Economic Development and the Bank of North Dakota

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North Dakota Department of Commerce

“We lead North Dakota’s efforts to attract, retain and expand wealth.”
News Headlines

July 2013

North Dakota Airports Grow as Domestic Flying Shrinks

NORTH DAKOTA TOPS THE NATION IN HOUSING DEVELOPMENT

Why North Dakota Could be the Next Emerging Market

North Dakota Sets Another Oil Production Record

Energy Production in ND Reportedly Doubles Since 2007
North Dakota By The Numbers

• #1 Growth Performer States Since 2000 - U.S. Chamber.
• #1 Producer of 14 different agricultural commodities.
• #2 In State Competitiveness - Beacon Hill Institute.
• #2 Best States for Entrepreneurship - University of Nebraska.
• #2 Oil Producing State - ND Mineral Resource Division.
• #3 Top States for Business - CNBC
• #3 Pro-Business State - Pollina Corporate RE.
• #4 Best States for Business - Forbes Magazine.
• 440% increase in exports since 2000 - U.S. Department of Commerce.
“North Dakota's economy posted a 13.4% growth rate in 2012. That's nearly three times as fast as the number two state, Texas, and trounces the national average of 2.5%.
Total North Dakota Energy Production, 2007-2012

Sources: Energy Information Association, North Dakota Department of Commerce

*Includes estimated renewable energy totals for 2012; actual figures are not yet available.
% Change in North Dakota Energy Production, 2007-2012

<table>
<thead>
<tr>
<th>Category</th>
<th>% Change in Btu Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Gas Marketed Production</td>
<td>125%</td>
</tr>
<tr>
<td>Crude Oil Production</td>
<td>386%</td>
</tr>
<tr>
<td>Renewable Energy Production (Wind, Biodiesel, Ethanol)</td>
<td>225%*</td>
</tr>
<tr>
<td>Total ND Energy Production</td>
<td>154%</td>
</tr>
</tbody>
</table>

Sources: Energy Information Association, North Dakota Department of Commerce
*Includes estimated renewable energy totals for 2012; actual figures are not yet available.
Unemployment Rate Comparison - 2002-2012

Percentage


North Dakota

U.S.

5.8 6.0 5.5 5.1 4.6 4.6 5.8 9.3 9.6 8.9 8.1

3.5 3.6 3.5 3.4 3.2 3.1 3.1 4.1 3.8 3.5 3.1
North Dakota Personal Income
Growth from 2000 to 2011

2000 = $22,647
2011 = $81,170 258%

North Dakota

2000 = $30,249
2011 = $45,602 51%

% Change in Personal Income
- Less than 75% increase
- Up to 100% increase
- Up to 200% increase
- Greater than 200% increase

The map illustrates changes in personal income per capita from 2000 to 2011 using data from the U.S. Bureau of Economic Analysis.
North Dakota Oil Industry Jobs

![Graph showing the number of jobs in the North Dakota Oil Industry from 2005 to 2050, with different job types represented by different colors. The graph indicates a peak in job numbers around 2020, with a decline thereafter.](attachment:image.png)
Future Investments Planned

- Roads and Infrastructure -- $2.3 billion
- Small airfields -- $300 Million
- 20+% deposit growth
- Bank of ND’s S&P rating of AA+
- 3 new refinery projects
- Natural gas to fertilizer plants
- 21 natural gas processing plants
Target Industry Focus

- Energy Equipment and Projects
- Aerospace (unmanned systems)
- Data Centers
- IT Development and Services
- Value Added Ag
- BioEnergy
- Biotechnology
It’s Not Just Oil and Gas

• Unique Asset
• Something no other state has
History

- Economy based on Agriculture
- Grain prices and farm loan interest rates
- Non-Partisan League (NPL)
- State Mill and Elevator/Bank of North Dakota (1919)
- Promotion and Partnership
Mission

• To deliver quality, sound financial services that promote agriculture, commerce, and industry in North Dakota.
COMMERCIAL LOANS

- Application process
- Loan programs:
  - Beginning Entrepreneur Loan Guaranty
  - Business Development
  - PACE Programs
  - Match Program
  - Bank Participation
APPLICATION PROCESS

