

# FINANCING ECONOMIC DEVELOPMENT

2021 Report



# From the President

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It would be a challenge to find a community that has not been touched by a Bank of North Dakota (BND) loan program. Businesses, agriculture producers and city, county and state governments choose from a variety of loan options to meet their needs. In this issue of Financing Economic Development, we highlight the collaboration and commitment our state embraces to fund economic growth.

We owe our partner financial institutions a debt of gratitude for all the work they did to keep businesses thriving in their communities through the pandemic by providing business owners access to BND's programs. As we all know, the secret sauce of BND is that it works side-by-side with local financial institutions as the delivery channel for programming. Prior to his retirement as BND President/CEO, Eric Hardmeyer joked it only took the federal government 100 years to figure it out and finally deliver the Paycheck Protection Program through local financial institutions!

The state is seeing an increase in very large projects ranging from the tens of millions of dollars to over \$2 billion. These projects range from value-

added agriculture businesses, value-added energy projects, data centers and carbon sequestration efforts.

Although the very large projects are what make the headlines, the heart of Bank of North Dakota's work lies in supporting our mission to promote agriculture, commerce and industry by working with local financial institutions to support local economies. Our Legislative-Directed Loan Programs offer financing for infrastructure so businesses can thrive and provide an environment that welcomes new businesses.

The Bank led the effort to create the Funding Infrastructure in North Dakota (FIND) application portal which opened in June. This process coordinates the efforts of BND, the Public Finance Authority, Department of Water Resources and Department of Health enabling communities to submit one application for review instead of submitting multiple, repetitive applications.

BND is also administering two new Legislative-Directed Programs, the Agriculture Diversification and Development Fund and the Clean Sustainable Energy Fund (CSEF), which were added to the Bank's responsibilities by the 67th Legislative Assembly.



CSEF is already in the second round of applications with a strong response from the private sector in submitting projects that will enable North Dakota's fossil fuel industry to compete in a carbon-constrained world.

Eric Hardmeyer, the longest-serving BND president, retired in July 2021. Because of his inspiration and continuous reinforcement of the Bank's role in the state, our incredible team had a clear understanding of BND's mission and didn't miss a beat with the change in leadership. I am humbled to follow in his footsteps.

A handwritten signature in black ink that reads "Todd Steinwand". The signature is written in a cursive, slightly slanted style.

**Todd Steinwand**  
President/CEO

## FINAL COVID-19 PROGRAM NUMBERS

*These four special loan programs closed in 2021.*

Small Employer Loan Fund (SELF): SELF assisted over 230 industries, providing 886 loans for a total of \$36 million. The average loan amount was \$34,000.

COVID-19 PACE Recovery I provided 273 loans for \$219 million with over \$20 million in buydown funding. The average loan size was \$848,000.

Farm Disaster Loan provided 289 loans for over \$142 million with an average loan size of \$489,000.

Ethanol Recovery Loan Program made four loans for \$21.4 million.

## A SEAT AT THE TABLE

*Bank of North Dakota appreciates participating in these state committees:*

- Early Childhood Transition Committee
- Technical Advisor to the Clean Sustainable Energy Authority
- Legacy and Budget Stabilization Advisory Board
- ND Small Business Development Corporation State Advisory Board
- Facility Management Program Study Steering Committee
- Procurement Automation Executive Steering Committee
- ND HR 2.0 Advisory Team
- Natural Gas Pipeline Review Committee
- Rural Housing Task Force



# Defining BND's Impact

When thinking about the ways Bank of North Dakota impacts the state's economy, many people point to the millions of dollars in dividends that BND provides to the state's general fund through a vote of the Legislature. However, BND's unheralded economic impact is delivered through its participation loan programs with local financial institutions. Today, BND's commercial and agriculture portfolios are just

