive services.

Homeless/Underserved

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

Legislation Passed During the 2021 Legislative Session Directly Related to the Agency

SB 2014 – Industrial Commission Appropriation: Section 5 – Transferred \$9.5 million from the general fund to the Housing Incentive Fund. Section 25 of SB 2014 amended Section 54-17-09.3 of the North Dakota Century Code authorized the Agency to provide a residential mortgage program for owner-occupied primary residence. Section 26 of SB 2014 amended Section 54-17-40 of the North Dakota Century Code changing the allocation from 15 percent to 10 percent of funds reserved for developing communities; and designated at least 10 percent of the fund must be made available to prevent homelessness.

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

Responsibilities Added or Deleted During the Biennium

HOME Investment Partnerships program is transferred from the Department of Commerce effective with the 2021 program year. In 2022, HUD allocated \$7.7 million to the State for HOME-American Rescue Plan (ARP) funding.

Accomplishments and Activities during the Biennium

Homeownership Program Stats

During the biennium, the Agency purchased 2,724 mortgage loans totaling \$515,298,212. Of these loans, 73 percent received down payment and closing cost assistance. The Agency also purchased 724 North Dakota Roots loans worth \$205,343,851 during the biennium, 48 percent received down payment and closing cost assistance.

Housing Incentive Fund Allocated

During the 2021-2023 Legislative Session, \$9.5 million was allocated to HIF as one-time funding

from the state's general fund, \$950,000 was set aside as the 10 percent required funding for homelessness and allocated separately from multifamily funding. The allocation will improve multifamily housing options for low- to moderate-income tenants in addition to the state's aging population, persons with disabilities, and individuals and families at risk of becoming or experiencing homelessness. For more information: www.ndhfa.org/index.php/ndhif/

Multifamily Funding Committed

In the biennium, NDHFA provided commitments of state and federal funding for over \$30 million to create or rehabilitate 738 multifamily affordable housing units.

Multifamily Revenue Bonds Issued

NDHFA issued a total of \$33,750,000 in Multifamily Revenue Bonds for three multifamily projects: 1) \$6.5 million to Elliot Place Four, a 52-unit senior complex located in Fargo, ND. 2) \$12,750,000 for Grand Forks Portfolio, rehabilitation of three (182-units) Section 8 multifamily rental complexes located in Grand Forks, ND. 3) \$14.5 million for the new construction of a 120-unit senior housing complex in Fargo, ND. Multifamily revenue bonds are always issued in conjunction with other affordable financing resources.

Identification of Trends in Direction for the Agency

A statewide housing needs assessment conducted by North Dakota State University's Center for Social Research in partnership with NDHFA was completed in 2022. The study provided a comprehensive examination of the population demographics and housing needs of the state and made projections for the next 5 years. The study reported that the age of existing housing stock, limited housing options and affordability barriers need to be addressed.

The needs assessment projects trends in population growth to occur primarily in the 65 and older age group and steady population retention in age groups 0-24 and 25-44. Household income is projected to decline with the number of households in the low to extremely-low income levels increasing. Inflation, rising interest rates, and overall cost of operations will continue to strain housing affordability and keep continued pressure on demands for affordable housing. The assessment projections suggested a need for an additional 9,000 housing units (single and multifamily) by 2025.

Federal funding levels for multifamily affordable housing and homelessness have remained level for several years. Increased costs, labor constraints, and increases in interest rates have reduced the number of units. The Agency expects demand for development assistance from programs administered by the Agency to continue to be oversubscribed annually.

To sustain economic growth across the state, a variety of affordable housing options need to be available for low-wage workers and vulnerable households including individuals and families who are elderly, disabled and/or at-risk of homelessness. The Agency will need to balance the rehabilitation of existing affordable housing stock and sustain the existing stock with supporting new projects to continue to address the critical housing needs.

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 through collaborative efforts with housing partners. The Agency will continue to look for ways to

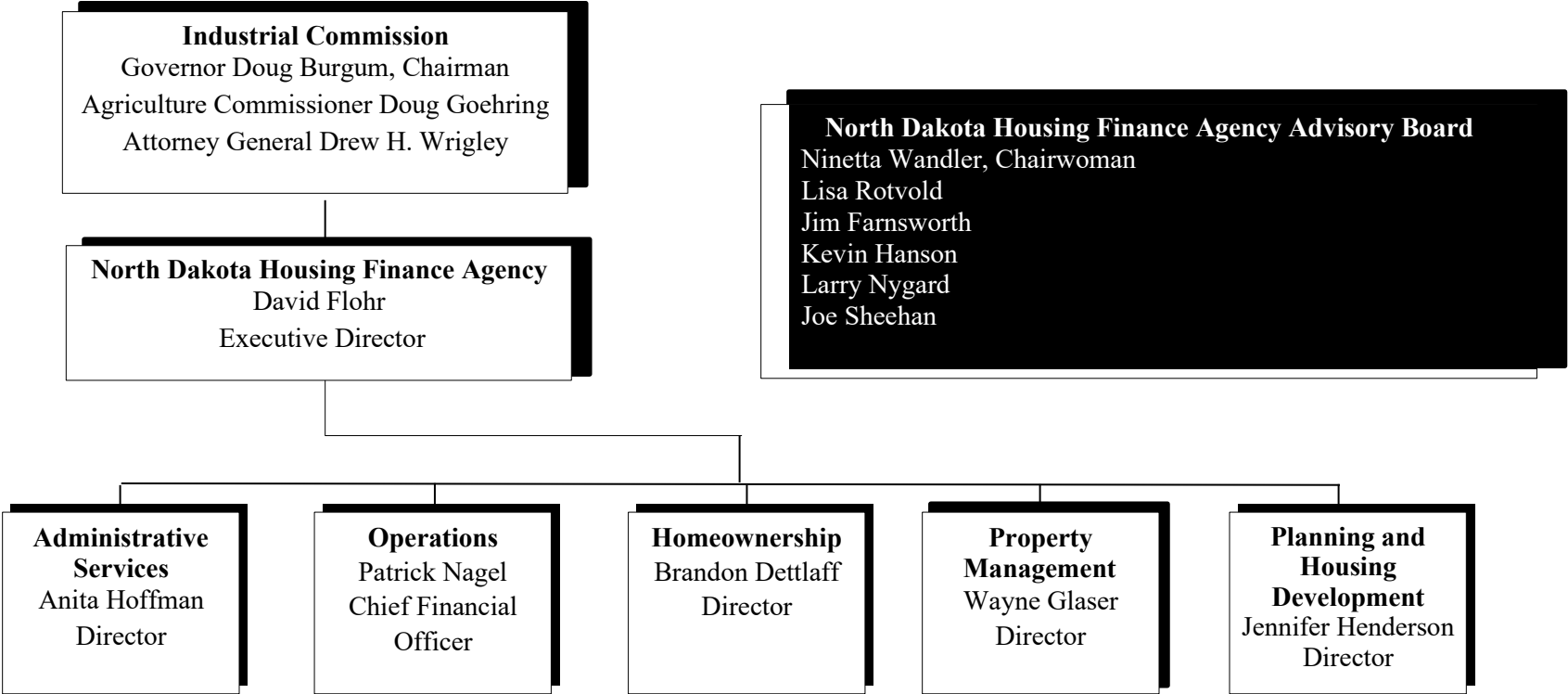
streamline assistance, identify additional funding opportunities, and incentivize partners to seek innovative ideas. Learn more about the Agency’s goals, [NDHFA Strategic Plan 2020-2025](#).

Summary of Expenditures and Revenues for the 2021-2023 Biennium

	21-23 Appropriation as Adjusted	21-23 Expenditure
Salaries and Wages	9,566,570	9,424,291
Operating	7,619,060	7,057,762
Capital assets	150,000	143,566
Grants	42,975,200	37,477,163
HFA Contingency	100,000	6,652
General Fund Transfers – HIF	9,500,000	9,500,000
Total	69,910,830	63,609,434

Resources and Publications Available

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



NDHFA business divisions 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 50,000 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 homelessness, a shortage of housing for the state's workforce, special needs populations, and low- to moderate-income households, and providing technical assistance to North Dakota communities in addressing their housing needs.

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022
(In Thousands)

	2023	2022
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Cash and cash equivalents	\$ 12,089	\$ 14,436
Receivables		
Interest		
Loans	2	1
Investments	82	26
Due from HUD	844	260
Other	1,622	1,048
Current portion of service release premium	1,086	936
Prepaid expenses	99	85
Total unrestricted current assets	15,824	16,792
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	217,366	311,898
Receivables		
Current portion of loans receivable, net of allowance	35,727	32,457
Interest		
Loans	5,096	4,525
Investments	1,400	622
Other	-	1
Total restricted current assets	259,589	349,503
Total current assets	275,413	366,295
NONCURRENT ASSETS - UNRESTRICTED		
Service release premium, net	7,361	6,507
Equipment, net	121	133
Lease assets, net	433	624
Total unrestricted noncurrent assets	7,915	7,264
NONCURRENT ASSETS - RESTRICTED		
Loans receivable, net of current portion and allowance	1,540,395	1,295,706
Investments	60,456	70,018
Total restricted noncurrent assets	1,600,851	1,365,724
Total noncurrent assets	1,608,766	1,372,988
Total assets	1,884,179	1,739,283
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension	5,566	3,213
Deferred outflow - OPEB	166	66
Total deferred outflows of resources	5,732	3,279

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2023 AND 2022
(In Thousands)

	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Due to HUD	\$ 30	\$ 20
Due to state agencies	433	403
Other	2,621	1,258
Current portion of compensated absences	376	378
Current portion of bonds payable, net of premium	60,133	46,307
Accrued interest	24,047	17,971
Funds held in trust	18,824	16,172
	<u>106,464</u>	<u>82,509</u>
NONCURRENT LIABILITIES		
Net pension liability	7,455	2,418
Net OPEB liability	296	128
Financial derivative instrument	(15,936)	(3,688)
Bonds payable, net of current portion and premium	1,540,244	1,433,300
Other	219	416
	<u>1,532,278</u>	<u>1,432,574</u>
Total noncurrent liabilities	<u>1,532,278</u>	<u>1,432,574</u>
Total liabilities	<u>1,638,742</u>	<u>1,515,083</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension	3,016	4,810
Deferred inflow - OPEB	13	62
Financial derivative instrument	15,936	3,688
	<u>18,965</u>	<u>8,560</u>
Total deferred inflows of resources	<u>18,965</u>	<u>8,560</u>
NET POSITION		
Net investment in capital assets	112	117
Restricted for debt service	217,892	201,443
Unrestricted	14,200	17,359
	<u>232,204</u>	<u>178,919</u>
Total net position	<u>\$ 232,204</u>	<u>\$ 178,919</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	2023	2022
OPERATING REVENUES		
Mortgage interest income	\$ 49,722	\$ 39,298
Investment income	10,977	464
Gain (loss) on sale of investments	(176)	(320)
Fee income	4,848	4,924
Total revenues	65,371	44,366
OPERATING EXPENSES		
Interest expense	39,393	29,156
Agency grants	80	215
Administrative and operating expenses	11,381	11,931
Pension expense	1,092	384
OPEB expense	49	15
Amortization	207	208
Depreciation	32	8
Total expenses	52,234	41,917
OPERATING INCOME	13,137	2,449
NONOPERATING REVENUES (EXPENSES)		
Federal grants	22,117	15,065
Non-federal grants	113	128
Investment income (loss)	43	(547)
Federal grants	(22,117)	(15,065)
Total nonoperating revenues (expenses)	156	(419)
INCOME BEFORE TRANSFERS	13,293	2,030
TRANSFERS		
Transfer to Industrial Commission	(8)	(22)
CHANGE IN NET POSITION	13,285	2,008
TOTAL NET POSITION, BEGINNING OF YEAR	218,919	216,911
TOTAL NET POSITION, END OF YEAR	\$ 232,204	\$ 218,919

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	2023	2022
OPERATING ACTIVITIES		
Receipts from customers	\$ 316,333	\$ 248,062
Proceeds from sale of loans receivable	-	28,880
Interfund mortgages loan purchases and sales	(249,289)	(142,611)
Grant funds received in advance	(655)	-
Payment of grants	-	(307)
Payments to service providers		
State agencies	(5,119)	(4,673)
Mortgage loan purchases	(242,357)	(197,971)
Other	(12,549)	(9,883)
Payments to employees	(4,708)	(4,228)
Net cash provided (used) by operating activities	(198,344)	(82,731)
NONCAPITAL FINANCING ACTIVITIES		
Principal payments on bonds payable	(123,540)	(266,540)
Proceeds from bond issuance	251,304	407,828
Interest paid on loans and bonds	(33,300)	(28,989)
Proceeds from federal grants	22,117	15,065
Proceeds from non-federal grants	113	128
Payment of federal grants	(22,117)	(15,065)
Transfers to Industrial Commission	(8)	(22)
Net cash provided (used) by noncapital financing activities	94,569	112,405
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(19)	(131)
Principal payments on lease payable	(198)	(192)
Interest paid on lease payable	(15)	(21)
Net cash used for capital and related financing activities	(232)	(344)
INVESTING ACTIVITIES		
Purchase of investments	(3,334)	(42,204)
Proceeds from sale of investments	10,171	21,122
Interest received from investments	291	142
Net cash provided (used) by for investing activities	7,128	(20,940)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(96,879)	8,390
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	326,334	317,944
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 229,455	\$ 326,334
CASH AND CASH EQUIVALENTS - UNRESTRICTED	\$ 12,089	\$ 14,436
CASH AND CASH EQUIVALENTS - RESTRICTED	217,366	311,898
	\$ 229,455	\$ 326,334

