

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

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ROLL NUMBER

DESCRIPTION

1487

2007 HOUSE EDUCATION

HB 1487

12007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1487**

House Education Committee

☐ Check here for Conference Committee

Hearing Date: **29 January 07**

Recorder Job Number: **2127**

Committee Clerk Signature



Minutes

Representative Al Carlson, District 41, introduced the bill. In 01-02 we transferred \$9.0 million in interest from the BND student loan interest fund to the general fund. In the 03-05 biennium, we transferred \$26.0 million. There was \$9.0 million this biennium. In the next biennium, the numbers match the numbers in my bill--\$3.1 million. What this bill does is that the BND will maintain a revolving loan fund for the purpose of allowing them to make low interest loans to eligible students. The bank shall administer and supervise the low interest student loan fund and may deduct a service fee for administration of the fund. The interest on this loan fund is 2% per year. The problems that these kids face as they get out of college and they attempt to buy a car or a house and they have these long-term student encumbrances of anywhere from \$15.0 to \$50.0, it is basically taking them out of the market for future years for buying things. This will allow them to borrow some amount of money for low interest rates so they can do those other things when they get out of college. The difference between this program and some of our others is that this is just for ND kids. You have to graduate from ND high school or be a resident of ND going to a bordering state high school. They have to be a student of good standing in an institution of higher education in the state. The bank has already told me that if this bill were to pass, there will be lines at door because to get a 2% college loan is a good deal. In the first year the loan will be \$3.0, the

second year it's \$4.0, and the last two it is \$5.0. This means there is a total of \$17.0 that you could borrow on this program. This bill needs an amendment to address what happens when a kid quits school—they need to pay it back beginning immediately. We will give the bank the authority to set up guidelines to go with this. It also allows them to participate with other banks.

Representative Hunsakor: You talk about a student in good standing. I guess that means you are getting good grades and you are not in trouble. Should that more specific as to what it means.

Representative Carlson: Now I'm going to show you my bias for the trades. I'm a contractor. I can't electricians, metal workers, etc. and that's why you won't see any standards of 3.0 GPA or 3.5 GPA in this bill. I'm convinced that we tell kids that we need a lot of computer programmers and we need a lot of engineers and architects. We don't tell them we also need electricians and plumbers and those guys are making \$18 to \$25 an hour doing their trade. I want this money to be able to be used in the business colleges, not be limited to public institutions, and in our trade and tech schools. That's why it's wide open. We do want those kids to go to school here, get a trade here, and hopefully stay here.

Representative Mueller: That point you just made is one I am concerned about. There is no provision that people who get these loans would stay in the state. Is that your intent?

Representative Carlson: This money can not be taken out of state. If they went to UND and got an engineering degree, each year in ND we probably hire 40 new engineers across the state and we graduate 200. The other 160 are going to have to go somewhere.

Representative Herbel: What about the 5th and 6th year. Many with part-time jobs need to go a longer time. When do they have to start repaying?

Representative Carlson: It says when their studies are complete. When they have their final degree they start paying back.

Chairman Kelsch: Those who get their pre med degree may have to go on for medical, pharmacy, dentistry, etc. I guess if you have declared your major, perhaps that when the payment should start. We may be able to tighten up the language a little bit to meet your intent. We want to encourage them to be done in 4 years; however, if they are getting an advanced degree we don't want that to trigger those loan repayments at that point.

Representative Wall: Do you see this for existing high school students only, or could students refinance their present loans.

Representative Carlson: It was not intended for refinance. I would hope that would be in the guidelines the BND establishes.

Senator Nick Hacker, District 42, testified in favor of the bill. This is a phenomenal tool. This tool is not the only thing students are going to borrow on as it will not cover all of their student loans. For some it will, but for many others it won't. I recently was able to finance a new truck for lower interest than my student loan. I would suggest an amendment that if students quit or transfer out of state, they could refinance through the BND at market rate.

Representative Herbel: As far as the drop out rate, do you think it relates in any way to student loans?

Senator Hacker: I think it more performance related. Or they are not sure what course of study they wish to follow and realize how much it is costing them to be undecided. They may drop out for a while in that case.

Peggy Wipf, director of Financial Aid, ND State University System, testified in favor of the bill. **(Testimony Attached.)**

Eric Hardmeyer, president of the BND, appeared in favor of the bill. He asked the Committee if they had any questions.

Chairman Kelsch: Representative Carlson proposed an amendment that says if you drop out after the first year, the loan repayment would be due immediately. Senator Hacker thought perhaps it could be changed to market rate. What are your thoughts on that?

Hardmeyer: I think there are options that we could utilize our other alternative loan program that we talked about last week (DEAL) and maybe refinance those students out of this particular program in to a more market sensitive rate. There also may be federal programs that are available.

Representative Haas: I'm confused by the fiscal note. 1.) You can't lend money at 2% and even pay for your expenses for the cost of doing the lending. 2.) There has to be reduced revenue for the BND if we lend money out at less than market rate.

Hardmeyer: First of all you must realize that these are not BND funds. This is coming from the student loan trust fund. It is money that they have earned and it goes into a separate kitty. It is simply administered by the bank. It is possible to do that at 2% and not lose money because there is no deposit cost associated.

There are a couple of points I would like to make. How many people will be touch with this program? At \$3.1 million based on the amount of each loan chances are that you would reach somewhere between 600 to 800 students. There will be a line up at the bank to get access to these funds. These monies will go out on day one and that will shut the program down for the rest of the biennium. There is no money coming back in to the fund until it goes to repayment and that's four or five later. We usually make 24,000 loans a year in federal programs and our DEAL program.

Vice Chairman Meier: So these selection criteria for the loan would be first come, first served?

Hardmeyer: I would have to assume so based on what I see in the bill.

Representative Haas: Do you think it may be wise to add, in additional to the residential requirements, some needs based criteria?