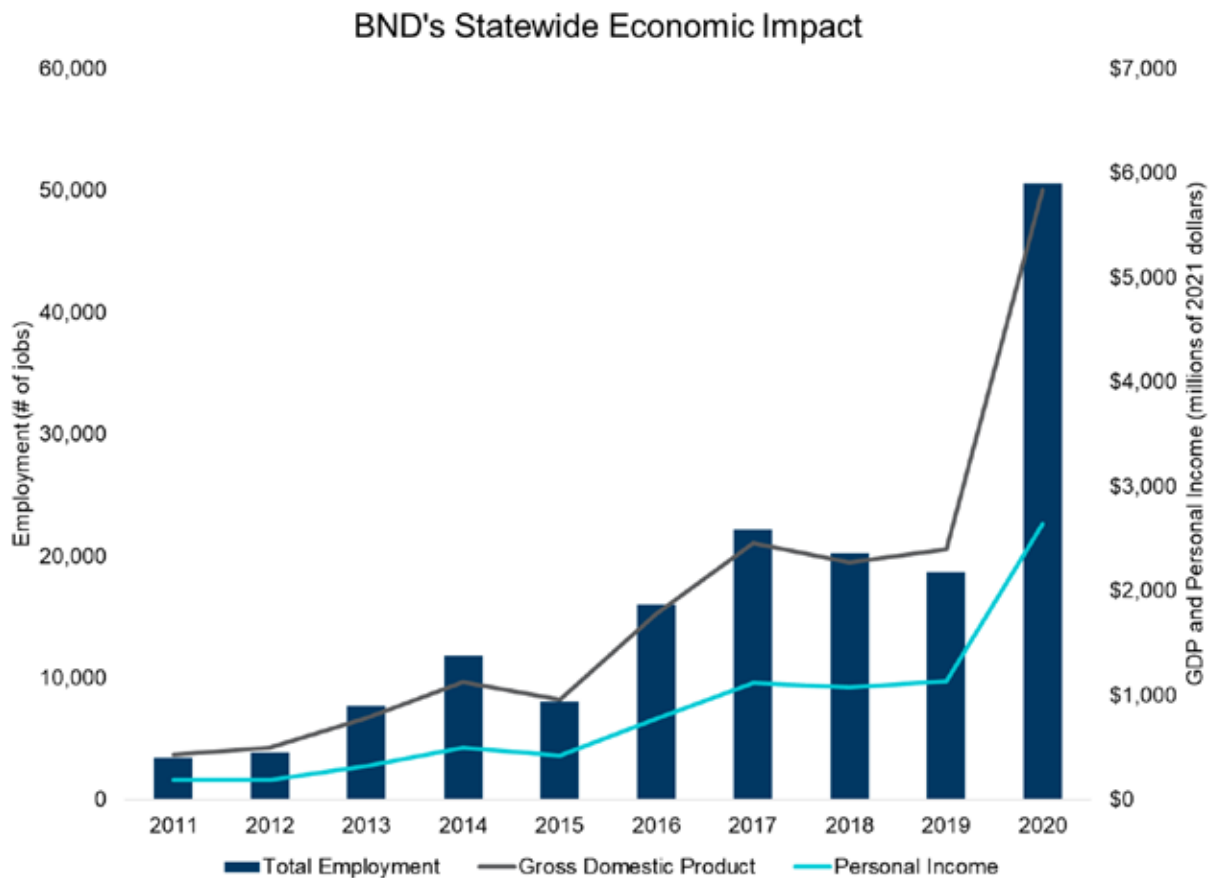
under \$3 billion which represents support of local businesses and communities across the state.

After the 2017 legislative session, BND was directed by the Legislature to develop the capability to conduct dynamic economic forecasting. In simple terms, this means the ability to forecast revenues and expenses of the state based on policy changes of economic

development projects. BND chose a model called Regional Economic Model, Inc or REMI.