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET		
CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 13,137	\$ 2,449
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	32	8
Amortization		
Original issue discounts and premiums	(6,993)	(6,888)
Service release premium	1,589	1,921
Leased asset	207	208
Fair value (increases) decreases of investments	2,420	4,591
Reclassification of interest income/expense to other activities	38,614	28,973
Effect on cash flows due to changes in:		
Deferred outflow - pension	(2,353)	863
Deferred outflow - OPEB	(100)	5
Deferred inflows - pension	(1,794)	3,610
Deferred inflows - OPEB	(49)	39
Effect on cash flows due to changes in:		
Due from HUD	(585)	(44)
Due from State Agencies	-	57
Other receivables	(574)	(189)
Service release premium	(2,593)	(2,408)
Prepaid expenses	(13)	(18)
Loan interest receivable	(570)	534
Loans receivable	(247,962)	(108,910)
Due to HUD	10	(48)
Due to State Agencies	30	50
Other liabilities	1,347	111
Compensated absences	(2)	16
Funds held in trust	2,653	(3,256)
Net pension liability	5,205	(4,405)
Net cash used by operating activities	\$ (198,344)	\$ (82,731)
Non-cash disclosures:		
Increase (decrease) in fair value of investments	\$ (2,725)	\$ (5,278)

NORTH DAKOTA HOUSING INCENTIVE FUND

BALANCE SHEETS
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	<u>\$ 7,262,585</u>	<u>\$ 15,125,957</u>
Total assets	<u>\$ 7,262,585</u>	<u>\$ 15,125,957</u>
FUND BALANCE		
Restricted for affordable multifamily housing	<u>\$ 7,262,585</u>	<u>\$ 15,125,957</u>
Total fund balance	<u>7,262,585</u>	<u>15,125,957</u>
Total liabilities and fund balance	<u>\$ 7,262,585</u>	<u>\$ 15,125,957</u>

NORTH DAKOTA HOUSING INCENTIVE FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES		
Project payments	<u>\$ 57,475</u>	<u>\$ 79,689</u>
Total revenues	<u>57,475</u>	<u>79,689</u>
EXPENDITURES		
Current:		
Administrative and operating expenses	-	361,898
Grant expenses (recaptured funds)	971,113	-
Grant expenses	<u>6,949,734</u>	<u>1,032,636</u>
Total expenditures	<u>7,920,847</u>	<u>1,394,534</u>
Revenue over (under) expenditures	<u>(7,863,372)</u>	<u>(1,314,845)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(7,863,372)</u>	<u>(1,314,845)</u>
TRANSFERS		
Transfers from Bank of North Dakota	<u>-</u>	<u>9,500,000</u>
CHANGE IN FUND BALANCE	(7,863,372)	8,185,155
TOTAL FUND BALANCE, BEGINNING OF YEAR	<u>15,125,957</u>	<u>6,940,802</u>
TOTAL FUND BALANCE, END OF YEAR	<u>\$ 7,262,585</u>	<u>\$ 15,125,957</u>

Lignite Research, Development and Marketing Program

History

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

Organizational Structure

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

Statutory Responsibilities

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

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

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

Major Programs and Activities

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

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

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

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

Feasibility Studies: The Feasibility Studies Program funds are utilized for projects that do not require a match. 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

House Bill 1014 includes authority for \$4.5 million of the Program's funding to be used for research and development, marketing and litigation without a match requirement. The bill provides funding and the structure to enhance Lignite Research Program efforts critical to preserving existing lignite production and industry jobs or that will lead to development of lignite and its products and create new lignite industry jobs and economic growth for the general welfare of this state. These funds also will allow continuation of the support of technology development efforts for carbon capture, utilization, and storage using the "next generation" of technologies that were initiated through support from prior North Dakota Legislative Assemblies.

Additionally, House Bill 1014 included authority for \$500,000 of the Program's funding to be used for a study of future lignite electrical generation facilities, to include energy demand forecasts, regulatory environment, economic analyses, and value-added products.

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 2023-2025 biennium.

Major Accomplishments and Activities

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

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

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

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

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

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

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

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

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

A short summary of all the research projects completed with funding from the Lignite Research, Development and Marketing Program is available on the LRP's website at www.ndic.nd.gov. 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 ten 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 ten milling units, NDM produces and ships 60,500 cwt. of milled products daily across the United States and around the world. In addition, the Mill ships over 16,500 cwt. of food grade bran and wheat midds daily. NDM cleans, processes, and mills 130,000 bushels of top quality North Dakota wheat daily. On an annual basis, the Mill adds value to 42 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 ten 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-, and 50-pound bags and large tote bags for shipment via boxcars and trucks.

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

Mission Statement

The mission statement for the North Dakota Mill was adopted on 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 42,000,000 bushels per year of North Dakota grown spring and durum wheat.
2. Realize profits to maintain the facilities in top operating condition.
3. Return a portion of the profits to the General Fund.

Services Provided

The North Dakota Mill:

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

Major Accomplishments

1. Gross sales reached \$1,005,757,000 for the two years ended June 30, 2023.
2. During the biennium, the Mill shipped 31,538,000 hundredweight of flour.
3. Mill operations provided more than \$790,747,000 to the region in direct economic impact and \$1,834,533,000 in secondary economic impact for a total economic impact of \$2,625,280,000 during the biennium.

Legislation Passed During the 2023 Legislative Session Related to the North Dakota Mill and Elevator

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

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

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

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

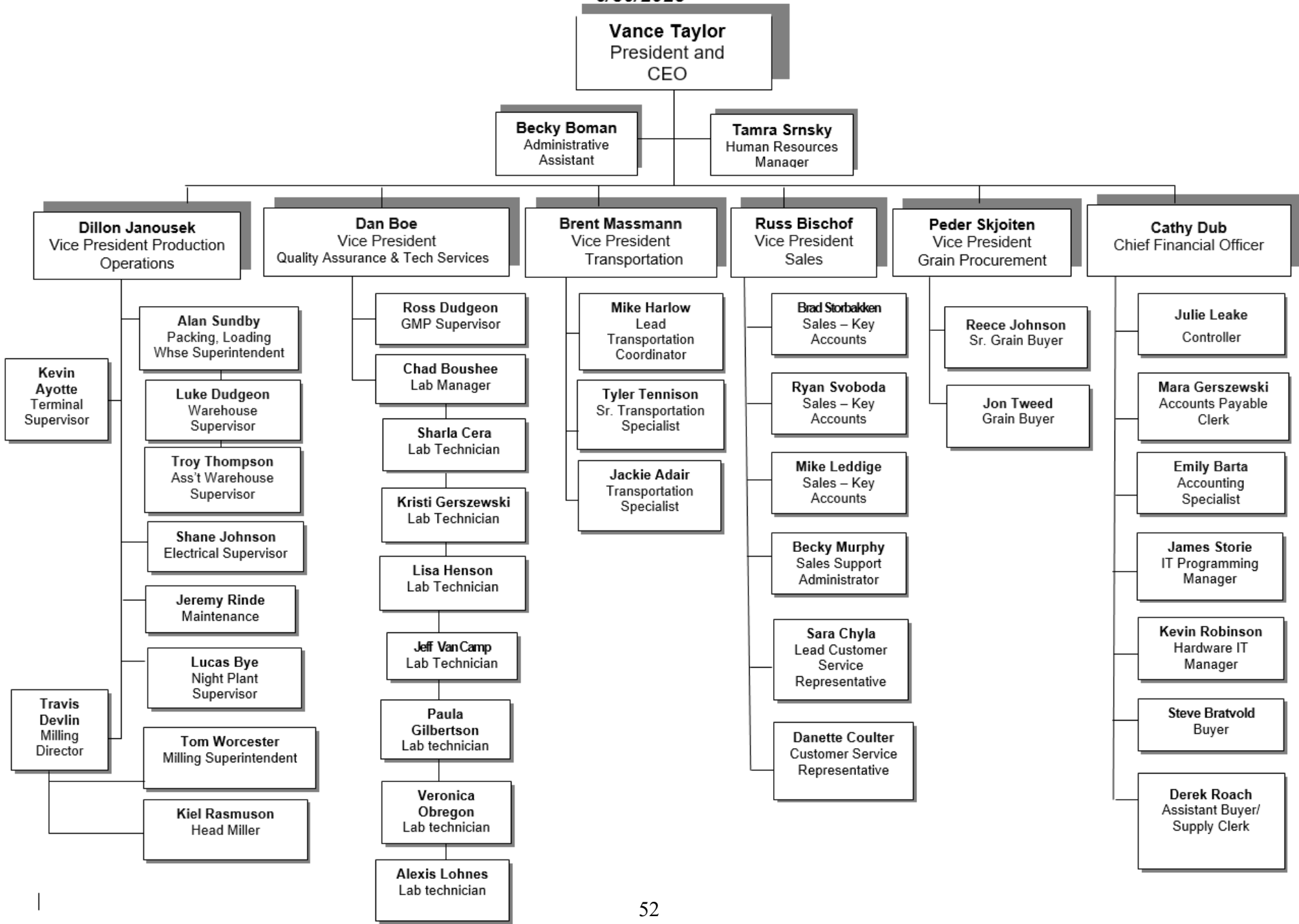
1. Promote and Support North Dakota Agriculture, Commerce, and Industry
2. Identify and Respond to Emerging Issues in the Flour Milling Industry
3. Maximize Profit Potential
4. Grow our Customer Base
5. Invest in our Employees

Resources Available from the North Dakota Mill and Elevator

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

NORTH DAKOTA MILL ORGANIZATION CHART

6/30/2023



FINANCIAL STATEMENTS
Comparative Statement of Net Position

ASSETS	June 30, 2023	June 30, 2022
Current assets:		
Cash and cash equivalents	\$ 225	\$ 316,384
Receivables, net (note 4)	80,692,136	100,614,091
Inventories (note 5)	46,036,722	39,864,086
Notes receivable	2,117,647	
Prepaid expense	2,023,103	1,755,016
Total current assets	\$ 130,869,833	\$ 142,549,577
Noncurrent assets:		
Notes receivable	\$ 6,352,941	
Patronage capital credits	688,471	\$ 659,959
Other assets	275,000	275,000
Capital assets, net (note 6)	178,485,938	158,945,834
Total noncurrent assets	185,802,350	159,880,793
Total assets	\$ 316,672,183	\$ 302,430,370
DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging derivative instruments	\$ 148,375	\$ 5,747,088
Derived from pensions	17,059,774	10,794,194
Derived from other post-employment benefits	583,918	289,684
Total deferred outflows of resources	\$ 17,792,067	\$ 16,830,966
LIABILITIES		
Current liabilities:		
Checks issued in excess of cash	\$ 3,291,163	
Accounts payable and other liabilities (note 7)	31,492,835	\$ 38,294,751
Due to state general fund	8,188,175	6,971,950
Due to ag products utilization fund	861,913	733,889
Hedging derivative instruments	148,375	5,747,088
Short term notes payable	57,636,505	69,000,000
Long-term liabilities - current portion		
Compensated absences	98,609	95,369
Notes payable	3,838,349	3,745,527
Lease liability	8,115,585	7,262,977
Total current liabilities	\$ 113,671,509	\$ 131,851,551
Noncurrent liabilities:		
Net other post-employment benefit liability	\$ 939,974	\$ 427,768
Net pension liability	24,149,157	8,474,445
Long-term liabilities - noncurrent portion		
Compensated absences	1,079,519	1,044,049
Notes payable	40,063,712	29,002,410
Lease liability	20,041,099	15,013,953
Total noncurrent liabilities	86,273,461	53,962,625
Total liabilities	\$ 199,944,970	\$ 185,814,176
DEFERRED INFLOWS OF RESOURCES		
Derived from pensions	\$ 9,477,546	\$ 16,388,877
Derived from other post-employment benefits	8,083	158,289
Total deferred inflows of resources	\$ 9,485,629	\$ 16,547,166
NET POSITION		
Invested in capital assets	\$ 135,431,478	\$ 136,668,905
Unrestricted	(10,397,827)	(19,768,911)
Total net position	\$ 125,033,651	\$ 116,899,994

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

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

OPERATING REVENUES	June 30, 2023	June 30, 2022
Sales (net of sales deductions of \$86,902,224 and \$80,550,372, respectively)	\$ 445,841,075	\$ 392,463,149
Total operating revenues	\$ 445,841,075	\$ 392,463,149
OPERATING EXPENSES		
Material cost	\$ 375,142,840	\$ 333,147,292
Wages and benefits	24,761,502	21,980,915
Repairs and maintenance	3,670,118	2,672,582
Operating supplies	1,620,052	1,822,172
Utilities	5,046,128	4,761,065
Insurance	2,178,314	1,996,251
Outside services	2,115,462	1,692,830
Office supplies	75,352	125,107
Computer expense	371,148	291,000
Communications	64,938	63,344
Travel and entertainment	266,680	215,536
Employee expense	348,348	189,767
Safety expense	198,935	258,633
Postage and mailing	38,825	27,491
Advertising	153,967	140,018
Dues and subscriptions	228,416	199,430
Legal and professional	49,229	39,396
Depreciation	7,300,087	6,446,563
Total operating expenses	\$ 423,630,341	\$ 376,069,392
Operating income	\$ 22,210,734	\$ 16,393,757
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 90,643	\$ 3,298
Interest expense	(5,025,601)	(1,842,941)
Disposal of assets	(120,074)	(60,479)
Miscellaneous income	155,690	214,819
Other expense	(73,127)	(30,665)
Total nonoperating expenses	\$ (4,972,469)	\$ (1,715,968)
Gain before transfers	\$ 17,238,265	\$ 14,677,789
Transfer to state general fund	\$ (8,188,175)	\$ (6,971,950)
Transfer to ag products utilization fund	(861,913)	(733,889)
Transfer to Industrial Commission	(54,520)	
Change in net position	\$ 8,133,657	\$ 6,971,950
Total net position - beginning of year	\$ 116,899,994	\$ 109,928,044
Total net position - ending	\$ 125,033,651	\$ 116,899,994