• BND cannot originate commercial (business) loans
• BND partners with financial institutions to provide financing to their customers
• First step: ND financial institution submits a loan request to BND.
• BND loan officer completes a loan review (repayment capacity, guarantor strength, collateral, and credit history)
APPLICATION PROCESS (continued)

• BND loan officer approves the loan or presents it to various committees (Credit Committee, Investment, Advisory Board, and Industrial Commission)
BND COMMERCIAL LOAN PROGRAMS

- Beginning Entrepreneur Loan Guaranty
- Business Development
- PACE Programs
- Match Program
- Bank Participation
Beginning Entrepreneur Loan Guaranty

- Start-up or business purchase
- Child care facilities/providers
- Maximum Loan amount is $200,000
- Guaranty amount
Beginning Entrepreneur Loan Guaranty (Cont.)

- Guaranty fee
- Not exceed 5 years
- Restrictions
Business Development Loan Program

- Higher risk businesses
- Loan amount
- Interest rate – BND’s portion
Business Development Loan Program (cont.)

• Terms:
  - Real estate – Up to 20 years
  - Equipment – 5 to 7 years
  - Term working capital – 3 to 5 years
Program to Assist Community Expansion (PACE) PROGRAMS

- Regular PACE
- Flex PACE
- Flex PACE Affordable Housing
- Biofuels PACE (production facilities and livestock feeding operations)
INTEREST BUYDOWN

- Interest buy-down
- Community’s portion is flexible
REGULAR PACE

- Job creation
- Value added processing, targeted services
- Job development - One new job per $100,000 of loan proceeds
- Maximum buy-down.
FLEX PACE

- Same as Regular PACE with the following exceptions:
  - Job creation not required
  - Any type of business
  - Maximum buy-down varies
  - Community decides eligibility.
FLEX PACE AFFORDABLE HOUSING

• Affordable multi-family housing
• BND maximum buy-down
• Community decides
Biofuels PACE Categories

- Biofuels production facilities
- Livestock operations
Match Program

- Incentive financing for companies that have a long term bond rating of “BBB” or better
- BND’s interest rates may be fixed up to 5 years and based on the following criteria:
  - Rating of A or stronger: .25% over the 1 to 5 year US Treasury.
  - Rating of BBB to BBB+: .50% over the 1 to 5 year US Treasury.
Loan Participation Program

- Any type of business that has a ND connection
- Rate – Negotiated (market rate)
- Terms – Standard bank policy
- Equity – Standard bank policy
- Fees – Negotiated
Questions & Comments

Thank You
Contact Information

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701-328-5331

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North Dakota

Building a Strong Future with OIL & GAS TAX REVENUE

North Dakota receives revenue from the state’s oil and gas production through an oil & gas gross production tax (5%) and an oil extraction tax (6.5%). The state expects to generate over $5.28 billion from these taxes during the 2013-2015 biennium. In 2013, the State Legislature established an allocation plan for these funds. The numbers here reflect the projected allocations.

- **$1.737 BILLION**
  - Legacy Fund — 30% of all oil and gas tax revenue gets locked away here. The state may start using money in the fund in 2017.

- **$564 MILLION**
  - Funding for K-12 education statewide

- **$560 MILLION**
  - Funding for water projects, such as flood prevention

- **$1.1 BILLION**
  - Financial assistance to oil and gas-producing cities, counties and towns

- **$42 MILLION**
  - Funding for land and energy conservation

- **$10 MILLION**
  - Oil and Gas Research

- **$200 MILLION**
  - State General Fund

- **$342 MILLION**
  - Property Tax Relief

- **$100 MILLION**
  - State General Fund

- **$100 MILLION**
  - Strategic Investment and Improvements

- **$22 MILLION**
  - State Disaster Relief Fund

- **$508 MILLION**
  - Strategic Investment and Improvements

+ Includes the ND Outdoor Heritage Fund, Renewable Energy Development Fund, Energy Conservation Fund, and Oil and Gas Well Plugging and Site Reclamation Fund.

**After the fund balance reaches $300 million, 25% of any additional revenues are diverted to the Legacy Fund.**

This infographic was last updated July 2013.