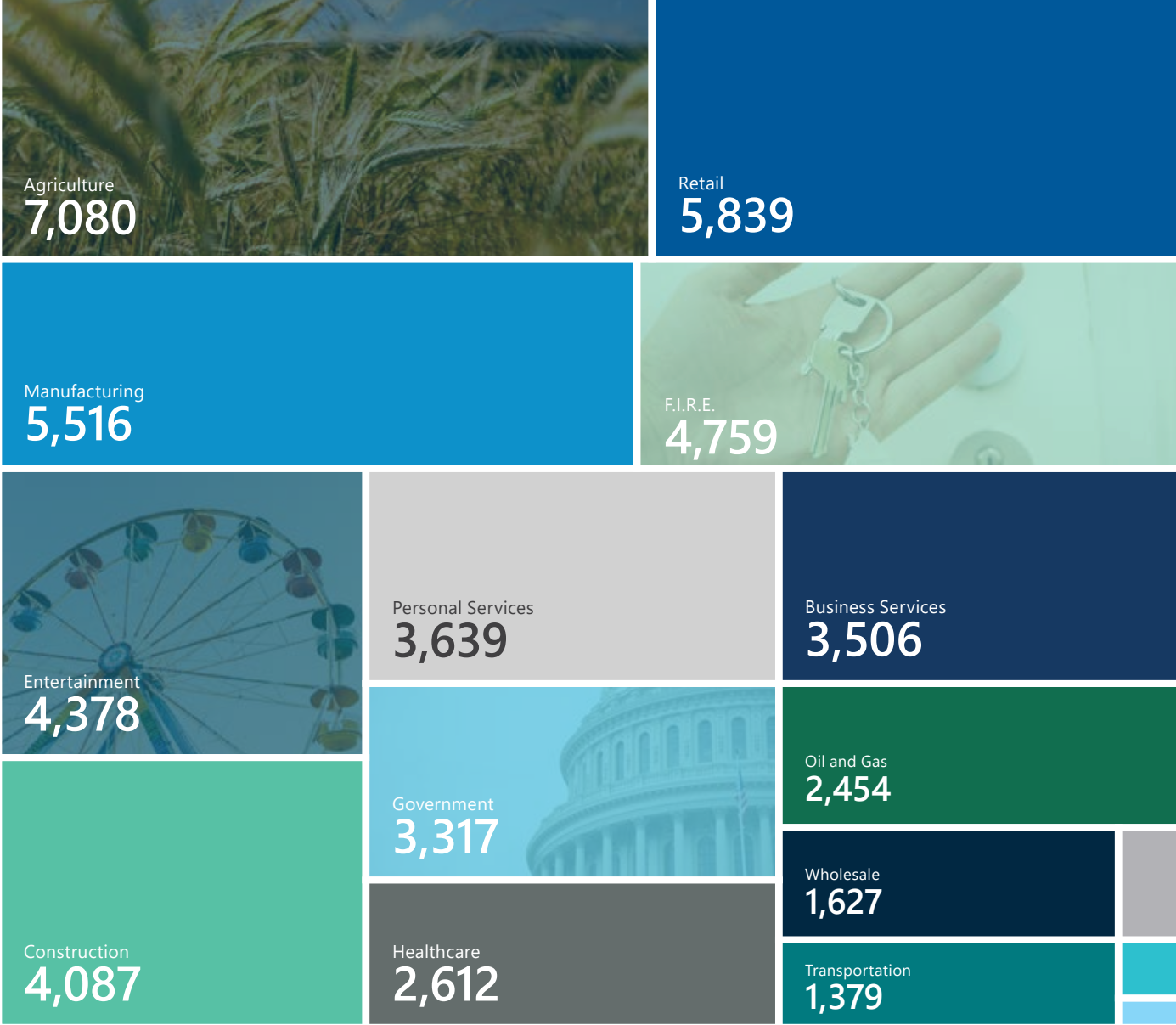
BND has utilized the REMI model to forecast the impact of proposed economic development projects over the last few years. The Bank also felt it would be interesting to gauge the economic impact of the Bank through its loan participations with local financial institutions.

The results were revealing. In 2020, through its loan participations, BND assisted in creating or retaining over 50,000 jobs in the state with a projected impact of \$6 billion to the state's Gross Domestic Product (GDP).