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

Comparative Statement of Cash Flows

	June 30, 2023	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 544,403,772	\$ 425,418,084
Payments to suppliers	(479,695,166)	(411,798,619)
Payments to employees	(21,736,183)	(21,541,515)
Net cash provided (used) by operating activities	<u>\$ 42,972,423</u>	<u>\$ (7,922,050)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from noncapital debt	\$ 59,950,464	\$ 65,000,000
Principal paid on noncapital debt	(75,057,611)	(25,653,273)
Interest paid on noncapital debt	(4,842,150)	(1,842,941)
Ag promotion	(73,128)	(30,665)
Transfer to Industrial Commission	(54,520)	
Transfer to state general fund	(6,971,950)	(6,393,652)
Transfer to ag products utilization fund	(733,889)	(673,016)
Net cash provided (used) by noncapital financing activities	<u>\$ (27,782,784)</u>	<u>\$ 30,406,453</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	\$ 14,897,776	
Principal paid on capital debt and leases	(8,295,991)	\$ (7,911,957)
Interest paid on capital debt and leases	(815,913)	(393,674)
Acquisition and construction of capital assets	(21,301,583)	(15,720,219)
Net cash used by capital and related financing activities	<u>\$ (15,515,711)</u>	<u>\$ (24,025,850)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income on investments	\$ 9,913	\$ 3,298
Net cash provided by investing activities	<u>\$ 9,913</u>	<u>\$ 3,298</u>
Net increase in cash and cash equivalents	\$ (316,159)	\$ (1,538,149)
Cash and cash equivalents, beginning	316,384	1,854,533
Cash and cash equivalents, ending	<u>\$ 225</u>	<u>\$ 316,384</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 22,210,734	\$ 16,393,757
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	15,844,462	14,486,355
Pension and OPEB expense	3,639,448	1,476,009
Interest expense paid on lease activities	632,462	393,674
Other nonoperating income	209,197	214,814
Decrease (Increase) in receivables, net	19,921,956	(47,810,255)
Decrease (Increase) in notes receivable	(8,470,677)	
Decrease (Increase) in inventories	(6,172,638)	(9,930,072)
Decrease (Increase) in prepaid expense	(268,087)	(774,523)
Decrease (Increase) in patronage capital credits	(28,512)	(113,768)
Increase (Decrease) in accounts payable	(3,951,108)	18,822,058
Increase (Decrease) in accrued payroll	421,042	85,919
Increase (Decrease) in other liabilities	19,315	(43,491)
Increase (Decrease) in accrued sick and vacation pay	38,709	(80,805)
Decrease (Increase) in deferred outflows for pension and OPEB	(1,073,880)	(1,041,722)
	<u>\$ 20,761,689</u>	<u>\$ (24,315,807)</u>
Net cash provided by operating activities	<u>\$ 42,972,423</u>	<u>\$ (7,922,050)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS		
Assets acquired through lease	\$ 14,348,772	\$ 30,189,019
Total non cash transactions	<u>\$ 14,348,772</u>	<u>\$ 30,189,019</u>

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

SUPPLEMENTARY INFORMATION
Schedule of Appropriations
For the Biennium Ended June 30, 2023

OBJECT	2021-2023	2022	2023	Balance June 30, 2023
	Final Appropriation	Expenses/ Transfers	Expenses/ Transfers	
Salaries and wages	\$ 50,560,209	\$ 21,627,433	\$ 22,157,224	\$ 6,775,552
Operating expenses	36,817,000	14,841,264	17,036,298	4,939,438
Agriculture promotion	500,000	30,665	73,128	396,207
Contingency	500,000			500,000
TOTAL	\$ 88,377,209	\$ 36,499,362	\$ 39,266,650	\$ 12,611,197
SOURCE				
Special fund authority	\$ 88,377,209	\$ 36,499,362	\$ 39,266,650	\$ 12,611,197
TOTAL	\$ 88,377,209	\$ 36,499,362	\$ 39,266,650	\$ 12,611,197

2021-2023 Appropriation amounts come directly from the North Dakota Session Laws, Chapter 42, Senate Bill 2014

The following is a reconciliation of the GAAP expenses from the Statement of Revenues, Expenses, and Changes in Net Position to the Schedule of Appropriations:

	2022	2023
Total operating expenses	\$ 376,069,392	\$ 423,630,341
Adjustments:		
Material cost	(333,147,292)	(375,142,840)
Depreciation	(6,446,563)	(7,300,087)
Change in compensated absences	80,805	(38,709)
Pension expense	(481,668)	(2,497,803)
OPEB expense	47,381	(67,766)
Demurrage	346,642	610,386
Agriculture promotion	30,665	73,128
Expenses per schedule of appropriations	<u>\$ 36,499,362</u>	<u>\$ 39,266,650</u>

Oil and Gas Research Program/Fund

History

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

During the 2023-2025 biennium, funding for the Oil and Gas Research Fund was increased to \$20.5 million, which includes a \$3 million appropriation from SIIF for a legislative-directed project to detect and prevent pipeline leaks (iPipe 3.0).

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 Office of the Industrial Commission 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 2021-2023 biennium 4 grant rounds were held with 9 projects approved for funding in the total amount of \$19,330,752 including the \$9.5 million legislative-directed study on salt caverns.

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.

Legislation Passed During the 2023 Legislative Session Related to the Program/Fund

House Bill 1014 included a \$3 million appropriation from SIIF for a pipeline leak detection and prevention program. Additionally, Senate Bill 2089 created a new Clean Natural Gas Capture and Emissions Reduction Program, and increased funding to the Oil and Gas Research Fund by \$3 million to pay for the program.

Major Accomplishments and Activities

During the 2023-2025 biennium the Program awarded funding for several projects including but not limited to:

- Field Study to Determine the Feasibility of Developing Salt Caverns - EERC
- Expansion of the intelligent Pipeline Integrity Program (iPIPE)
- Hydrogen Energy Development for North Dakota – EERC
- NDIC Funding to Support Research of Petroleum Engineering Program at University of North Dakota – Petroleum Engineering Program, University of North Dakota

- Development of Formulations for the Removal of Scale - UND
- North Dakota Petroleum Foundation and Education Program – North Dakota Petroleum Foundation
- Well Site Thief Hatch Methane Detectors – Vareberg Engineering
- Agricultural Carbon Capture in Western North Dakota – ND Natural Resources Trust

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/ogt/>

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

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

Outdoor Heritage Fund

History

The Outdoor Heritage Fund (OHF) and Outdoor Heritage Fund Advisory Board (Board) were established by the Legislature 2013. The OHF initially received a continuing appropriation of up to \$30,000,000 from oil and gas production tax revenue. The Legislature amended the appropriation to \$40,000,000 per biennium effective July 1, 2015. The amount for transfer to the Fund during the 2017-2019 biennium was capped at \$10,000,000 and \$15,000,000 for the 2019-2021, 2021-2023 and 2023-2025 biennia.

Organization Structure

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

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

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

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

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

Statutory Responsibilities

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

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

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

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

Major Programs and Activities

The Commission awarded \$23.3 million of OHF funds for 48 projects in the 2021-2023 biennium.

Key Legislation Passed During the 2023 Legislative Session Related to the OHF

The total amount of funding available per biennium was limited to \$15,000,000 for the 2023-2025 biennium.

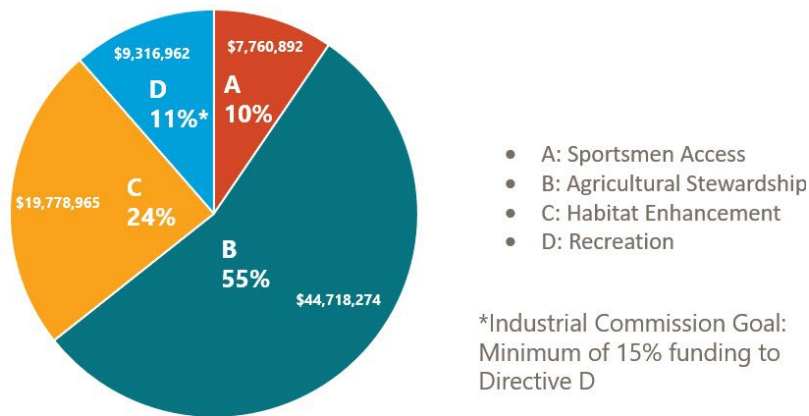
Key Responsibilities Added To or Deleted from the OHF for the 2023-2025 Biennium

The continuing appropriation authorization for the OHF was capped at \$15,000,000 from oil and gas production tax revenues for the 2023-2025 biennium.

Major Accomplishments and Activities

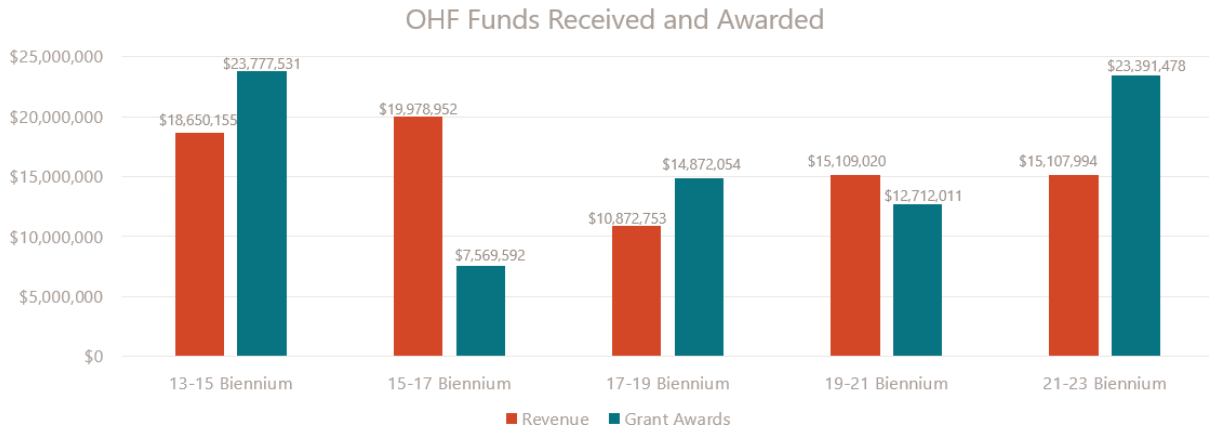
As of June 30, 2023, the Commission has awarded funding for 224 projects totaling over \$81.6 million.

OHF FUNDING BY DIRECTIVE



OHF FUNDS RECEIVED AND AWARDED

- The Industrial Commission has awarded funding for 224 projects for a total of \$81,687,666
 - Since its inception, the fund has received a total of \$79,718,874 in income
 - \$3,532,206 of commitments have been returned to date



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 www.ndic.nd.gov

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 2021-2023 biennium, Justin J. Kringstad served as Pipeline Authority Director, and continues to serve in that capacity. The Pipeline Authority Director reports to the Industrial Commission. Day to day oversight is provided by the Industrial Commission Executive Director with the assistance of the Director of the Department of Mineral Resources and the President of the North Dakota Petroleum Council. The Authority has no other staff. Contracts and financial reporting are administered by the Industrial Commission Administrative Office. No appropriation was made by the Legislature for the North Dakota Pipeline Authority. The Legislature did establish the Pipeline Authority Administrative Fund. The Industrial Commission transferred a total of \$600,000 from the Oil and Gas Research Fund to the Pipeline Authority Administrative Fund for the operations of the Authority and authorized studies.

Statutory Responsibilities

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

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

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

In fulfilling the mission of diversifying and expanding the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation and utilization of North Dakota energy-related commodities, the Authority is in continual contact with local and out of state companies, governmental agencies, and trade associations. Major activities of the Authority are detailed in the 2022 and 2023 Annual Reports and include the following:

- Pipeline Authority Crude Oil, Natural Gas, and Natural Gas Liquids Forecast Modeling – (Ongoing)
- Pipeline Authority Production and Transportation Analytics – (Ongoing)
- North Dakota Freight Advisory Committee – (Ongoing)
- Clean Sustainable Energy Authority Technical Review Committee (Ongoing)
- Natural Gas Pipeline Program (2021-2023)
- Bakken Drilling Economics Study – (Ongoing)
- Pipeline Authority Websites – Ongoing updates and content additions
- Monthly Updates – Monthly publication updating interested parties on pipeline related activities
- Presentations – On demand informational and outreach presentations to industry and citizen groups

Natural Gas Pipeline Program

North Dakota's Natural Gas Pipeline Program was established by the Legislature in 2021 under the control of the North Dakota Industrial Commission to provide funding for the development of high-pressure transmission pipeline infrastructure for the transportation and competitive selling of natural gas to eastern North Dakota. The program guidelines provided that the Industrial Commission shall consult with the Natural Gas Pipeline Review Committee. The review committee, chaired by the Pipeline Authority Director, includes the Department of Mineral Resources Director, Bank of North Dakota President or his designee, Clean Sustainable Energy Authority Director, Department of Commerce Commissioner.