Hardmeyer: I guess I would leave that up to what is the desire of the legislative body. There might have to be some sort of target to assist with that.

Representative Karls: Would you building some deferment for students seeking advanced degrees?

Hardmeyer: We are looking at using the federal guidelines as to when studies are complete.

Representative Hunskor: It's very possible that in the first 600 applications, 300 of those young people could easily pay for their own education and this may be a convenient way to get a vehicle or whatever. It seems it might be necessary to have a need base in their somewhere.

Hardmeyer: Subsection 3 does allow the Bank to establish additional terms and conditions. You would want to make sure that we are working with your intent.

Chairman Kelsch: When you make these initial loans would you make them based on the assumption that most of these will be first year students and they would receive the full \$17.0 or are you just making the assumption for that first year. How would these funds work with the DEAL programs?

Hardmeyer: I'm thinking only the first year because and that would take care of the funds. The opportunity to come back in year 2, 3 or 4, would be limited because I think all the funds will be gone. This program would work well with the DEAL program. If they use this program and there are no further dollars available, they could use the DEAL program. Right now freshman students can qualify for about \$3.5 per year in federal programs. The cost of college is closer to \$14.0 - \$15.0. Depending on the assistance they get at home, scholarships, grants, there is a significant amount of gap there. That's why we are seeing an increase in our DEAL program.

Representative Herbel: If we are talking about impacting 600 students out of the 45,000 in the state, aren't we just spitting in the ocean?

Hardmeyer: We're touching a few but the signal that your sending is just as important as well. I think we are going to have to put some criteria on here so we specify who accesses it.

Overall I think the work that legislative committees are doing to address higher education costs are going to well received and I think this is another example of putting the student first.

Representative Herbel: That adds more credence that we need to make this need based.

Chairman Kelsch: The federal program you mentioned where a student can receive \$3.5, is that a new program or the old program.

Hardmeyer: That's the old Stafford and Pell grants.

Representative Johnson: Is there any consideration given to part time students in here?

Hardmeyer: I don't see any. We may have to address that in the terms and conditions. In our DEAL program we allow less than full time. We will look at what legislative intent is.

There being no further testimony, Chairman Kelsch closed the hearing of 1487.

Chairman Kelsch: Peggy (Wipf), I have a question for you. The President has his initiative regarding STEM (Science, Technology, Engineering and Math). Last April I was briefed on that initiative whereby students majoring in those subjects would qualify for grants if you had a certain GPA and were a full-time student you could receive \$3.0 - \$4.0 in your junior or senior year. Is that program available to students?

Wipf: Yes, it is. It's an off shoot of the current program. It has two components, one is the academic competitive program for freshmen and sophomore and if the student has a GPA of 3.0 they could be eligible for \$700 to \$1300. The piece you were alluding to is for 3rd and 4th year students who are Pell eligible but who are majoring in those subject matter areas and also having a 3.0 GPA. This is the first semester our students have been able to take advantage of it.

Page 7

House Education Committee

Bill/Resolution No **HB 1487**

Hearing Date: **29 Jan 07**

Representative Haas: What are the eligibility criteria for Pell?

Wipf: Each student completes a FASCA form and they include income information. Mostly it based on your income tax return. It is strictly needs based.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1487**

House Education Committee

☐ Check here for Conference Committee

Hearing Date: **31 January 07**

Recorder Job Number: **2392 & 2482**

Committee Clerk Signature

Jan Prindle

Minutes

HB 1487 was opened for discussion.

Chairman Kelsch: You have discussed amending this. There is one amendment submitted by the BND that asks that they be allowed to follow the federal guidelines for approving these loans and the other issue is to assure the loan is offered to students demonstrating financial need. Can we have that amendment ready today?

Later on the same day - -

Representative Haas: I have distributed a simple amendment that gives direction that these funds be distributed to students demonstrating financial need. **I move the amendment**

Representative Herbel: I second.

A voice vote was taken and the amendment was accepted.

Chairman Kelsch: I have for your consideration an amendment that would allow the BND to follow federal guideline when approving these loans.

Representative Herbel: I move the second amendment.

Representative Sukut: I second

Representative Johnson: Has the issue of making part time students eligible been addressed?

Representative Haas: That will be addressed in the guidelines the BND establishing. They will follow federal guidelines which includes part time students.

A voice vote was taken and the second amendment was accepted.

Representative Herbel: I move Do Pass and Rerefer to Appropriations.

Representative Hunsakor: I second.

Representative Johnson: I'm going to support the bill. It is a good idea. The frustration is that the money will all be used up for first time students and there will be none left for second and later year students.

A roll call vote was taken: Yes: 13, No: 0, Absent: 0

HB 1487 as amended (2) was passed and referred to Appropriations.

FISCAL NOTE
Requested by Legislative Council
04/16/2007

Amendment to: Reengrossed
HB 1487

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		(\$7,500)		(\$900,000)		(\$2,700,000)
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 1 provides for loans without federal co-insurance to bear fixed or variable interest rates. Section 2 declares an emergency measure.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium, \$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium, \$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Eric Hardmeyer	Agency:	Bank of North Dakota
Phone Number:	328-5674	Date Prepared:	04/16/2007

FISCAL NOTE
Requested by Legislative Council
04/10/2007

REVISION

Amendment to: Reengrossed
HB 1487

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		(\$7,500)		(\$900,000)		(\$2,700,000)
Expenditures			\$3,000,000		\$4,000,000	
Appropriations			\$3,000,000		\$4,000,000	

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Sec. 1 provides for emergency measure for loans w/o fed. co-ins. to bear fixed or variable interest rates. Sec. 2 creates a new grant program for students attending public two-year campuses. Sec.3 provides a \$3.0 million state general fund appropriation for new grant program.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

NO CHANGES TO FISCAL NOTE - ORIGINAL SUBMITTED MARCH 13, 2007.