# Employment Impact by Sector

## (2021 Number of Jobs)



In 2020, Bank of North Dakota, through its loan participations and COVID-19 relief programs, supported the retention and creation of 50,000 jobs in North Dakota. This support of jobs closely followed the primary industries of North Dakota, most notably agriculture; retail; financial services, insurance and real estate (F.I.R.E.); and manufacturing.

# GDP Impact by Sector

(2020, millions of 2021 dollars)



As with job creation, Gross Domestic Product (GDP) growth per industry follows North Dakota's leading industries: agriculture; retail; financial services, insurance and real estate (F.I.R.E.); and manufacturing.

# Building the Best Deal: One Company's Story

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Bank of North Dakota's vision statement drives us to create financial solutions for current and emerging needs. Less than five years ago, one of the funding gaps identified was financing for the technology industry.

Financial institutions typically borrow against tangible assets, making it a challenge to finance a technology company that primarily requires human capital for expansion. This prohibited established companies in the technology industry from taking advantage of opportunities to increase capacity. BND convened both groups of stakeholders in 2019 to create the Accelerated Growth Loan Program, and BNG, based in Fargo, North Dakota, was one of the first to take advantage of it.

This was before COVID-19 was part of our daily vocabulary. We recently caught up with Brady Nash, CEO, to hear how their business has grown.

BNG offers a suite of products and services to help small-to-medium-sized businesses save time, eliminate stress and focus on doing what they love.

Although the marketing arm of the company saw a decrease in business, the pandemic required many companies to provide better online bill pay and reconciliation services. BNG was ready to respond. In 2019, the company generated \$10.2 million in revenue. That increased by \$6 million to \$16.2 million by the end of 2021. Technology companies are typically valued around seven times greater than their annual revenue.

While this is good for BNG, the state of North Dakota also wins. With clients from every state, Canada and Australia, they pay taxes for the services rendered in our state. Most employees live in North Dakota, generating personal spending.

"BNG brings tax revenue from outside our state which helps diversify the tax base. This is solid, concrete revenue," states Brady Nash. "Because of the Accelerated Growth Loan Program, we didn't need to engage out-of-state investors, specifically from the Silicon Valley, which would have meant a loss of revenue to North Dakota because they would have moved the company from here."

The company is shooting for \$19 million in revenue for 2022. Their plans include growth and bringing more opportunities to the residents of North Dakota.

***"I love this state and the way it supports business. I never plan on leaving."***

**- BRADY NASH, BNG**



# Defining the Difference

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We are often asked the difference between a Legislative-Directed Loan and a loan made through the Bank's three other portfolios - agriculture, commercial and student loans.

	LEGISLATIVE-DIRECTED LOANS	BND ORIGINATED LOANS
<b>LOAN TYPES</b>	Loan programs identified by the Legislature	Agriculture, commercial or student loans
<b>RECIPIENTS</b>	Municipalities, state agencies	Farmers, ranchers, business owners and individuals seeking postsecondary education funding
<b>RESPONSIBILITIES</b>	BND typically originates without working with a local financial institution	BND works with local financial institutions to originate agriculture and commercial loans. Student loans are made directly to the borrower.
<b>PORTFOLIO SIZE 12.31.2021</b>	\$1.0 billion	\$4.6 billion