The purpose of the Natural Gas Pipeline Program was to provide grants to assist with the construction of a high-pressure transmission pipeline to transport natural gas for utilization in eastern North Dakota thereby expanding the North Dakota economy, increasing employment, stimulating economic activity, augmenting sources of tax revenue, and fostering economic stability.

SB 2345 Section 1, subsection 1 was passed with the following appropriation language:

There is appropriated from federal funds derived from the state fiscal recovery fund, not otherwise appropriated, the sum of \$150,000,000, or so much of the sum as may be necessary, to the Industrial Commission for the purpose of pipeline infrastructure grants to allow for the transportation of natural gas to eastern North Dakota for the period beginning December 1, 2021 and ending June 30, 2023. Of the funds appropriated in this subsection, at least \$10,000,000 must be used for a project to transport natural gas to areas in Grand Forks County.

During the 2023 legislative session, funding for the Natural Gas Pipeline Program was discontinued and alternative gas transmission support was provided by expanding the Pipeline Authority's ability to obtain capacity on new or expanding systems

Legislation Passed During the 2023 Session

The 2023 legislative session took action in HB 1014 to update the Pipeline Authority statute through enhancing the ability for the agency to obtain and manage capacity positions on new or expanding pipeline systems.

Along with clarification and intent language, the prime legislative action came through an amendment of subsection 4 of section 54-17.7-04 which included the following funding language:

- a. *The authority may borrow up to sixty million dollars through a line of credit from the Bank. The interest rate on the line of credit must be the prevailing interest rate charged to North Dakota governmental entities.*
- b. *The line of credit must be guaranteed by reserves under section 6 - 09.7 - 05.*

- c. *The line of credit may be used to support activities under subsection 3.*
- d. *The authority shall repay the line of credit from amounts available. If the amounts available on June 30, 2027, are not sufficient to repay the line of credit, the authority shall notify the director of the office of management and budget, and the director of the office of management and budget shall transfer funds from the strategic investment and improvements fund to the Bank for the repayment pursuant to section 6 - 09.7 - 05 based on the amount certified by the Bank.*

Prior to the actions in HB 1014, the Pipeline Authority had the legal ability to acquire and hold capacity positions on pipeline systems, however the financial mechanism was insufficient to apply as a practical means of project support. The expanded funding now available to the Pipeline Authority is actively being explored as a tool to assist in the expansion of new natural gas transmission systems.

Activities During the 2021-2023 Biennium

For the 2023-2025 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 petroleum production levels will continue to be updated to reflect emerging industry trends and oil price projections from the U.S. Energy Information Administration. The Pipeline Authority will continue to utilize new and existing development information to gain a deeper understanding of the crude oil, natural gas, and natural gas liquids transportation needs in the Williston Basin.

To assist with the expansion of natural gas transmission in North Dakota, the Pipeline Authority will continue to work with parties interested in project development to explore any and all support available through the newly expanded capacity capabilities.

The Pipeline Authority Director will continue to work with companies exploring the possibility of blending hydrogen into regional natural gas pipelines. The blending of hydrogen into an existing natural gas pipeline is common in some portions of the United States and could be very beneficial for North Dakota as it looks to address pipeline gas quality issues and provide a readily available market opportunity for hydrogen production in the state.

The Pipeline Authority Director will continue to actively engaging in his role on the Clean Sustainable Energy Authority's technical committee. It is anticipated that many of the proposals brought to the Clean Sustainable Energy Authority will have an impact or reliance on regional midstream energy assets in the state.

Industry and public information distribution will continue with the use of web events, presentations, monthly updates, and agency websites. The Pipeline Authority will continue to conduct information presentations to public audiences, legislative groups, and industry representatives at various events throughout the coming year.

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

Resources

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

**Pipeline Authority Fund (286)
Balance Sheet
2021-2023**

Assets		
Cash & Equivalent at BND	467,795.22	
Total Assets		<u>467,795.22</u>
Liabilities		
Accounts/Vouchers Payable	27,682.00	
Total Liabilities		27,682.00
Equity		
Fund Balance-Unreserved	440,113.22	
Total Equity		440,113.22
Total Liabilities & Equity		<u>467,795.22</u>

**Pipeline Authority Fund (286)
Statement of Revenues and Expenditures
2021-2023**

Revenues		
Interest On Investment	1,013.70	
Transfer From Oil & Gas Research Fund	600,000.00	
Total Revenues		601,013.70
Expenditures		
Software Licenses Over \$5,000	5,000.00	
Central Duplicating - Printing	103.62	
Management/Consulting Service	327,282.45	
Total Expenditures		332,386.07
Net Income		<u>268,627.63</u>

Notes to the Financial Statements June 30, 2023

Note 1-The Pipeline Authority receives no General Fund dollars. The Industrial Commission upon the recommendation of the Oil and Gas Research Council authorized the transfer of \$600,000 from the Oil and Gas Research Fund to the Pipeline Authority Administrative Fund during the 2021-2023 biennium.

North Dakota Public Finance Authority

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

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

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

Organizational Chart

DeAnn Ament - Executive Director

Benita Eberts - Business Manager

Karla Zander – Fiscal Officer

Statutory Responsibilities

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

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

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

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

that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." All bonds issued by the PFA under any of its programs prior to 2011 are moral obligation bonds unless the Industrial Commission approves a resolution to allow the PFA 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 the 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 1-month FHLB plus 1.9% adjusted monthly with a floor of 2.25%.

State Revolving Fund Program

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

The interest rates on SRF Program loans are set by the Department of Environmental Quality in consultation with the PFA. The interest rates are fixed for the term of a loan. Currently, the interest rate for most tax-exempt SRF Program loans is 1.5%. The interest rate for taxable SRF Program loans is 2.5%. SRF loans made with American Recovery and Reinvestment Act "ARRA" funds are at .5% and/or have a loan forgiveness component. The Bipartisan Infrastructure Law "BIL" Lead Service Line funds are at a .5% interest rate and 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 2021-2023 biennium under this program and there are no loans outstanding as of June 30, 2023.

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.

Legacy Fund Infrastructure Program Bonds

The 2021 Legislature authorized the issuance of bonds to allocate to legislatively approved state infrastructure projects and programs. Upon request by BND, funds are transferred to BND for disbursement to funded projects and programs. Bond payments will be funded by capitalized interest, earnings on unspent bond proceeds and transfers from ND Legacy Fund earnings.

In December of 2021, the Legacy Bonds were assigned ratings of "AA" by Standard & Poor's Global Ratings and "Aa2" by Moody's Investors Service, Inc.

Key Legislation Passed During the 2023 ND Legislative Assembly Impacting PFA HB 1379 – Legacy Fund Earnings – State Treasurer – Transfers

Section 4.a. The first one hundred two million six hundred twenty-four thousand dollars or an amount equal to the amount appropriated from the legacy sinking and interest fund for the debt service payments for a biennium, whichever is less, to the legacy sinking and interest fund under section 6-09.4-10.1.

Major Accomplishments and Activities During 21-23 Biennium

During the 21-23 biennium, there were no bonds issued under the CFP. From the inception through June 30, 2023, the total cumulative amount of bonds issued under the CFP General Bond Resolution was \$264,125,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was \$114,280,000.

During the 2021-2023 biennium, the PFA did not approve any Disaster Financing CFP loans. As of June 30, 2023, \$20,824,737 had been advanced to 27 political subdivisions and there are no loans outstanding. The total cumulative amount of PFA bonds issued to fund the Disaster Loan Program was \$14,405,612 and the bonds are paid in full.

There were no bonds issued under the IDB Program during the 2021-2023 biennium. As of June 30, 2023, 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 \$625,000.

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 \$114,132,000 of loans to 25 political subdivisions during the 21-23 biennium. As of June 30, 2023, the cumulative amount of the 346 loans closed under the CWSRF Program was \$1,029,983,241. Under the DWSRF Program, the PFA closed \$57,705,300 of loans to 33 political subdivisions during the 21-23 biennium. As of June 30, 2023, the cumulative amount of the 285 loans closed under the DWSRF Program was \$812,744,730.

During the 21-23 biennium, the PFA issued \$85,330,000 of bonds under the SRF Program. The cumulative amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is \$768,695,000. This total includes \$203,865,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003, 2004, 2005, 2008 and 2011 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding. As of June 30, 2023, the total amount of SRF Program Bonds outstanding was \$298,620,000.

The PFA issued \$710,115,000 of Legacy Fund Infrastructure Program Bonds (Legacy Bonds) during the 21-23 biennium. The proceeds were transferred to BND to allocate to the Fargo Diversion Project, Resources Trust Fund, Infrastructure Revolving Loan Fund, Highway Fund and NDSU Agriculture Products Development Facility. The total amount of Legacy Bonds outstanding as of June 30, 2023, was \$710,115,000.

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

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

In 2024 the PFA will issue SRF leveraged bonds and potentially state match bonds which will fund current and future loan commitments.

In 2024 and beyond, the PFA anticipates working with the Department of Emergency Services to develop the policies, procedures and assist with the administration of the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act revolving loan fund.

Resources

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

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

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2022 AND 2021
(In Thousands)

	<u>Business-T</u>	<u>Activities</u>
	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Restricted		
Cash and cash equivalents	\$ 38,379	\$ 84,723
Interest receivable	5,599	5,447
Investments	65,878	9,566
Municipal securities	48,930	45,508
Total restricted current assets	<u>158,786</u>	<u>145,244</u>
Total current assets	<u>158,786</u>	<u>145,244</u>
NONCURRENT ASSETS - RESTRICTED		
Investments	16,723	21,175
Municipal securities	900,154	883,299
Total restricted noncurrent assets	<u>916,877</u>	<u>904,474</u>
Total assets	<u>1,075,663</u>	<u>1,049,718</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding		1,741
Derived from pension	394	289
Total deferred outflows of resources	<u>394</u>	<u>2,030</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	65	460
Bonds payable	27,645	25,990
Interest payable	4,109	4035
Total current liabilities	<u>31,819</u>	<u>30,485</u>
NONCURRENT LIABILITIES		
Bonds payable	443,620	434,477
Net pension liability	524	190
Total noncurrent liabilities	<u>444,144</u>	<u>434,667</u>
Total liabilities	<u>475,263</u>	<u>465,152</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on bond refunding	3,857	
Derived from pension	219	386
Total deferred inflows of resources	<u>4,076</u>	<u>386</u>
NET POSITION		
Unrestricted	2,152	1,978
Restricted for debt service	97,861	90,362
Restricted for loan purposes	496,005	493,870
Total net position	<u>\$ 596,018</u>	<u>\$ 586,210</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands)

	<u>Business-Type Activities</u>	
	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Investment income	\$ 20,564	\$ 20,821
Grant and set-asides		491
Administrative fees and other	<u>4,459</u>	<u>4,139</u>
	<u>25,023</u>	<u>25,451</u>
OPERATING EXPENSES:		
Interest expense	17,112	18,391
State Revolving Fund loan forgiveness	2,909	3,504
State Revolving Fund administration	2,819	2,262
State Revolving Fund set-asides	153	199
(Refund) from IRS	(101)	
Salaries and benefits	369	317
Bond issue costs	348	
Operating	33	50
Paying agent fees	1	1
	<u>23,643</u>	<u>24,724</u>
OPERATING INCOME (LOSS)	<u>1,380</u>	<u>727</u>
NONOPERATING REVENUE		
Grant and set-asides	8,181	19,184
Investment income	<u>247</u>	<u>816</u>
	<u>8,428</u>	<u>20,000</u>
CHANGE IN NET POSITION	9,808	20,727
TOTAL NET POSITION, BEGINNING OF YEAR	<u>586,210</u>	<u>565,483</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 596,018</u>	<u>\$ 586,210</u>

Renewable Energy Program

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 may 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 2021-2023 biennium for the Renewable Energy Program.

Key Legislation Passed During the 2023 Legislative Session Related to the Renewable Energy Program

House Bill 1062 removed the requirement to contract with the Department of Commerce to provide technical assistance.

Key Responsibilities Added To or Deleted from the Renewable Energy Program for the 2023-2025 Biennium

There were no key responsibilities added or deleted for the Renewable Energy Program for the 2023-2025 biennium.

Major Accomplishments and Activities

During the 2021-2023 biennium the Industrial Commission approved funding of \$4,090,171 for 12 new Renewable Energy Projects.

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 www.ndic.nd.gov

North Dakota Student Loan Trust

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, 2023.

Organizational Structure

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

Statutory/Constitutional Responsibilities

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

Major Programs and Activities

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

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

Key Legislation Passed During 2023 Legislative Session Related to the Student Loan Trust

No legislation was passed related to the Trust.

Key Responsibilities Added To or Deleted from Student Loan Trust for the 2021-2023 Biennium

No additional responsibilities were added or deleted to the Trust for the 2021-2023 biennium.

Major Accomplishments and Activities

During the 2021-2023 biennium the Trust expended funding for the Industrial Commission Administrative Office and for servicing/trustee costs for Bank of North Dakota services.

No additional student loans were purchased from the Bank.

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

The net position of the Trust as of June 30, 2023 is \$1,208,000. The Trust along with the Bank will continue to monitor student loan programs to determine whether additional loan programs are needed to assist North Dakota students with pursuing higher education opportunities.