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium,\$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment. Section 2 creates a new student grant program and related administrative costs. Section 3 provides \$3.0 million from the state general fund.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium,\$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

During 07-09 about 1,600 new and continuing students would be assisted per year at a grant of \$600 each or about 1,300 students per year at a grant of \$750 each. Up to 5% or \$150,000 per biennium from the \$3.0 million general fund appropriation would be used to assist with administering this new program including programming costs, student correspondence and staffing costs.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a*

continuing appropriation.

State general fund appropriation of \$3.0 million in 07-09 and \$4.0 million in 09-11 are required to fund new and continuing students and from within those appropriated amounts provide funding to cover program administrative costs.

Name:	Laura Glatt	Agency:	NDUS
Phone Number:	328-4116	Date Prepared:	04/10/2007

FISCAL NOTE
Requested by Legislative Council
04/04/2007

Amendment to: Reengrossed
HB 1487

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		(\$7,500)		(\$900,000)		(\$2,700,000)
Expenditures			\$3,000,000		\$7,000,000	
Appropriations			\$3,000,000		\$7,000,000	

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Sec. 1 provides for emergency measure for loans w/o fed. co-ins. to bear fixed or variable interest rates. Sec. 2 creates a new grant program for students attending public two-year campuses. Sec.3 provides a \$3.0 million state general fund appropriation for new grant program.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

NO CHANGES TO FISCAL NOTE - ORIGINAL SUBMITTED MARCH 13, 2007.

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium,\$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment. Section 2 creates a new student grant program and related administrative costs. Section 3 provides \$3.0 million from the state general fund.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium,\$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

During 07-09 about 1,600 new and continuing students would be assisted per year at a grant of \$600 each or about 1,300 students per year at a grant of \$750 each. Up to 5% or \$150,000 per biennium from the \$3.0 million general fund appropriation would be used to assist with administering this new program including programming costs, student correspondence and staffing costs.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

State general fund appropriation of \$3.0 million in 07-09 and \$4.0 million in 09-11 are required to fund new and continuing students and from within those appropriated amounts provide funding to cover program administrative costs.

Name:	Laura Glatt	Agency:	NDUS
Phone Number:	328-4116	Date Prepared:	04/04/2007

FISCAL NOTE
Requested by Legislative Council
03/12/2007

Amendment to: Reengrossed
HB 1487

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

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Revenues		(\$7,500)		(\$900,000)		(\$2,700,000)
Expenditures			\$3,000,000		\$7,000,000	
Appropriations			\$3,000,000		\$7,000,000	

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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Sec. 1 provides for emergency measure for loans w/o fed. co-ins. to bear fixed or variable interest rates. Sec. 2 creates a new grant program for students attending public two-year campuses. Sec.3 provides a \$3.0 million state general fund appropriation for new grant program.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium, \$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment. Section 2 creates a new student grant program and related administrative costs. Section 3 provides \$3.0 million from the state general fund.

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A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

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B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

During 07-09 about 1,600 new and continuing students would be assisted per year at a grant of \$600 each or about 1,300 students per year at a grant of \$750 each. Up to 5% or \$150,000 per biennium from the \$3.0 million general fund appropriation would be used to assist with administering this new program including programming costs, student correspondence and staffing costs.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

State general fund appropriation of \$3.0 million in 07-09 and \$4.0 million in 09-11 are required to fund new and continuing students and from within those appropriated amounts provide funding to cover program administrative costs.

Name:	Laura J. Glatt	Agency:	NDUS
Phone Number:	328-4116	Date Prepared:	03/13/2007

FISCAL NOTE
Requested by Legislative Council
02/16/2007

REVISION

Amendment to: Engrossed
HB 1487

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		(\$7,500)		(\$900,000)		(\$2,700,000)
Expenditures				\$3,100,000		
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
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2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Sec. 1 provides for emergency measure for loans w/o fed. co-ins. to bear fixed or variable interest rates. Sec. 2 creates a new low interest rev. loan fund. Sec.3 provides a \$3.1MM transfer from NDSLTL. Fiscal impact relates to interest options and reduced income.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium, \$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment. Section 2 authorizes the funding of 3% low interest student loans up to \$3.1 million. Section 3 transfers \$3.1 million from the Student Loan Trust to a low interest student loan fund.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 1 has a reduction in income to the Bank of North Dakota estimated at \$7,500 for the 2005-07 biennium, \$900,000 for 2007-09 biennium, and \$2,700,000 for the 2009-11 biennium utilizing today's interest rate environment.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

During 07-09 biennium loans totaling \$3.1 MM will be funded. No repayment expected on any of the funded loans until after 09-11 biennium.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Eric Hardmeyer	Agency:	Bank of North Dakota
Phone Number:	328-5674	Date Prepared:	02/16/2007

FISCAL NOTE
Requested by Legislative Council
02/15/2007

Amendment to: Engrossed
 HB 1487

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

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Appropriations						

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A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

During 07-09 biennium loans totaling \$3.1 MM will be funded. No repayment expected on any of the funded loans until after 09-11 biennium.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Eric Hardmeyer	Agency:	Bank of North Dakota
Phone Number:	328-5674	Date Prepared:	02/15/2007

FISCAL NOTE
Requested by Legislative Council
01/16/2007

Bill/Resolution No.: HB 1487

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This legislation would create a new low-interest student loan program at BND with a transfer from the North Dakota Student Loan Trust fund with a continuing appropriation. Section 2 authorizes the transfer from the Student Loan Trust to a new low-interest student revolving loan fund.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 is not projected to have a fiscal impact to the State of North Dakota. BND may deduct a service fee for administering the fund from interest payments received on loans.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Eric Hardmeyer	Agency:	Bank Of North Dakota
Phone Number:	328-5674	Date Prepared:	01/19/2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1487

Page 1, line 22, remove "and"

Page 1, line 24, after "state" insert " ; and

- d. Annually complete and submit to the Bank a free application for federal student aid form in order to demonstrate financial need"

Renumber accordingly

Date: 31 Jan 07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1487

House Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 70575.0201

Action Taken Amend as attached

Motion Made By Haas Seconded By Herbel

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch			Rep Hanson		
V Chairman Meier			Rep Hunskor		
Rep Haas			Rep Mueller		
Rep Herbel			Rep Myxter		
Rep Johnson			Rep Solberg		
Rep Karls					
Rep Sukat					
Rep Wall					

Total Yes 13 No 0

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Allow BND to use fed guidelines to determine need.