## BND'S VISION STATEMENT

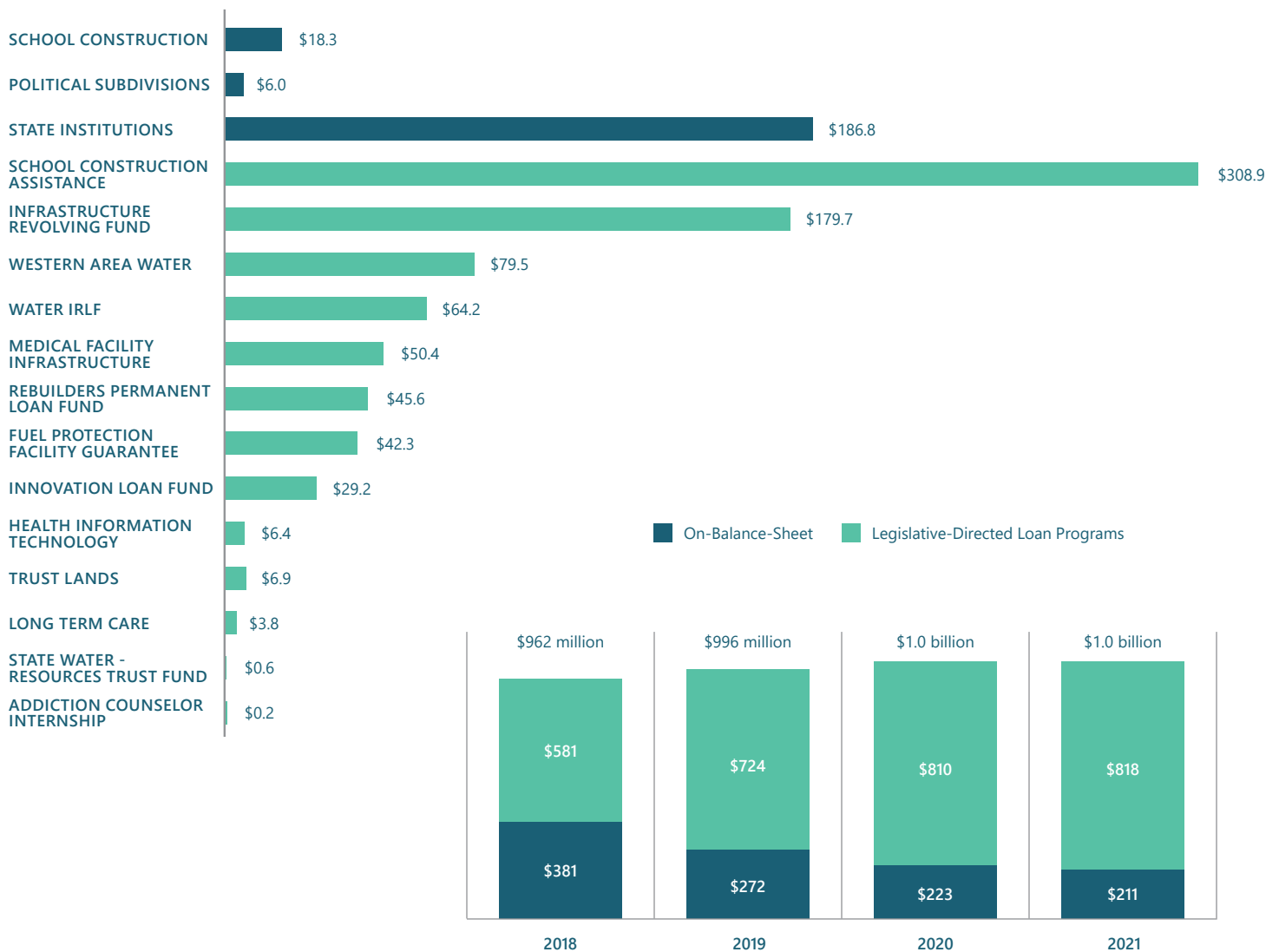
*Bank of North Dakota  
is an agile partner that  
creates financial solutions  
for current and emerging  
economic needs.*