Resources and Publications Available from the Student Loan Trust

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

NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF NET POSITION
JUNE 30, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Due from other state agencies	\$ 7	\$ 9
Interest receivable	<u>1</u>	<u>-</u>
Total unrestricted current assets	<u>8</u>	<u>9</u>
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	713	677
Investments	1,000	1,000
Student loans receivable	<u>59</u>	<u>139</u>
Total restricted current assets	<u>1,772</u>	<u>1,816</u>
NONCURRENT ASSETS - UNRESTRICTED		
Student loans receivable	<u>434</u>	<u>409</u>
Total assets	<u>\$ 2,214</u>	<u>\$ 2,234</u>

NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF NET POSITION – Page 2
YEARS ENDED JUNE 30, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to other state agencies	\$ 5	\$ 1
Accrued fees payable - related party	<u>1</u>	<u>2</u>
Total current liabilities	<u>6</u>	<u>3</u>
NONCURRENT LIABILITIES		
Bonds payable	<u>1,000</u>	<u>1,000</u>
Total noncurrent liabilities	<u>1,000</u>	<u>1,000</u>
Total liabilities	<u>1,006</u>	<u>1,003</u>
NET POSITION		
Restricted for debt service	772	816
Unrestricted	<u>436</u>	<u>415</u>
Total net position	<u>1,208</u>	<u>1,231</u>
Total liabilities and net position	<u>\$ 2,214</u>	<u>\$ 2,234</u>

NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on student loans	<u>\$ 30</u>	<u>\$ 35</u>
Total operating revenues	<u>30</u>	<u>35</u>
OPERATING EXPENSES		
Interest	46	10
Service fees	4	5
Administration fees	1	1
Bond related expenses	<u>9</u>	<u>9</u>
Total operating expenses	<u>60</u>	<u>25</u>
OPERATING INCOME (LOSS)	(30)	10
NONOPERATING REVENUE		
Investment income	<u>7</u>	<u>1</u>
INCOME (LOSS) BEFORE TRANSFERS	(23)	11
TRANSFERS - STATE AGENCIES	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(23)	11
TOTAL NET POSITION, BEGINNING OF YEAR	<u>1,231</u>	<u>1,220</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 1,208</u>	<u>\$ 1,231</u>

North Dakota Transmission Authority

ND Transmission Authority Function and Organization

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

Organizational Structure

By statute the Authority membership is comprised of the members of the Commission. John Weeda was appointed Transmission Authority Director in February 2018; Claire Vigesaa served as Deputy Director from October 2021 through the biennium. Weeda announced his retirement in May of 2023; Vigesaa was appointed Transmission Authority Executive Director for the next biennium. The Transmission Authority Executive Director works closely with the Executive and Deputy Director of the Commission, Karen Tyler and Reice Haase. The Authority has no other staff and received no direct General Fund appropriation for this biennium report.

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 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

The North Dakota Transmission Authority (NDTA) supports and promotes a reliable and resilient electric transmission grid for our state and nation. Elements of a strong and reliable grid include, sound transmission planning (by incumbent utilities and the regional transmission organizations),

high performing maintenance & operations plans, technology enhancements and thoughtful policy development. The NDTA monitors and supports electric transmission activities of the incumbent electric transmission owners, RTOs, as well as transmission and generation developers. The ultimate purpose is to ensure adequate transmission capacity for grid stability and export capacity. The NDTA supports state agencies with information and expertise with respect to electric transmission development, from the ND Grid Resiliency Plan (as part of the ND State Energy Plan) to electric load and transmission capacity studies to support economic development initiatives.

The NDTA works with industry and elected officials at the state/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.

Legislation Passed During the 2023 Legislative Session Related to the Authority

The 2023 ND Legislature moved the funding for the NDTA into the NDIC budget. Prior, the funding for the NDTA activities came from the Enhance, Preserve & Protect.

The ND Legislature approved a 15% match for the DOE Formula Grid Resiliency Grant.

The ND Legislature approved a resolution supporting Minnesota Power–Allete's HVDC modernization project for the Center to Duluth HVDC line.

Summary of Responsibilities Added or Deleted During the Biennium

No new roles were added legislatively, however the NDTA has new responsibilities in hosting a new IJA DOE Grid Resiliency Grant Program.

Accomplishments and Activities during the Biennium including Trends and Goals

Nexus HVDC Transmission Project: The NDTA supported the sale of the HVDC line from Great River Energy to Rainbow Energy through a \$150 million bond financing mechanism. The financing package was a critical component of the successful sale of and retention of the Coal Creek Station, retaining jobs and importantly ensuring grid reliability and stability for North Dakota and the Upper Midwest.

Load Forecast Study – Barr Engineering: The Williston Basin Oil and Gas Related Electrical Load Growth Forecast study of 2019 was updated in late 2021. The study area comprised 20 counties in Western ND. The study utilized oil and gas production data to develop electric load forecasts. The 2021 study's "consensus" forecasted a total need of 29,600 GWh of electric consumption at the end of the study period, 2040. The growth in the Bakken will drive need for increased generation and transmission capacity.

Forecasting Resource Adequacy in MISO through 2035: The NDTA worked with the Lignite Energy Council, the American Experiment and Life:Powered to analyze the impacts of the Ozone Transport Rule and the Coal Combustion Rule on MISO. The results of the study raised grave concerns about the dire consequences of baseload retirements on grid reliability.

Forecasting Resource Adequacy in SPP through 2035: The NDTA worked with the Lignite Energy Council, the American Experiment and Life:Powered to analyze the impacts of the Ozone Transport Rule and the Coal Combustion Rule on SPP. The results of the SPP study were even more

concerning, power reserve margins are shown to be dependent on intermittent generation resources as soon as 2023-2024.

Forecasting Resource Adequacy in MISO through 2055 (EPA 111 Rules): A third study was commissioned by the same group; Lignite Energy Council, the American Experiment and Life:Powered in coordination with the NDTA. This study examined the impact of EPA's proposed 111 rules. As expected, the proposed rules would have a devastating effect on the grid reliability and would certainly lead to blackout conditions. All these studies are available on the NDTA website and are being utilized by industry/government to fight back on the onerous rules.

IJA DOE Grid Resiliency Grant: The NDTA applied for and was successfully awarded a \$7,499,037 DOE Grid Resiliency Grant on May 23, 2023. The ND Legislature had previously approved a 15% match (\$1,124,856) for the grant program. ND was one of the first states to submit its application and will also be on the front end of executing subawards to stakeholders in late 2023.

Regional Transmission Organizations: The NDTA monitors activities of both MISO and SPP, primarily through WebEx committee meetings (several each week). Grid reliability, resource adequacy, generation interconnection queues and transmission planning are topics of particular interest to the NDTA.

The NDTA has been interested and supportive of the Joint Targeted Interconnection Queue, projects that are beneficial to transmission/generation on the "seams" of MISO & SPP.

Midwest Electric Reliability Organization (MRO): The NDTA follows the activities and initiatives of the MRO. The MRO provides regional winter/summer grid assessments. The NDTA finds these assessments useful in its presentations about grid reliability trends. The MRO provides education and support for its member utilities on topics of grid reliability from cyber & physical security to relay settings.

Transmission Project Support: There are several large electric transmission projects approved for construction and several projects in the study phase; all of which are supported by the NDTA:

1. JETx – 345kV line from Jamestown – Ellendale (MDU/Otter Tail Power)
2. Roundup to Kummer Ridge 345kV line (Basin Electric in McKenzie Electric Territory)
3. Leland Olds to Tioga 345kV line (Basin Electric)
4. Wheelock to SK 230kV line (Basin Electric)
5. Tande to SK 230kV line (Basin Electric)
6. Statcom (static VAR compensator) – New Town (Basin Electric)
7. Bison (Fargo) to Big Stone 345kV (study phase-Xcel/Otter Tail)
8. HVDC Modernization Project Center to Duluth (Minnesota Power – Allele)
9. North Plains Connector 525kV HVDC Coal Strip, MT to St Anthony (initial phases)

Outreach Programs: The NDTA seeks opportunities to be engaged with incumbent utilities, independent transmission owners/developers and policy makers/regulators to ensure that grid reliability and expansion is positioned to promote health, safety, growth and prosperity for ND citizens and industry. Grid reliability and capacity is vital for economic growth. The NDTA makes itself available to present information to industry, associations, agencies, policy makers and the public.

Overall Evaluation of Program

The electric generation transformation, public policy activity and economic growth underscores the value of North Dakota's voice and focus on grid reliability. The electric grid development and management extends beyond our state's borders, so our involvement in RTOS, the MRO as well as developers/transmission owners is vital to building bridges to market while maintaining a reliable electric grid. North Dakota has rich energy resources including our traditional coal generation, natural gas, oil, wind, critical minerals, and geological formations for carbon sequestration. North Dakota is positioned well to be a key player in the world energy market.

Resources and Publications Available

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

NORTH DAKOTA TRANSMISSION AUTHORITY
BALANCE SHEET
June 30, 2023

	2023	2022
Assets		
Current Assets - Restricted		
Cash	\$ 2,488,642	\$ 1,955,993
Investments	21,012,958	21,305,661
Interest Receivable	44,485	61,238
Loans Receivable - Current Portion	5,058,334	4,900,000
Total Current Assets	\$ 28,604,419	\$ 28,222,892
Noncurrent Assets - Restricted		
Loans Receivable - Noncurrent Portion	117,805,200	122,871,381
Total Noncurrent Assets	\$ 117,805,200	\$ 122,871,381
Total Assets	\$ 146,409,619	\$ 151,094,273
Liabilities		
Current Liabilities		
Bond Interest Payable	\$ 429,254	\$ 887,500
Prepaid Loan Interest	521,406	147,917
Bond Payable - Current Portion	5,500,000	4,900,000
Cost of Issuance Payable	-	11,000
Total Current Liabilities	\$ 6,450,660	\$ 5,946,417
Noncurrent Liabilities		
Bond Payable - Noncurrent Portion	139,600,000	145,100,000
Total Noncurrent Liabilities	\$ 139,600,000	\$ 145,100,000
Total Liabilities	\$ 146,050,660	\$ 151,046,417
Net Position		
Restricted for Debt Service	\$ 358,959	\$ 47,856
Total Net Position	\$ 358,959	\$ 47,856
Total Liabilities and Net Position	\$ 146,409,619	\$ 151,094,273

NORTH DAKOTA TRANSMISSION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Loan Interest Income	\$5,310,504	\$887,500
Total Operating Revenues	<u>5,310,504</u>	<u>887,500</u>
Operating Expenses:		
Interest Expense	5,310,504	887,500
Bond Administrative Expenses	10,508	-
Salaries and Benefits	31,630	18,741
Grants for studies	-	93,174
Office and Travel Expenses	13,752	16,516
Consultants	160,163	94,530
Total Operating Expenses	<u>5,526,557</u>	<u>1,110,461</u>
Nonoperating Revenues:		
Investment Income	321,611	47,856
Total Nonoperating Revenues	<u>321,611</u>	<u>47,856</u>
Income Before Transfers	105,558	(175,105)
Transfers In	<u>205,545</u>	<u>222,961</u>
Net Income	<u>311,103</u>	<u>47,856</u>
Total Net Position, Beginning of Year	47,856	-
Total Net Position, End of Year	<u><u>\$358,959</u></u>	<u><u>\$47,856</u></u>

The following pages contain financial information taken directly from the independent audit reports pertaining to BND’s Legislatively Directed loan programs. Full audit reports can be provided upon request.

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 Bank of North Dakota. Currently there are 431 Ag PACE loans outstanding. The total principal outstanding is \$69,006,362, of which Bank of North Dakota participates in \$26,601,541. The remaining amount of buydown interest to be paid by this Fund on these loans is \$4,753,745. Of the total outstanding amount, there were 104 loans totaling \$18,034,208 made during the year ended June 30, 2023 in comparison to 75 loans totaling \$13,755,866 made during the year ended June 30, 2022 and 64 loans totaling \$9,981,161 made in the year ended June 30, 2021. Loans funded in the year ended June 30, 2023 will require \$1,990,325 in buydown interest during the life of the loans. There are 4 pending loan commitments totaling \$589,035 as of June 30, 2023.

As of June 30, 2023, there was (\$37,541) in interest buydown funds remaining in the Ag PACE Fund. A total of \$3,627,086 was committed/funded in the 2021-2023 biennium. The funding for the 2021-2023 biennium for the Ag PACE Fund included the following transactions: A \$5,500,000 Legislative Appropriation transfer from the Bank, plus a \$1,000,000 transfer from PACE, minus \$3,000,000 net transfers to Beginning Farmer, plus a \$16,101 carry forward from the 2019- 2021 biennium, plus \$73,444 of adjustments on Defaulted or Prepaid Loans.

As noted above the 2021 North Dakota Legislature appropriated \$5,000,000 to the Ag PACE Fund from the Bank of North Dakota's undivided profits for the biennium beginning July 1, 2021 and ending June 30, 2023.

The 2023 North Dakota Legislature passed emergency measure House Bill 1199 that authorizes the Bank of North Dakota to transfer the sum of \$20,000,000 from the Bank's current earnings and undivided profits to PACE funds during the effective date of the act, and ending June 30, 2023.