PROPOSED AMENDMENT TO HOUSE BILL 1487

Page 1, Line 13, after underscored period, insert "The Bank will follow federal student loan guidelines when offering and approving any forbearance or deferment options to borrowers under this section."

Date: 31 Jan 07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1487

House Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Add'l amend as attached

Motion Made By

Herbel

Seconded By

Sukat

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch			Rep Hanson		
V Chairman Meier			Rep Hunskor		
Rep Haas			Rep Mueller		
Rep Herbel			Rep Myxter		
Rep Johnson			Rep Solberg		
Rep Karls					
Rep Sukat					
Rep Wall					

Total Yes 13 No 0

Absent 0

Floor
Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 31 Jan 07
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1487

House Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended (?) and re refer to Appropriations

Motion Made By Herbel Seconded By Hunskor

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch	✓		Rep Hanson	✓	
V Chairman Meier	✓		Rep Hunskor	✓	
Rep Haas	✓		Rep Mueller	✓	
Rep Herbel	✓		Rep Myxter	✓	
Rep Johnson	✓		Rep Solberg	✓	
Rep Karls	✓				
Rep Sukat	✓				
Rep Wall	✓				

Total Yes 13 No 0

Absent 0

Floor Assignment Meier

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1487: Education Committee (Rep. R. Kelsch, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1487 was placed on the Sixth order on the calendar.

Page 1, line 13, after the underscored period insert "The Bank shall follow federal student loan guidelines when offering and approving any forbearance or deferment options to borrowers under this section."

Page 1, line 22, remove "and"

Page 1, line 24, after "state" insert "; and

- d. Annually complete and submit the free application for federal student aid form to the Bank in order to demonstrate financial need"

Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1487

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1487

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 12, 2007

Recorder Job Number: 3407

Committee Clerk Signature



Minutes:

Chm. Svedjan opened the hearing on HB 1487.

Rep. R. Kelsch described HB 1487. This bill gives student loans at a 2 percent interest rate and creates a new low interest student loan fund program with a transfer from the ND Student Loan Trust Fund with a continuing appropriation.

Rep. Kelsch distributed amendment .0301 (Attachment A)

Rep. Kelsch discussed testimony presented in Committee by the Bank of North Dakota. The BND felt this would be a good program, however it would be in very high demand. The Committee added in criteria that would make it needs based.

Rep. Kelsch explained that amendment .0301 would change the loan rate from 2 percent to 3 percent loan. Under the bill, a student could potentially qualify for a total of \$17,000 -- \$3,000 the first year, \$4,000 the second year and \$5,000 each year after. With this dollar amount and the high demand, the BND would give out all the money the first year the program went into effect and could probably only give it to 600 students. The committee felt that by raising the interest rate, they could help more students.

Rep. Kelsch expressed that if .0301 was going to be adopted, it might be best to amend HB 1401 into HB 1487 and have a comprehensive student loan package.

Chm. Svedjan: The emergency clause is on HB 1401?

Rep. Kelsch: The emergency clause was added to give students who are applying for loans for the next school year the opportunity to take advantage of these loan rates.

Rep. Wald: What are the criteria for the federal student aid form?

Rep. Kelsch: Otherwise known as FASPA, students are able to apply to the federal government and if you meet the income requirements, you are eligible to receive grants. If not, it's a federal loan at a lower interest rate.

Rep. Glassheim: The FN for HB 1401 is \$900,000 this biennium and \$2.7 million next biennium. Does that continue with your amendments? How does the BND feel about that?

Rep. Kelsch: The BND testified in support of this bill. About 45,000 students get BND loans for education. The numbers are estimates only.

Rep. Carlson: I think the Fiscal Note really is \$3.1 million though since Section to of the engrossed bill is not removed.

Rep. Skarphol: If section 2 is not removed, then the amendment is right. If it's removed, then the amendment is wrong.

Rep. Aarsvold: I think the language matches HB 1401.

Chm. Svedjan: No, it doesn't.

Roxanne Woeste, Legislative Council: Rep. Kelsch is correct. Amendment .0301 inserts a new Section, Section 1 which is language from HB 1401. Section 1 on the engrossed bill becomes Section 2, and Section 2 becomes Section 3 and this amendment adds Section 4.

Rep. Klein motions to adopt amendment .0301. Rep. Glassheim seconded the motion.

Rep. Skarphol: Based on the dates in Section 2 of the bill, would we have to reauthorize this again in two years? And if we do, would the continuing appropriation language be necessary?

Rep. Wald: On line 5 of the bill it says "continuing appropriation" which conflicts with Section 2.

Ms. Woeste: The continuing appropriation clause refers to Section 1 of the engrossed bill. In subsection 1 of Section 1, the moneys are appropriated on a continuing basis.

Chm. Svedjan: In terms of the authorization for the amount of funds, it's only for the two year period of time.

Ms. Woeste: That's correct. I'm under the assumption that the transfer that's authorized in Section 2 of the bill from the student loan trust fund would be a one-time transfer into this new low-interest loan fund and that would be a revolving fund. The monies in that fund would be appropriated on a continuing basis.

The motion to adopt amendment .0301 carried by a voice vote and the amendment was adopted.