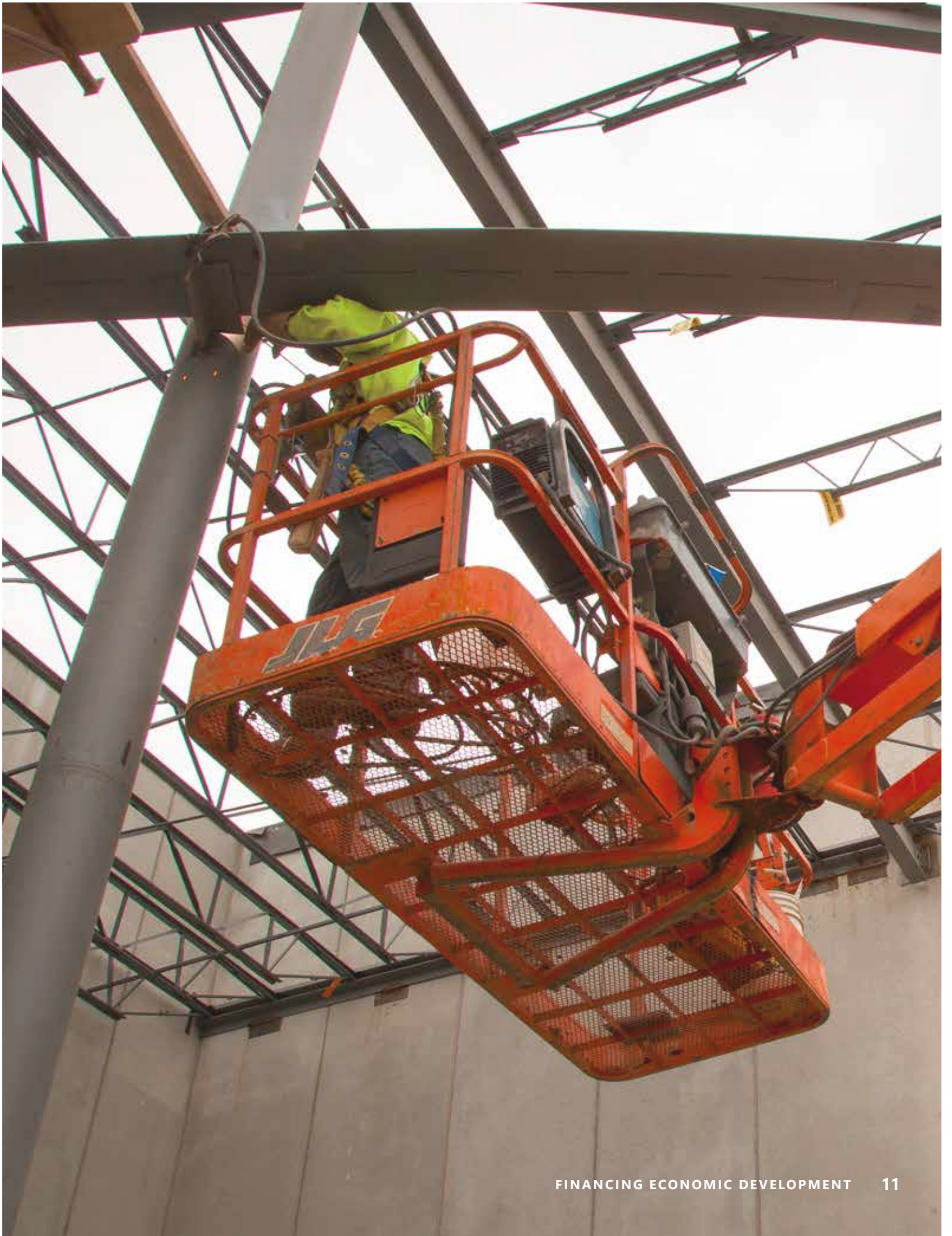


# Legislative-Directed Loan Programs 2021

Bank of North Dakota has seen a significant increase in its administered loan portfolio in recent years. Just six years ago, BND administered \$483 million in revolving loan funds. Today, it is more than \$1 billion. In addition, BND is assisting with the distribution of the \$643 million of bond proceeds authorized in the 2021 legislative session.