AG PACE FUND
BALANCE SHEETS
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash deposits	\$ 87,610	\$ 548,157
Cash deposits for buy downs committed	<u>4,753,745</u>	<u>3,877,217</u>
Total assets	<u>\$ 4,841,355</u>	<u>\$ 4,425,374</u>
LIABILITIES		
	<u>\$ -</u>	<u>\$ -</u>
Committed	<u>4,841,355</u>	<u>4,425,374</u>
Total fund balance	<u>4,841,355</u>	<u>4,425,374</u>
Total liabilities and fund balance	<u>\$ 4,841,355</u>	<u>\$ 4,425,374</u>

AG PACE FUND**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Buydown interest	<u>1,084,019</u>	<u>878,564</u>
EXPENDITURES OVER REVENUES	(1,084,019)	(878,564)
OTHER FINANCING SOURCES		
Transfers in	4,500,000	2,000,000
Transfers out	<u>(3,000,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	415,981	1,121,436
FUND BALANCE, BEGINNING OF YEAR	<u>4,425,374</u>	<u>3,303,938</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,841,355</u>	<u>\$ 4,425,374</u>

Beginning Farmer Revolving Loan Fund

(Dollars in Thousands)

The Beginning Farmer Revolving Loan Fund (“Fund”) is authorized in Section 6-09.8 of the North Dakota Century Code. The purpose of the Fund is to make or participate in loans to North Dakota beginning farmers for the purchase of agricultural real estate, equipment, and livestock. The Fund is a revolving fund, and all moneys transferred into the Fund, interest upon moneys in the Fund and payments to the Fund of principal and interest on loans made from the Fund are appropriated for the purpose of providing loans and to supplement the interest rate on loans to beginning farmers.

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

Beginning Farmer Real Estate Loans

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

Currently the Beginning Farmer Real Estate loans are being funded directly by BND. The loans are restricted to the same terms as indicated above. The Fund provides buydown funds, to the extent available, to reduce the borrower’s interest rate by 2% for the first five years of the loan. The borrower is limited to \$750 in total loans. There were 31 loans totaling \$11,496 made during the six months ended June 30, 2023 with this program. These loans will require \$1,225 in buy down interest during the life of the loans. There are currently 399 loans outstanding totaling \$122,876 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 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 buydown 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 62 loans totaling \$6,798 made during the six months ended June 30, 2023 with this program, of which BND participated in \$3,543. These loans will utilize \$533 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 \$1,489 as of June 30, 2023. There was a \$8,000 appropriation from BND's undivided profits for the biennium July 1, 2021, through June 30, 2023 for interest buy down purposes to beginning farmers, of which \$8,000 was transferred to the Fund.

Invest Loans Funded by BND and a Lead Lender

Section 6-09-15.5 of the North Dakota Century Code authorizes BND to provide interest buydown on value-added agriculture equity loans (Invest) made for investment in a feedlot or dairy operation. The legislation began August 1, 2007 and states that no more than \$1,000 can be transferred from the Fund during a biennium. There were no new Invest loans made during the six months ended June 30, 2023.

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
BALANCE SHEET
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(Dollars in Thousands)

	<u>2023</u>
ASSETS	
Current Assets	
Cash deposits at the Bank of North Dakota	\$ 1,489
Prepaid interest, current portion	<u>2,911</u>
Total current assets	<u>4,400</u>
Noncurrent Assets	
Prepaid interest	<u>14,519</u>
Total noncurrent assets	<u>14,519</u>
Total assets	<u>\$ 18,919</u>
 FUND BALANCE	 <u>\$ 18,919</u>

BEGINNING FARMER REVOLVING LOAN FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(Dollars in Thousands)

	<u>2023</u>
OPERATING REVENUES	<u>\$ -</u>
OPERATING EXPENDITURES	
Buy-down interest	1,619
Audit expenses	6
	<u>1,625</u>
OPERATING LOSS	(1,625)
NONOPERATING REVENUES	
Income from cash deposits	3
	<u>3</u>
LOSS BEFORE TRANSFERS	<u>(1,622)</u>
TRANSFERS	
Transfer from Bank of North Dakota	1,000
Transfer from AG PACE	1,000
Transfer from PACE	400
NET TRANSFERS IN	<u>2,400</u>
CHANGE IN FUND BALANCE	778
FUND BALANCE, BEGINNING OF YEAR	<u>18,141</u>
FUND BALANCE, END OF YEAR	<u>\$ 18,919</u>

Water Infrastructure Revolving Loan Fund

(Dollars In Thousands)

The Water Infrastructure Revolving Loan Fund was established by North Dakota Century Code Section 6-09-49 to provide loans to political subdivisions, the Garrison Diversion Conservancy District, and the Lake Agassiz water authority for essential infrastructure projects. The Bank shall manage and administer the infrastructure revolving loan fund and the loans made from the fund. The Bank may deduct one-half of one percent of the outstanding loan balance as a service fee for administering the Fund.

The maximum amount of a loan may not exceed the cost of the project. The interest rate for this program has been set at the same rate as the revolving loan fund established under chapters 61-28.1 and 61-28.2. Amortized payments over the term of to be determined by the ND Department of Water Resources or the useful life of the project.

In accordance with House Bill 1431 of the 2021 Legislative Session, the Bank of North Dakota transferred all outstanding loans and moneys in the community water facility loan fund and all outstanding loans and moneys in the infrastructure revolving loan fund within the resources trust fund to the water infrastructure revolving loan fund on July 1, 2021.

There was one loan for \$1,100 with advances of \$1,004 made by the Fund during the year ended June 30, 2023. There were two loans for \$18,565 with advances of \$2,511 made by the Fund during the year ended June 30, 2022.

As of June 30, 2023, there were fifty-two loans outstanding totaling \$39,975 with an allowance for credit losses of \$600 for net loans of \$39,375.

There was one loan commitment for \$60,000 as of June 30, 2023.

Funds available for investment in loans as of June 30, 2023, were \$24,884.

WATER INFRASTRUCTURE REVOLVING LOAN FUND
BALANCE SHEETS

JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash deposits at the Bank of North Dakota	\$ 24,884	\$ 28,665
Loans, current portion	2,719	2,764
Interest receivable	<u>237</u>	<u>226</u>
Total current assets	<u>27,840</u>	<u>31,655</u>
Noncurrent Assets		
Loans, net of allowance for credit losses of \$600 in 2023 and \$409 in 2022	<u>36,656</u>	<u>32,379</u>
Total assets	<u>\$ 64,496</u>	<u>\$ 64,034</u>
LIABILITIES		
Current Liabilities		
Due to the Bank of North Dakota	<u>\$ 49</u>	<u>\$ 44</u>
NET POSITION		
Unrestricted	<u>64,447</u>	<u>63,990</u>
Total liabilities and net position	<u>\$ 64,496</u>	<u>\$ 64,034</u>

WATER INFRASTRUCTURE REVOLVING LOAN FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 761</u>	<u>\$ 733</u>
OPERATING EXPENSES		
Administrative fees	187	174
Audit expenses	11	6
Provision for credit loss	<u>191</u>	<u>244</u>
Total operating expenses	<u>389</u>	<u>424</u>
OPERATING INCOME	372	309
NONOPERATING REVENUES		
Interest on deposits	<u>85</u>	<u>20</u>
INCOME BEFORE TRANSFERS	457	329
TRANSFERS IN	<u>-</u>	<u>27,061</u>
CHANGE IN NET POSITION	457	27,390
TOTAL NET POSITION, BEGINNING OF YEAR	<u>63,990</u>	<u>36,600</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 64,447</u>	<u>\$ 63,990</u>

Infrastructure Revolving Loan Fund

(Dollars in Thousands)

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 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 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.

House Bill 1431 of the 2021 Legislative Session authorized Legacy Bond Fund proceeds issued by the Public Finance Authority to be appropriated to the Bank of North Dakota for allocation of up to \$50,000 to the Fund during the biennium beginning July 1, 2021, and ending June 30, 2023. Effective July 1, 2021 all notes made must have an interest rate starting at two percent per year and increasing by one percent every five years, up to a maximum rate of five percent. As of June 30, 2023, the Fund has transferred \$26,742.

Senate Bill 2330 of the 2023 Legislative Session authorized up to \$150,000 of Legacy funds to be used to purchase loans from the Infrastructure Revolving Loan Fund.

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

There were 18 loans originated for \$37,571 with \$16,360 funds advanced on these loans during the year ended June 30, 2023. There were 12 loans originated for \$39,445 with \$7,941 funds advanced on these loans during the year ended June 30, 2022. As of June 30, 2023, the gross amount of outstanding loans is \$136,998 with an allowance for credit losses of \$1,712 for net loans of \$135,286. There were fifteen loan commitments for \$124,838 as of June 30, 2023. Funds available for investment in loans as of June 30, 2023 were \$20,647.

INFRASTRUCTURE REVOLVING LOAN FUND
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 20,647	\$ 20,804
Loans, current portion	11,792	5,992
Interest receivable	842	777
	<u>33,281</u>	<u>27,573</u>
Total current assets		
Noncurrent Assets		
Loans, net of allowance for credit losses of \$1,380 in 2023 and \$1,285 in 2022	<u>123,494</u>	<u>103,033</u>
	<u>\$ 156,775</u>	<u>\$ 130,606</u>
Total assets		
LIABILITIES		
Current Liabilities	<u>\$ 165</u>	<u>\$ 138</u>
NET POSITION		
Unrestricted	<u>156,610</u>	<u>130,468</u>
	<u>\$ 156,775</u>	<u>\$ 130,606</u>
Total liabilities and net position		

INFRASTRUCTURE REVOLVING LOAN FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 2,420</u>	<u>\$ 2,196</u>
OPERATING EXPENSES		
Administrative fees	613	547
Other expenses	6	6
Provision for credit loss	<u>332</u>	<u>95</u>
Total Operating Expenses	<u>951</u>	<u>648</u>
OPERATING INCOME	1,469	1,548
NONOPERATING REVENUES		
Investment income	<u>75</u>	<u>13</u>
INCOME BEFORE TRANSFERS	1,544	1,561
TRANSFERS IN		
Transfers from Legacy Bond Fund	<u>24,598</u>	<u>2,144</u>
NET TRANSFERS IN	<u>24,598</u>	<u>2,144</u>
CHANGE IN NET POSITION	26,142	3,705
TOTAL NET POSITION, BEGINNING OF YEAR	<u>130,468</u>	<u>126,763</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 156,610</u>	<u>\$ 130,468</u>

Medical Facility Infrastructure Loan Program

(Dollars in Thousands)

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 new loans made by the Fund during the year ended June 30, 2023. There were no new loans made by the Fund during the year ended June 30, 2022. There was one new loan for \$1,300 made by the Fund during the year ended June 30, 2021. As of June 30, 2023, the gross amount of outstanding loans is \$42,567 with an allowance for loan losses of \$1,182 for net loans of \$41,385.

There were two pending loan commitments totaling \$8,150 as of June 30, 2023. Funds available for investment in loans for the year ended June 30, 2023 were \$9,322.

MEDICAL FACILITY INFRASTRUCTURE LOAN FUND
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,322	\$ 7,043
Loans, current portion	2,060	2,041
Interest receivable	<u>24</u>	<u>25</u>
Total current assets	<u>11,406</u>	<u>9,109</u>
Noncurrent Assets		
Loans, net of allowance for loan losses of \$1,182 in 2023 and 2022	<u>39,325</u>	<u>41,386</u>
Total assets	<u>\$ 50,731</u>	<u>\$ 50,495</u>
LIABILITIES		
Current Liabilities	<u>\$ 53</u>	<u>\$ 56</u>
NET POSITION		
Unrestricted	<u>50,678</u>	<u>50,439</u>
Total liabilities and net position	<u>\$ 50,731</u>	<u>\$ 50,495</u>

MEDICAL FACILITY INFRASTRUCTURE LOAN FUND
STATEMENTS OF EXPENSES, REVENUES AND CHANGES IN NET POSITION
JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 435</u>	<u>\$ 455</u>
OPERATING EXPENSES		
Administrative fees	218	228
Other expenses	<u>6</u>	<u>6</u>
OPERATING INCOME	<u>211</u>	<u>221</u>
NONOPERATING REVENUES		
Investment income	<u>28</u>	<u>5</u>
CHANGE IN NET POSITION	<u>239</u>	<u>226</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>50,439</u>	<u>50,213</u>
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 50,678</u></u>	<u><u>\$ 50,439</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.

Credit Loss Expense

Credit loss expense was \$1.7 million during the year ended December 31, 2022, \$3.4 million during the year ended December 31, 2021, and \$6 million during the year ended December 31, 2020. The decrease from 2021 to 2022 was primarily due to the decrease in the student loan portfolio. The decrease from 2020 to 2021 was primarily due to the suspension of payment for default claims due to COVID.

Alternative Loan Fund

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

Alternative Loan Fund guarantees during the year ending December 31, 2022 were \$83 million compared to \$100 million during the fiscal year ending December 31, 2021.