Rep. Wald motioned a Do Pass as Amended by .0301. Rep. Glassheim seconded the motion.

Rep. Carlson: I support this bill, but it's not how I intended when I started the bill – to give students low-interest loans, not get them further in debt. The intent was also to charge them interest just on what they borrowed. This bill says that if you don't pay this loan back for four years, the interest will be accumulated and be added to your balance and charge interest on it.

Rep. Kelsch: That is current language that's in the statute now and applies only to the fixed and variable language. Rep. Kelsch pledged to Rep. Carlson to work with him if this passed and make sure the language is crafted the way he would like when it gets to the Senate.

Page 4
House Appropriations Committee
Bill/Resolution No. HB 1487
Hearing Date: February 12, 2007

The motion passed by a roll call vote of 23 ayes, 0 nays, and 1 absent and not voting.

Rep. R. Kelsch was designated to carry the bill.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1487

Page 1, line 1, after "program" insert "; to amend and reenact section 15-62.1-03 of the North Dakota Century Code, relating to rates of interest for students loans" and remove "and"

Page 1, line 2, after "appropriation" insert "; and to declare an emergency"

Page 1, after line 3, insert:

"SECTION 1. AMENDMENT. Section 15-62.1-03 of the North Dakota Century Code is amended and reenacted as follows:

15-62.1-03. Rates of interest permissible for guaranteed loans. All loans guaranteed by the agency and coinsured by the federal government must bear interest at rates which are no greater than those provided under the federally coinsured loan programs. In the event that the agency guarantees student loans without federal coinsurance pursuant to section 15-62.1-02, the interest rate on such loans may ~~not be more than two percentage points above the base participation rate as established by the Bank of North Dakota which is in effect on the date the loan is made~~ be fixed or variable. Any prohibition on the capitalization of interest does not apply to loans guaranteed under this chapter. A loan guaranteed under this chapter may provide for interest which remains unpaid at the end of any period specified in the loan to be added to the principal amount of the debt and thereafter accumulate interest."

Page 1, line 19, replace "two" with "three"

Page 2, after line 21, insert:

"SECTION 4. EMERGENCY. Section 1 of this Act is declared to be an emergency measure."

Renumber accordingly

Date: 2/12/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1487

House Appropriations Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 70575.0301

Action Taken Adopt. Amend. 0301

Motion Made By Klin Seconded By Glassheim

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvoid		
Representative Monson			Representative Gulleeson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellow			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wleland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Yea Vote - carries

Date: 2/12/07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1487

House Appropriations Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 70575.0301

Action Taken APP as Amended

Motion Made By Wild Seconded By Glassheim

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Guleson	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 23 No 0

Absent 1

Floor Assignment Kelsch

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1487, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (23 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1487 was placed on the Sixth order on the calendar.

Page 1, line 1, after "program" insert "; to amend and reenact section 15-62.1-03 of the North Dakota Century Code, relating to rates of interest for student loans" and remove "and"

Page 1, line 2, after "appropriation" insert "; and to declare an emergency"

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Page 1, line 19, replace "two" with "three"

Page 2, after line 21, insert:

"SECTION 4. EMERGENCY. Section 1 of this Act is declared to be an emergency measure."

Renumber accordingly

2007 SENATE EDUCATION

HB 1487

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1487

Senate Education Committee

☐ Check here for Conference Committee

Hearing Date: March 5, 2007

Recorder Job Number: 4330, 4334

Committee Clerk Signature

Minutes:

Chairman Freborg opened the hearing on HB 1487, relating to rates of interest for student loans. All members were present.

Representative Carlson introduced the bill. It is significantly different than it was when it started. He won't address section 1, the Bank of North Dakota is here to do that. He is concerned that we don't have control of the price of tuition. Tuition cost has gone up despite increased funding. Instead of loan forgiveness, he prefers offering low interest loans to students. His original intent was 2% interest, and they graduated up, more money was available as a student progressed through his college education. A student would be eligible for 4 years, not 5, encouraging them to complete their education in 4 years. There is a significant fallout rate in college. There was a \$3.1 million transfer from the student loan trust fund to the general fund. That number matches with the dollars in this program. The House did not think this would go very far and added a means test. His intention was students would be eligible if they went to any school in the state including Aakers, technical schools. They have to meet some criteria; they have to be a graduate of a North Dakota high school and they have to attend a North Dakota college. We are reinvesting our dollars from the student loan trust fund in our young people that are coming out of our high schools and going on to our

state institutions. Mr. Hardmeyer has been very helpful in crafting the bill and will answer the technical questions. He did not want the interest to accrue while they were going to college. His original bill said they could borrow up to \$17,000 - \$3000, \$4000, \$5000, \$5000 for each of 4 years of college. In his business as a contractor, he sees that kids are getting out of college and they are so loaded with debt that it is difficult for them to buy a car or a home. There is also a North Dakota Promise bill and there are all kinds of mechanisms out there. This one still requires the student to pay the money back but gives them an interest break. This hopefully encourages them to go to school in the state and to have a payment they can afford when they get done. There will be some real demand for these funds.

Senator Bakke asked if loans would be available for sophomores and juniors, too.

Representative Carlson said yes, a student could apply in the middle of their college careers. It would demonstrate they intended to stay in school.

Senator Bakke asked if it could be used for graduate school.

Representative Carlson said it is for undergraduate education only.

Senator Gary Lee asked if it is needs based for full time undergraduate students.

Representative Carlson said he would let the bank answer that. The bill has changed significantly since it was introduced.

Senator Taylor asked where he came up with the \$3.1 million.

Representative Carlson said it is the amount of the transfer from the student loan trust fund to the general fund by the governor.

Senator Taylor asked if it is needs based.

Representative Carlson said the Bank of North Dakota will administer it, he wanted it to be easy for them.

Senator Flakoll asked if there is anything to prevent a student from taking out a loan, investing it, letting it accrue then paying off the loan.