## State Loans and Legislative-Directed Loan Programs (In Millions)





# Legislative-Directed Loan Location Map





 Bottineau County  
SCHOOL CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Park River  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Manvel  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Devils Lake  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Lakota  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Grand Forks  
STATE INSTITUTIONS/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Harvey  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 New Rockford  
SCHOOL CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Northwood  
SCHOOL CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Hatton  
SCHOOL CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Fessenden  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Carrington  
SCHOOL CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Hillsboro  
SCHOOL CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Sheridan County  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Hunter  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Reile's Acres  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Casselton  
SCHOOL CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Jamestown  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Fargo  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Burleigh County  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Mapleton  
SCHOOL  
CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 West Fargo  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Edgeley  
SCHOOL CONSTRUCTION/  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Kindred  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Colfax  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Lisbon  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Wahpeton  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Strasburg  
SCHOOL CONSTRUCTION

 Dickey County  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Milnor  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Hankinson  
INFRASTRUCTURE  
REVOLVING LOAN FUND

 Lidgerwood  
INFRASTRUCTURE  
REVOLVING LOAN FUND

# BND Advisory Board Speaks

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BND's seven advisory board members share their thoughts about how BND's programs impact their communities and our state.

## **DENNIS JOHNSON, *Dickinson, ND, business owner***

As a business owner, I see BND playing a significant role in North Dakota's economy in two aspects: in times of crisis and with its economic growth focused lending programs.

The agility of BND as it responds in times of disaster is one of its greatest strengths. They quickly contact stakeholders, assess the situation, and customize programs to support businesses and communities.

I don't know that many people appreciate the role BND plays in keeping the local lenders and local borrowers together. Even when BND participates with greater than 50% of a participation loan with a local lender, the borrower's sole relationship remains with the local lender. The borrower is more confident doing business with someone they know, and the lender is able to help someone with riskier credit achieve their goals.

## **GARY PETERSEN, *Bismarck, ND, bank president***

The success of BND has been driven by its people, past and present, who understand the mission, are committed to it, and are truly accessible. They not only talk the talk but walk the walk. All day. Every day.

BND's programs from startup to maturing businesses, are on the cutting edge, and recognize innovation and entrepreneurship can happen anywhere, whether urban or rural, and partnering with any bank or credit union, regardless of asset size. Its loan programs for small businesses and agriculture are crucial for the community bank industry and support the family farm and Main Street North Dakota.

## **KARL BOLLINGBERG, *Grand Forks, ND, banker***

Most people run from disasters. BND runs to disasters. I have watched the Bank come to the aid of people, businesses and communities over and over again in our great state. When things are bad, they do so much good.

**PAT CLEMENT, *Bismarck, ND, retired energy industry leader***

The state of North Dakota is so fortunate to have a state-owned bank that takes a proactive approach to the current and emerging economic needs of the state with a focus on agriculture and energy. BND's partnership with the financial institutions enhances the vitality of our communities while remaining mindful of the fiduciary responsibilities to our ND citizens.

**JEAN VOORHEES, *Fargo, ND, business leader***

It would be difficult to overestimate the positive role of Bank of North Dakota for the citizens of the state. While the benefits can initially be measured by the ability to further the capacity of our community banks, the ripple effects on the residents, businesses, cities, towns, and institutions are immeasurable.

**CHRISTIE HUBER OBENAUER, *Hazen, ND, bank president***

Community banks are the economic engines in our communities, from our most rural to our most metropolitan. The community banks in our great state are unique because we have a superpower: Bank of North Dakota. BND not only gives us additional capacity and strength, but it also gives us access to programs created in real time, which gives us an additional compartment in our toolbox to be immediately responsive to the needs of our community. Because BND listens and responds to the needs of our state, it allows us to be bigger than ourselves. Through that connection, we ensure our communities' resilience and vibrancy, decade after decade through iterations and iterations of change. BND helps us successfully evolve our state forward.

**BILL PRICE, *Price, ND, business owner***

Our state was built on capitalism, and when you look back to when BND started, you see that common theme running through the past 100 years. With all of the uncertainty in today's financial world, it is nice to know the people of North Dakota can depend on BND and the people behind the scenes to help meet their banking needs, and those of the next generation as well.

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