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

NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM
BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 50,186,679	\$ 51,724,906
Restricted	1,843	2,227
Receivables		
Administrative fee	<u>43,097</u>	<u>217,058</u>
TOTAL ASSETS	<u>\$ 50,231,619</u>	<u>\$ 51,944,191</u>
LIABILITIES		
CURRENT LIABILITIES		
Due to BND	\$ 5,000	\$ 5,000
Collections payable	477,574	-
Allowance for future credit losses	1,652,564	3,430,000
Estimated future refunds of default aversion fees	<u>1,843</u>	<u>2,227</u>
Total current liabilities	<u>2,136,981</u>	<u>3,437,227</u>
NONCURRENT LIABILITIES		
Allowance for future credit losses	<u>27,644,871</u>	<u>28,123,334</u>
Total liabilities	<u>29,781,852</u>	<u>31,560,561</u>
NET POSITION - UNRESTRICTED	<u>20,449,767</u>	<u>20,383,630</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 50,231,619</u>	<u>\$ 51,944,191</u>

NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Administrative fee	\$ 2,478,655	\$ 3,953,206
OPERATING EXPENSES		
Service and administrative expense	812,091	703,848
Credit loss expense	<u>1,652,564</u>	<u>3,430,000</u>
	<u>2,464,655</u>	<u>4,133,848</u>
OPERATING INCOME (LOSS)	14,000	(180,642)
NONOPERATING REVENUES		
Interest income	<u>52,137</u>	<u>42,070</u>
CHANGE IN NET POSITION	66,137	(138,572)
TOTAL NET POSITION, BEGINNING OF YEAR	<u>20,383,630</u>	<u>20,522,202</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 20,449,767</u>	<u>\$ 20,383,630</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. Currently, there are 92 PACE loans outstanding. The total principal outstanding is \$111,592,394. There were 26 loans totaling \$59,093,602 made in 2022 and 2023. These loans will require \$8,412,026 in buydown interest during the life of the loans. There are 5 loan commitments outstanding as of June 30, 2023 that total \$57,537,487 and will use \$1,632,159 of interest buydown.

Flex PACE loans are made by a lead financial institution in participation with the Bank. Currently, there are 1,048 Flex PACE loans outstanding. The total principal outstanding is \$317,730,879. There were 355 loans totaling \$229,684,313 made during 2022 and 2023. These loans will require \$32,484,363 in buydown interest during the life of the loans. There are 92 loan commitments outstanding as of June 30, 2023 that total \$112,164,793 and will use \$9,894,044 of interest buydown.

BioFuels PACE loans are made by a lead financial institution in participation with the Bank. Currently, there are 76 BioFuels PACE loans outstanding. The total principal outstanding is \$14,156,695. There were 12 loans totaling \$3,274,195 made during 2022 and 2023. These loans will require \$914,787 in buydown interest during the life of the loans. There are 3 loan commitments outstanding as of June 30, 2023 that totals \$7,471,086 and will use \$598,641 of interest buydown.

Medical PACE loans are made by a lead financial institution in participation with the Bank. Currently, there are 3 Medical PACE loans outstanding. The total principal outstanding is \$12,659,325. There were no loans made during 2022 and 2023. There are no loan commitments outstanding as of June 30, 2023.

As of June 30, 2023, \$3,317,168 is available of PACE interest buydown; \$4,125,723 is available for Flex PACE interest buydown; \$79,855 is available for BioFuels PACE interest buydown, and \$0 is available for Medical PACE interest buydown.

The 2021 Legislature approved the following appropriations and transfers from the PACE programs during the biennium July 1, 2021 through June 30, 2023 as follows:

PACE	\$24,500,000	Legislative Appropriation transfer from BND
	1,171,162	Carry Forward from Previous Allocation
	(12,700,000)	Transfer to Flex PACE
	(600,000)	Transfer to Biofuels
	(1,000,000)	Transfer to Ag PACE
	(500,000)	Transfer to Affordable Housing PACE
	(400,000)	Transfer to Beginning Farmer
	403,755	Adjustments on Defaulted or Prepaid PACE Loans
	<u>(7,557,749)</u>	Committed and pending
	\$3,317,168	
Flex	\$20,000,000	Legislative Appropriation transfer from BND
	1,846,985	Carry Forward from Previous Allocation
	13,200,000	Transfer from PACE
	750,000	Transfer from Biofuels
	1,496,044	Adjustments on Defaulted or Prepaid Flex PACE Loans
	<u>(33,167,306)</u>	Committed and pending
	\$4,125,723	
BioFuels	\$1,000,000	Legislative Appropriation transfer from BND
	(210,975)	Carry Forward from Previous Allocation
	247,597	Transfer from Medical PACE
	600,000	Transfer from PACE
	(750,000)	Transfer to PACE
	306,159	Adjustments on Defaulted or Biofuels PACE Loans
	<u>(1,112,926)</u>	Committed and pending
	\$79,855	
Medical	\$0	Legislative Appropriation transfer from BND
	(274,597)	Transfer from biofuels PACE
	<u>247,597</u>	Carry Forward from Previous Allocation
	\$0	

During the year ended June 30, 2023, the Bank of North Dakota transferred \$18,500,000 to PACE, \$750,000 to Biofuels PACE, and \$8,000,000 to Flex PACE from its current earnings and undivided profits. Additional transfers were made throughout the year, including \$11,500,000 from PACE to Flex PACE, \$600,000 from PACE to Biofuels, \$1,000,000 from PACE to Ag PACE, \$500,000 from PACE to Affordable Housing, and \$400,000 from PACE to Beginning Farmer.

During the year ended June 30, 2022, the Bank of North Dakota transferred \$6,000,000 to PACE, \$250,000 to Biofuels PACE, and \$12,000,000 to Flex PACE from its current earnings and undivided profits. Additional transfers were made throughout the year, including \$1,200,000 from PACE to Flex PACE and \$247,597 from Medical PACE to Biofuels.

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

PACE FUND
BALANCE SHEETS

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	<u>\$ 82,622,198</u>	<u>\$ 72,596,170</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accrued interest payable	<u>\$ 1,357,417</u>	<u>\$ 1,116,230</u>
FUND BALANCE		
Committed for interest buydown	78,944,083	70,701,820
Committed for future interest buydown	<u>2,320,698</u>	<u>778,120</u>
Total fund balance	<u>81,264,781</u>	<u>71,479,940</u>
Total liabilities and fund balance	<u>\$ 82,622,198</u>	<u>\$ 72,596,170</u>

PACE FUND**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
REVENUES		
Interest income	\$ 405,334	\$ 396,741
EXPENDITURES		
Buydown interest	<u>16,470,493</u>	<u>13,490,193</u>
EXPENDITURES OVER REVENUES	(16,065,159)	(13,093,452)
OTHER FINANCING SOURCES		
Transfers in, net of interfund transfers	<u>27,250,000</u>	<u>18,250,000</u>
NET CHANGE IN FUND BALANCE	9,784,841	5,156,548
FUND BALANCE, BEGINNING OF YEAR	<u>71,479,940</u>	<u>66,323,392</u>
FUND BALANCE, END OF YEAR	<u>\$ 81,264,781</u>	<u>\$ 71,479,940</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 was open until September 30, 2020.

The North Dakota Legislature amended the Fund in its 2021 Session to create the Rebuilders Permanent Loan Fund. This Fund merged the SARS-CoV-2 Small Employer Loan Fund with the Rebuilders Loan Fund. All assets and liabilities of the Small Employer Loan Fund were transferred to the Fund as of July 1, 2021.

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

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 the fiscal year 2023. There were no new loans made by the Program during the fiscal year 2022. There were no loans pending as of June 30, 2023.

As of June 30, 2023, there are 1,732 loans outstanding. The gross amount of outstanding loans is \$34,919,556 with an allowance for credit losses of \$3,088,000 for net loans of \$31,831,556. As of June 30, 2022, the gross amount of outstanding loans was \$41,386,945 with an allowance for credit losses of \$3,662,000 for net loans of \$37,724,945.

REBUILDERS LOAN PROGRAM

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	\$ 10,307,071	\$ 6,555,508
Loans, current portion	4,222,765	4,424,788
Interest receivable	<u>29,562</u>	<u>37,264</u>
Total current assets	<u>14,559,398</u>	<u>11,017,560</u>
NONCURRENT ASSETS		
Loans, net of allowance for credit losses of \$3,088,000 in 2023 and \$3,662,000 in 2022	<u>27,608,791</u>	<u>33,300,157</u>
Total noncurrent assets	<u>27,608,791</u>	<u>33,300,157</u>
Total assets	<u>\$ 42,168,189</u>	<u>\$ 44,317,717</u>
LIABILITIES		
CURRENT LIABILITIES		
Due to the Bank of North Dakota	\$ 29,252	\$ 519,851
Service fee payable	<u>5,403</u>	<u>6,513</u>
Total current liabilities	<u>34,655</u>	<u>526,364</u>
NONCURRENT LIABILITIES		
Due to the State of North Dakota General Fund	<u>13,720,102</u>	<u>15,650,134</u>
Total noncurrent liabilities	<u>13,720,102</u>	<u>15,650,134</u>
Total liabilities	<u>13,754,757</u>	<u>16,176,498</u>
NET POSITION - UNRESTRICTED	<u>28,413,432</u>	<u>28,141,219</u>
Total liabilities and net position	<u>\$ 42,168,189</u>	<u>\$ 44,317,717</u>

REBUILDERS LOAN PROGRAM

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 377,617</u>	<u>\$ 440,991</u>
OPERATING EXPENSES		
Administrative Fee	110,238	130,452
Loan Fee	-	1
Service fees	154,581	180,740
Other expenses	16,271	13,471
Provision for credit loss	<u>(146,808)</u>	<u>(345,198)</u>
TOTAL OPERATING EXPENSES	<u>134,282</u>	<u>(20,534)</u>
OPERATING INCOME	243,335	461,525
NONOPERATING REVENUES		
Investment Income	<u>28,878</u>	<u>3,048</u>
NONOPERATING EXPENSES		
Reinstatement of debt expense - State General Fund	<u>-</u>	<u>(30,650)</u>
NONOPERATING INCOME/(LOSS)	<u>28,878</u>	<u>(27,602)</u>
TRANSFERS IN	-	27,570,085
CHANGE IN NET POSITION	272,213	28,004,008
TOTAL NET POSITION, BEGINNING OF YEAR	<u>28,141,219</u>	<u>137,211</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 28,413,432</u>	<u>\$ 28,141,219</u>

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School Construction Assistance Revolving Loan Fund

(Dollars in Thousands)

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

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

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

The 2023 North Dakota Legislature passed Senate Bill 2284 to transfer the sum of \$75,000 from the Foundation Aid Stabilization Fund during the biennium beginning July 1, 2023 and ending June 30, 2025. The full \$75,000 was transferred in July of 2023.

As of June 30, 2023, loans made by the Fund may not exceed \$10,000, must have an interest rate that does not exceed 2% and must have a repayment schedule that does not exceed 20 years.

There were five loans originated for \$40,870 with \$17,820 advanced on these loans as well as \$16,955 in loan purchases from the Bank during the year ended June 30, 2023. There were no loans originated with \$15,158 in loan purchases from the Bank during the year ended June 30, 2022.

Funds available for investment in loans as of June 30, 2023, were \$38,104.

As of June 30, 2023, there were 56 loans outstanding totaling \$276,770 with an allowance for loan losses of \$2,768 for net loans of \$274,002. As of June 30, 2022, there were 48 loans outstanding totaling \$261,043 with an allowance for loan losses of \$2,618 for net loans of \$258,425.

SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 38,104	\$ 50,227
Loans, current portion	23,696	19,674
Interest receivable	<u>1,564</u>	<u>1,517</u>
Total current assets	<u>63,364</u>	<u>71,418</u>
Noncurrent Assets		
Loans, net of allowance for loan losses of \$2,768 in 2023 and \$2,618 in 2022	<u>250,306</u>	<u>238,751</u>
Total noncurrent assets	<u>250,306</u>	<u>238,751</u>
Total assets	<u>313,670</u>	<u>310,169</u>
Total assets and deferred outflows	<u>\$ 313,670</u>	<u>\$ 310,169</u>
LIABILITIES	<u>\$ 349</u>	<u>\$ 332</u>
NET POSITION		
Unrestricted	<u>313,321</u>	<u>309,837</u>
Total liabilities and net position	<u>\$ 313,670</u>	<u>\$ 310,169</u>

SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED
JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 4,888</u>	<u>\$ 4,843</u>
OPERATING EXPENSES		
Administrative fees	1,334	1,338
Other expenses	8	8
Provision for loan loss	<u>150</u>	<u>-</u>
OPERATING INCOME	3,396	3,497
NONOPERATING REVENUES		
Investment income	<u>127</u>	<u>29</u>
INCOME BEFORE TRANSFERS	3,523	3,526
NET TRANSFERS (OUT)		
Transfer to Bank of North Dakota	<u>(39)</u>	<u>(1,050)</u>
CHANGE IN NET POSITION	3,484	2,476
TOTAL NET POSITION, BEGINNING OF YEAR	<u>309,837</u>	<u>307,361</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 313,321</u>	<u>\$ 309,837</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 were no loans made by the Program for the year ended June 30, 2023, compared to one loan totaling \$7,500 for the year ended June 30, 2022. There were no pending applications as of June 30, 2023. At June 30, 2023, the gross amount of outstanding loans was \$72,369 with an allowance for loan losses of \$3,601 for net loans of \$68,768.

Funds available for investment in loans for the year ended June 30, 2023 were \$116,820.