Representative Carlson said it would be a smart kid and he would be glad to have them in the state.

Senator Hacker testified in favor of the bill. This is an innovative approach. It isn't a dead giveaway program. The North Dakota University System provides a lot of value in education. The money won't go very far. Next biennium, if this program is successful, the transfer could be added again. If a student drops out of school and pays back the money, the money is still tied up. The loan should change to the market rate if a student drops out of school and the loan funds returned to the pool. The FAFSA application has to be approved by the school and the student could not go over that amount which might help limit students borrowing from this program and investing the money. He knows students that have used loan proceeds for lots of extra curricular expenses.

Senator Taylor asked how many students could receive loans.

Senator Hacker said about 100 – 200. Next biennium we could add to the fund.

Matthew Larsgaard, Automobile Dealers Association of North Dakota , testified in favor of the bill. (Written testimony attached)

Senator Bakke asked if their program is a loan program, how does it tie into the state program. Mr. Larsgaard said they have a scholarship program that allows the dealership and their association to supply \$250 for a total of \$500 per semester. They have developed a \$25,000 student loan repayment program. There will be \$1250 payments over a period of 20 years as an incentive to find and retain employees.

Peggy Wipf, Director of Financial aid, North Dakota University System, testified in favor of the bill. (Written testimony attached)

Senator Bakke asked what is available in North Dakota now. Is it sufficient? Do parents borrow the money? What is the status now?

Ms. Wipf said she would defer to the Bank of North Dakota, Julie Kubasak, director of student loans is here.

Senator Gary Lee asked what scholarship opportunities are available?

Ms. Wipf said we have the North Dakota Scholars for the best and brightest, based on ACT scores of 29 – 36, equal to tuition. They assist 25 – 30 new students each year. The campuses through their foundations have various scholarships available, most are referred to as Presidential scholarships. They are on a graded scale, from \$2500 on up per year for up to 4 years, targeted toward high ACT scores.

Senator Bakke asked what is out there for the average kid, the B and C student?

Ms. Wipf said it gets tougher for them. There are scholarships set up by private individuals but a lot of the criteria are set up for high achievers.

Eric Hardmeyer, Bank of North Dakota, testified in favor of the bill. (Written testimony attached)

Regarding Senator Flakoll's question about a student taking out a loan and reinvesting it at a higher rate (called arbitrage in the banking business), there would be limitations. The money goes to the financial aid people at the school where they disburse it for tuition, room and board. They need to find a niche. They have had conversations with higher education about this.

Senator Taylor asked about how the funds come in and the interest rate after graduation.

Mr. Hardmeyer said it's a loan, like other loans students get.

Senator Taylor asked if the bank is getting covered for the funds, through the transfer, except for the service fee.

Mr. Hardmeyer said the bank will not have this as an asset, this would be a separate fund the bank administers.

Mr. Hardmeyer reviewed section one of the bill which is also in his written testimony. (meter 32:16) If a student attends UND, the total cost is about \$13,000 - \$14,000 per year. The federal government limits student loans to \$3500. That is a huge gap. The alternative loan programs come into play to help cover this gap. Attached to his testimony is a review of various alternative loan programs. Based on current statute, Bank of North Dakota must offer only a fixed rate of interest. Most other programs are variable rates. The Bank of North Dakota rate now is prime fixed. Section one would allow them to do fixed or variable loans, the student gets to choose. They will change their index to Libor (5.3% now). Prime is 8.25% now. They intend, if this is approved, to change their rate to Libor plus 1.50 which would be 6.8% today on a variable rate basis. Rates will go up and down over 20 – 25 years. We have seen an historic low of 4% with the base rate and now its gone up 4.25% in the last three years. They will also offer a fixed rate loan. If they are able to get away from using the base rate as an index, they would use something much more reflective of term rates, it would be about 7%. There is an emergency provision so they would reduce their interest rates from 8.25 to about 7%, the way rates are today. The student has the risk of where interest rates go. Senator Gary Lee asked if someone could change from a variable rate to a fixed rate?

Mr. Hardmeyer said they would need to consider that, they have not yet determined if they would offer that.

Senator Bakke asked if section 2 needs some amendments.

Mr. Hardmeyer said yes. The Bank of North Dakota needs a fee for working with the program; the needs based language needs to be further defined; should home schooled students be eligible; the FAFSA form needs to go to the school.

Senator Flakoll asked about the financial aid officer.

Mr. Hardmeyer said the FAFSA form needs to go to financial aid at their school.

Chairman Freborg closed the hearing on HB 1487.

Senator Taylor said he would like to talk to Mr. Hardmeyer about the amendments.

Senator Flakoll said on the needs based restrictions, he thinks we should make a cap at the highest tuition level in the state. There could be something in SB 2347.

Chairman Freborg said he would like to get this bill out this week. We will take it up tomorrow or Wednesday.

Chairman Freborg closed the discussion on HB 1487.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1487

Senate Education Committee

☐ Check here for Conference Committee

Hearing Date: March 6, 2007

Recorder Job Number: 4462

Committee Clerk Signature

Minutes:

Chairman Freborg opened the discussion on HB 1487. All members were present.

Senator Taylor distributed an amendment. He said he met with Eric Hardmeyer and Julie yesterday. These amendments were discussed yesterday in the hearing. Lines 4 and 5 deal with the service fee to pay for administration of the program. The concern was they wanted to be paid before the loan began accruing interest. Line 13 allows home schooled children to qualify. Line 17 says the FAFSA goes to the school rather than the bank.

Senator Taylor moved the Taylor 1 amendment, seconded by Senator Flakoll.

The motion passed 5-0.

Senator Taylor said this is a small appropriation for a large pool. It will take a huge amount of sorting. The Bank of North Dakota needs a way to narrow the scope. Senator Flakoll talked to Representative Carlson about limiting this to the 11 public institutions or the 4 trade schools. There is disparity in tuition at the trade schools and these professions are needed in the work force. We could duplicate the \$3.1 million in the state grant program. He is open to suggestions.