ADDICTION COUNSELOR INTERNSHIP LOAN PROGRAM
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 116,820	\$ 105,698
Loans, current portion	13,699	3,938
Interest receivable	<u>923</u>	<u>1,370</u>
Total current assets	<u>131,442</u>	<u>111,006</u>
Noncurrent Assets		
Loans, net of allowance for loan losses of		
\$3,601 in 2023 and \$6,435 in 2022	<u>55,069</u>	<u>74,128</u>
Total assets	<u><u>186,511</u></u>	<u><u>185,134</u></u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET POSITION		
Unrestricted	<u>186,511</u>	<u>185,134</u>
Total liabilities and net position	<u><u>\$ 186,511</u></u>	<u><u>\$ 185,134</u></u>

ADDICTION COUNSELOR INTERNSHIP LOAN PROGRAM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on loans	<u>\$ 4,364</u>	<u>\$ 2,938</u>
OPERATING EXPENSES		
Audit expenses	6,182	6,010
Provision for loan loss	<u>(2,834)</u>	<u>-</u>
OPERATING INCOME/(LOSS)	1,016	(3,072)
NONOPERATING REVENUES		
Investment income	<u>361</u>	<u>72</u>
CHANGE IN NET POSITION	1,377	(3,000)
TOTAL NET POSITION, BEGINNING OF YEAR	<u>185,134</u>	<u>188,134</u>
TOTAL NET POSITION, END OF YEAR	<u><u>\$ 186,511</u></u>	<u><u>\$ 185,134</u></u>

COVID-19 PACE Recovery Program

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

The North Dakota Emergency Commission approved federal Coronavirus Aid, Relief, and Economic Security (CARES) Act dollars of up to \$200 million to be utilized for interest rate buydowns. In September of 2020, the North Dakota Budget Section reduced the original commitment of \$200 million to \$50 million to be used between the two programs, CPR I and CPR II. An additional \$20 million was approved to be used between the CPR I and CPR II programs in October of 2020 by the North Dakota Budget Section. Applications were accepted through November 30, 2020 for both the CPR I and CPR II programs. The program received \$0, \$6,100, and \$63,604,824 in the years ended June 30, 2023, 2022, and June 30, 2021, respectively.

COVID-19 PACE Recovery Program loans are made by a lead lender in participation with Bank of North Dakota. Currently there are 240 loans outstanding. The total principal outstanding is \$229,658,876, of which BND participates in \$148,715,784. The remaining amount of buydown interest to be paid by this Fund on these loans is \$11,906,457. There were no loans originated during the years ended June 30, 2023 and June, 30, 2022. Of the outstanding amount, there were 227 loans totaling \$267,680,496 made during the year ending June 30, 2021 in comparison to 41 loans totaling \$44,822,531 made in the period ended June 30, 2020. Loans funded in the year ended June 30, 2021 will require \$28,778,473 in buydown interest during the life of the loans. The program is no longer accepting applications. There are no pending loan commitments.

COVID-19 PACE Recovery Program grants were funded to businesses with a location in North Dakota and that were current on all financial obligations as of March 13, 2020. To qualify the applicant must have sustained a minimum 20% year-over-year gross revenue loss between April 1, 2019 to September 30, 2019 when compared to the same period in 2020. No grant expenditures were disbursed during the years ended June 30, 2023 and June, 30, 2022. Total grant expenditures of \$35,584,051 were disbursed to 812 applicants during the year ended June 30, 2021.

COVID-19 PACE RECOVERY PROGRAM
BALANCE SHEETS
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	\$ -	\$ -
Cash deposits at the Bank of North Dakota for buydowns committed	<u>11,906,457</u>	<u>19,515,480</u>
TOTAL ASSETS	<u>\$ 11,906,457</u>	<u>\$ 19,515,480</u>
LIABILITIES	\$ -	\$ -
FUND BALANCE		
Committed	<u>11,906,457</u>	<u>19,515,480</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,906,457</u>	<u>\$ 19,515,480</u>

COVID-19 PACE RECOVERY PROGRAM
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Buydown interest	7,609,023	8,663,409
Grant Expenditures	-	-
Other Expenses	-	16,000
EXCESS OF EXPENDITURES OVER REVENUES	\$ (7,609,023)	\$ (8,679,409)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	6,100
Transfers (out)	-	(1,272,820)
NET CHANGE IN FUND BALANCE	(7,609,023)	(9,946,129)
FUND BALANCE, BEGINNING OF YEAR	<u>19,515,480</u>	<u>29,461,609</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,906,457</u>	<u>\$ 19,515,480</u>

Innovation Technology Loan Fund

(Dollars in Thousands)

The Innovation Technology Loan Fund was established by North Dakota Century Code (NDCC) Section 6-09.18 for the purpose of providing financing for commercialization of intellectual property within the State of North Dakota. Industries eligible for loans include advanced computing and data management, agriculture technology, autonomous and unmanned vehicles and related technology, energy, health care, value-added agriculture, value-added energy, and any other industry or area identified by the committee that will contribute to the diversification of the state's economy. The Fund was established with a fifteen-million-dollar appropriation from the Bank of North Dakota.

Loans made by the Fund must have an interest rate of zero percent for the first three years of the loan, two percent for the next two years of the loan, and an interest rate equal to a standard Bank of North Dakota loan for all subsequent years.

There were ten new loans for \$7,099 with advances totaling \$4,894 made by the Fund during the year ended June 30, 2023. There were fifteen new loans for \$8,980 with advances totaling \$7,823 made by the Fund during the year ended June 30, 2022. As of June 30, 2023, the gross amount of outstanding loans is \$22,600 with an allowance for loan losses of \$3,390 for net loans of \$19,210.

There were two pending loan commitments totaling \$2,500 as of June 30, 2023, compared to five pending loan commitments totaling \$4,249 as of June 30, 2022.

INNOVATION TECHNOLOGY LOAN FUND
STATEMENTS OF NET POSITION
JUNE 30, 2023 and 2022
(Dollars In Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	6,971	12,029
Loans, current portion	2,707	5,524
Interest receivable	<u>8</u>	<u>-</u>
Total current assets	<u>9,686</u>	<u>17,553</u>
Noncurrent Assets		
Loans, net of allowance for loan losses of \$3,390 in 2023 and \$885 in 2022	<u>16,503</u>	<u>11,297</u>
Total assets	<u>\$ 26,189</u>	<u>\$ 28,850</u>
LIABILITIES		
Current Liabilities	<u>\$ 28</u>	<u>\$ 20</u>
NET POSITION		
Unrestricted	<u>26,161</u>	<u>28,830</u>
Total liabilities and net position	<u>\$ 26,189</u>	<u>\$ 28,850</u>

INNOVATION TECHNOLOGY LOAN FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 and 2022
(Dollars In Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES	<u>\$ 17</u>	<u>\$ -</u>
OPERATING EXPENSES		
Administrative fees to Bank of North Dakota	103	72
Administrative fees to Department of Commerce	103	103
Provision for loan loss	<u>2,505</u>	<u>216</u>
OPERATING LOSS	(2,694)	(391)
NONOPERATING REVENUES		
Investment income	<u>25</u>	<u>9</u>
NONOPERATING INCOME	<u>25</u>	<u>9</u>
LOSS BEFORE TRANSFERS	(2,669)	(382)
TRANSFERS		
Transfers from Office of Management and Budget	<u>-</u>	<u>15,000</u>
CHANGE IN NET POSITION	(2,669)	14,618
TOTAL NET POSITION, BEGINNING OF YEAR	<u>28,830</u>	<u>14,212</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 26,161</u>	<u>\$ 28,830</u>

Clean Sustainable Energy Authority

(Dollars in Thousands)

The Clean Sustainable Energy Authority was established by North Dakota Century Code Section 54-63.1-05 to support research, development, and technological advancements through partnerships and financial support for the large scale development and commercialization of projects, processes, activities, and technologies that reduce environmental impacts and increase sustainability of energy production and delivery. The purpose of the financial support is to enhance the production of clean sustainable energy, to make the state a world leader in the production of clean sustainable energy, and to diversify and grow the state's economy. The Bank of North Dakota shall administer the Authority.

Loans made by the Authority may be up to fifty percent of project costs, with a minimum loan amount of \$10,000. The interest rate established for this program has been set at two percent. The maximum term of a loan for this program must be approved by the Industrial Commission based on a recommendation from the Authority. There were two new loans for \$55,000 with advances of \$20,012 made by the Authority during the year ended June 30, 2023. For the period ended June 30, 2022, there was one loan originated for \$15,000. As of June 30, 2023, there were three loans outstanding totaling \$35,012 with an allowance for credit losses of \$1,751, for net loans of \$33,261.

The Bank of North Dakota shall extend a line of credit to the Industrial Commission to support loans or loan guarantees issued from the Authority. The line of credit may not exceed \$250,000, and the interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota governmental entities. The Industrial Commission may access the line of credit through June 30, 2025. As of June 30, 2023, the Authority has extended \$35,000 from the line of credit. House Bill 1014 of the 2023 Legislative Session increased the line of credit to \$390,000.

There was one pending loan commitment totaling \$100,000 as of June 30, 2023.

Funds available for investment in loans for the year ended June 30, 2023 were \$215,364.

CLEAN SUSTAINABLE ENERGY AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 364	\$ 67
Loans, current portion	1,121	-
Interest receivable	79	12
Total current assets	<u>1,564</u>	<u>79</u>
Noncurrent Assets		
Loans, net of allowance for credit losses of \$1,751 in 2023 and \$750 in 2022	<u>32,140</u>	<u>14,250</u>
Total assets	<u>\$ 33,704</u>	<u>\$ 14,329</u>
LIABILITIES		
Current Liabilities		
Accrued Int Payable	\$ 1,509	\$ 94
Admin Fee Payable	22	19
Total Current Liabilities	<u>1,531</u>	<u>113</u>
Noncurrent Liabilities		
Other Liabilities, due to BND	<u>35,000</u>	<u>15,000</u>
Total Noncurrent Liabilities	<u>35,000</u>	<u>15,000</u>
NET POSITION		
Unrestricted	<u>(2,827)</u>	<u>(784)</u>
Total liabilities and net position	<u>\$ 33,704</u>	<u>\$ 14,329</u>

CLEAN SUSTAINABLE ENERGY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2023 AND 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on loans	\$ 433	\$ 79
OPERATING EXPENSES		
Administrative fees	53	19
Interest expense loans	1,415	94
Other Expenses	8	
Provision for credit loss	1,001	750
Total Operating Expenses	<u>2,477</u>	<u>863</u>
OPERATING LOSS	(2,044)	(784)
NONOPERATING REVENUES		
Investment income	<u>1</u>	<u>-</u>
CHANGE IN NET POSITION	(2,043)	(784)
TOTAL NET POSITION, BEGINNING OF YEAR	<u>(784)</u>	<u>-</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ (2,827)</u>	<u>\$ (784)</u>

North Dakota Student Loan Trust

(Dollars in Thousands)

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 in student loan bonds. The Student Loan Trust had \$1,000 in bonds outstanding as of June 30, 2023.

Organizational Structure

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

Statutory/Constitutional Responsibilities

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

Major Programs and Activities

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

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

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

The 2021 Legislature authorized funding from the Trust during the 2021-2023 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 2021-2023 Biennium

Other than appropriations, no other additional responsibilities were added or deleted to the Trust for the 2021-2023 biennium.

Major Accomplishments and Activities

During the 2021-2023 biennium the Trust expended funding for the Industrial Commission Administrative Office and for servicing/trustee costs for Bank of North Dakota services.

No additional student loans were purchased from the Bank.

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

Following the transfer of funds from the Student Loan Trust during the 2011-2023 biennium the net position of the Trust as of June 30, 2023 is \$1,208. The Trust along with the Bank will continue to monitor student loan programs to determine whether additional loan programs are needed to assist North Dakota students with pursuing higher education opportunities.

Resources and Publications Available from the Student Loan Trust

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

NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF NET POSITION
JUNE 30, 2023 and 2022
(Dollars In Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Due from other state agencies	\$ 7	\$ 9
Interest receivable	<u>1</u>	<u>-</u>
Total unrestricted current assets	<u>8</u>	<u>9</u>
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	713	677
Investments	1,000	1,000
Student loans receivable	<u>59</u>	<u>13</u>
Total restricted current assets	<u>1,772</u>	<u>1,816</u>
NONCURRENT ASSETS - UNRESTRICTED		
Student loans receivable	<u>434</u>	<u>409</u>
Total assets	<u>\$ 2,214</u>	<u>\$ 2,234</u>

NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF NET POSITION - Page 2
YEARS ENDED JUNE 30, 2023 and 2022
(Dollars In Thousands)

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to other state agencies	\$ 5	\$ 1
Accrued fees payable - related party	<u>1</u>	<u>2</u>
Total current liabilities	<u>6</u>	<u>3</u>
NONCURRENT LIABILITIES		
Bonds payable	<u>1,000</u>	<u>1,000</u>
Total noncurrent liabilities	<u>1,000</u>	<u>1,000</u>
Total liabilities	<u>1,006</u>	<u>1,000</u>
NET POSITION		
Restricted for debt service	772	815
Unrestricted	<u>436</u>	<u>416</u>
Total net position	<u>1,208</u>	<u>1,231</u>
Total liabilities and net position	<u>\$ 2,214</u>	<u>\$ 2,234</u>

NORTH DAKOTA STUDENT LOAN TRUST
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Interest on student loans	<u>\$ 30</u>	<u>\$ 35</u>
Total operating revenues	<u>30</u>	<u>35</u>
OPERATING EXPENSES		
Interest	46	10
Service fees	4	5
Administration fees	1	1
Bond related expenses	<u>9</u>	<u>9</u>
Total operating expenses	<u>60</u>	<u>25</u>
OPERATING INCOME (LOSS)	(30)	10
NONOPERATING REVENUE		
Investment income	<u>7</u>	<u>1</u>
INCOME (LOSS) BEFORE TRANSFERS	(23)	11
TRANSFERS - STATE AGENCIES	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(23)	11
TOTAL NET POSITION, BEGINNING OF YEAR	<u>1,231</u>	<u>1,220</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 1,208</u>	<u>\$ 1,231</u>

Karen Tyler, Interim Executive Director and Secretary
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