Senator Gary Lee said we have heard about where the jobs are. By moving the money to the 11 public institutions, are we covering where the jobs are?

Senator Taylor said we have dealt with vets and certain teachers. The Bank of North Dakota says it's hard to get their arms around this. Once a bill is submitted, it's not your bill anymore. Chairman Freborg said we would expect a conference committee.

Senator Gary Lee said we have two year programs at Bottineau, Bismarck, Wahpeton. There would be an opportunity for the trades to access this money.

Senator Taylor said he called Mr. Hardmeyer and told him we were considering looking at the 11 colleges. He thought that was still pretty broad. The 4 trade schools are generally considered to be Wahpeton, Bismarck, Devils Lake and Williston. None of us represent those districts.

Senator Bakke asked if most of the loan programs are geared towards 4 year schools?

Senator Taylor said it would be good to have a list. They are all over the board, based on careers not colleges.

Senator Bakke said she is not familiar with the programs, are there any that are for trade schools that are state funded?

Chairman Freborg said not specifically.

Senator Bakke said with such limited funds, it might do more good in the two year programs.

Senator Flakoll said we have the grant program. All state colleges are eligible, including the private campuses. The grant program is \$4 million. This is a significant amount we are charged with. We should at least limit it to the 11 North Dakota University System schools, which would eliminate University of Mary, Jamestown, Aakers, Trinity bible, the tribal colleges. He wished we had a better handle on the level of loans in the two and four year schools. He would assume students in 4 year programs have more loans than those in 2 year programs.

Those in 2 year programs can sometimes get enough help to make it without loans.

Senator Bakke said if we limited it to 2 year colleges, we would encourage attendance.

Senator Gary Lee said we could rotate, 2 years to the 2 year schools, 2 years to the 4 year schools.

Chairman Freborg asked what percentage of 2 year students continue on to 4 year programs?

Senator Bakke said the bigger institutions have more opportunity for money for kids.

Senator Taylor said he has seen the data, tuition rates at our 4 year schools are at par with others in the region. The 2 year schools are above the cost of surrounding states which is a disadvantage for them.

Senator Flakoll said the more he thinks about it, the more he thinks the money would be better in a grant program.

Senator Taylor said the bank will implement whatever we say. They are not against the program. The bank had a conference call with the financial officers at the colleges. They asked why the money wasn't being added to the state grant program. It would be a significant benefit that the program is already established.

Senator Bakke asked if it would be at the same interest rate?

Senator Taylor said it's a grant program, it would no longer be a loan program.

Senator Flakoll said if someone is buying a car and were offered \$1000 or an interest buy down, which would they prefer? It would carve a niche for grants for two year programs. He wishes he knew the enrollments, it's a hard number to get when you visit the campus, the numbers are slippery to pin down.

Senator Gary Lee asked what other requirements are there for the grant program, is it needs based?

Senator Flakoll said those with the greatest needs would probably be taking out the loans.

Senator Bakke asked if they are talking about hog housing the bill and putting it in the grant program?

Chairman Freborg said we could get a little static but we shouldn't worry about that, he would still have his name on a good bill.

Senator Taylor said section 1 offers the opportunity to offer variable rates and it is a good piece.

Senator Bakke said we would keep section 1.

Chairman Freborg said it depends.

Senator Flakoll said we could keep section 1, gut the rest, target to the two year institutions.

Chairman Freborg said he wants to get the bill out tomorrow.

Senator Gary Lee said he doesn't agree. The current bill offers \$17,000 and low interest rates.

The grant would maybe be \$500 which is miniscule. The loan option is better.

Senator Flakoll said the past biennium, the grant program was \$600 per student which is \$4 million spread across all campuses.

Senator Taylor said with \$17,000 loans, we would be serving fewer numbers. It would be a revolving fund. The grant program would be one time.

Senator Gary Lee said it is the beginning of a reasonable idea. It could grow into something.

What is \$600 nowadays?

Chairman Freborg said it would be good to see what it would do for the two year institutions.

Senator Flakoll said if you look at \$600 to \$1000 and you back it off with the buy down, how many dollars worth of principal would it cover, it would be a significant amount. He did the calculations (meter 28.21).

Chairman Freborg asked if Senator Flakoll will look at directing it to the two year institutions, does he think it's a good idea?

Senator Flakoll said yes, as a grant program.

Senator Flakoll said in the other program, any other money a student gets counts, Pell grants for example.

Senator Bakke said it doesn't count in a loan program?

Senator Flakoll said he believes that is true.

Senator Flakoll said he will get the amendments for tomorrow.

Chairman Freborg closed the discussion on HB 1487.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1487

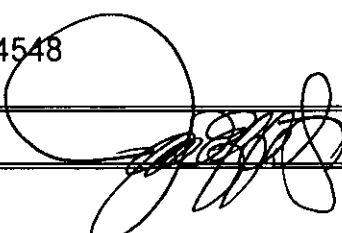
Senate Education Committee

☐ Check here for Conference Committee

Hearing Date: March 7, 2007

Recorder Job Number: 4545, 4548

Committee Clerk Signature



Minutes:

Chairman Freborg opened the discussion on HB 1487. All members were present.

Senator Flakoll distributed amendment 70575.0401. The amendment deletes everything after section 1. It replaces it with a needs based grant for two year institutions within the North

Dakota University System.

Chairman Freborg asked if section 2 eliminates any other institutions, only the two year institutions would be eligible.

Senator Flakoll said his intent is only the students that attend two year institutions are eligible, that are within the University System, capped at \$1000. He also pointed out; we are at \$3 million now which is \$100,000 less than the original bill, divided \$1.5 million for each year of the biennium.

Senator Flakoll moved amendments 70575.0401, seconded by Senator Taylor.

Senator Taylor said we are doing a better job of the intent here. We need to stimulate the trade schools, they have higher than average tuition and we have heard about a shortage of workers in those professions.

Senator Bakke asked if students could get \$1000 per year.

Senator Flakoll said every year is independent of the others. Financial circumstances could change.

Senator Bakke asked if it is possible they could receive it two times.

Senator Flakoll said yes.

Senator Gary Lee said he likes directing this to the two year institutions. He thinks a loan program is better in the long term. A low interest loan program is more sustainable. He will oppose the amendment.

Senator Flakoll said when the program first starts, there are some students who would certainly not receive a grant for two years because it is for two year programs and some students would have completed a year of school when they first apply.

The motion passed 4-1.

Senator Flakoll moved the committee reconsider its actions by which they passed the Taylor amendment, seconded by Senator Taylor.

The motion passed 5-0.

Senator Flakoll moved a Do Pass As Amended and Rerefer to Appropriations on HB 1487, seconded by Senator Taylor.

The motion passed 3-2. Senator Taylor will carry the bill.

Chairman Freborg said he wanted to generate discussion on the floor, he will vote yes on the floor.

Senator Flakoll said we will end up in a conference committee.

PROPOSED AMENDMENT TO REENGROSSED HOUSE BILL 1487

Page 2, line 4, replace "deduct" with "charge"

Page 2, line 5, remove "from interest payments received on loans"

Page 2, line 13, after "15.1-29" insert ", or been issued a high school diploma after home education in accordance with section 15.1-23-17"

Page 2, line 17, remove "to the Bank"

Renumber accordingly

Taylor 1

Date: 3/6/07
Roll Call Vote #: /

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1487

Senate Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Taylor / amendment

Motion Made By Sen Taylor Seconded By Sen Flakoll

Senators	Yes	No	Senators	Yes	No
Senator Freborg	✓		Senator Taylor	✓	
Senator Flakoll	✓		Senator Bakke	✓	
Senator Gary Lee	✓				

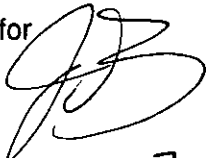
Total Yes 5 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

March 6, 2007


3-7-7

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1487

Page 1, line 1, replace "a low-interest student loan" with "and enact a new section to chapter 15-62.2 of the North Dakota Century Code, relating to a financial assistance grant"

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, replace "a transfer; to provide a continuing" with "an" and remove "; and to declare an emergency"

Page 1, replace lines 17 through 24 with:

"SECTION 2. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

Financial assistance - Students enrolled in two-year institutions. The state board of higher education shall administer a program for the purpose of providing grants to resident students attending two-year institutions of higher education under the control of the state board of higher education. Grants available under this section may be in any amount up to one thousand dollars per year and are payable to resident students who demonstrate financial need.

SECTION 3. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,000,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of providing grants to resident students attending certain two-year institutions of higher education, for the biennium beginning July 1, 2007, and ending June 30, 2009. The state board of higher education may distribute no more than \$1,500,000 in grants under section 2 during each year of the biennium."

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 5

Renumber accordingly

Date: 3/7/07
Roll Call Vote #: 2

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1487

Senate Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken 70575.0401

Motion Made By Sen. Flakoll Seconded By Sen. Taylor

Senators	Yes	No	Senators	Yes	No
Senator Freborg	✓		Senator Taylor	✓	
Senator Flakoll	✓		Senator Bakke	✓	
Senator Gary Lee		✓			

Total Yes 4 No 1

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/7/07
Roll Call Vote #: 2

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1487

Senate Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Reconsider Alesia Taylor amendment

Motion Made By Sen. Flakoll Seconded By Sen. Taylor

Senators	Yes	No	Senators	Yes	No
Senator Freborg	✓		Senator Taylor	✓	
Senator Flakoll	✓		Senator Bakke	✓	
Senator Gary Lee	✓				

Total Yes 5 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/7/07
Roll Call Vote #: 3

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1487

Senate Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No Pass As Amended and Rerefer to Appropriations

Motion Made By Sen. Flakoll Seconded By Sen. Taylor

Senators	Yes	No	Senators	Yes	No
Senator Freborg		✓	Senator Taylor	✓	
Senator Flakoll	✓		Senator Bakke	✓	
Senator Gary Lee		✓			

Total Yes 3 No 2

Absent 0

Floor Assignment Sen. Taylor

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1487, as reengrossed: Education Committee (Sen. Freborg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (3 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1487 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "a low-interest student loan" with "and enact a new section to chapter 15-62.2 of the North Dakota Century Code, relating to a financial assistance grant"

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, replace "a transfer; to provide a continuing" with "an" and remove "; and to declare an emergency"

Page 1, replace lines 17 through 24 with:

"SECTION 2. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

Financial assistance - Students enrolled in two-year institutions. The state board of higher education shall administer a program for the purpose of providing grants to resident students attending two-year institutions of higher education under the control of the state board of higher education. Grants available under this section may be in any amount up to one thousand dollars per year and are payable to resident students who demonstrate financial need.

SECTION 3. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,000,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of providing grants to resident students attending certain two-year institutions of higher education, for the biennium beginning July 1, 2007, and ending June 30, 2009. The state board of higher education may distribute no more than \$1,500,000 in grants under section 2 during each year of the biennium."

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 5

Renumber accordingly

2007 SENATE APPROPRIATIONS

HB 1487

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1487

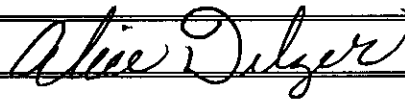
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-16-07

Recorder Job Number: 5240

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1487 regarding a low-interest student loan program.

Representative Alan H. Carlson, District 41, Fargo co-sponsor of the bill explained the bill and the proposed amendments to the committee. He made comments regarding the bill in it's present form and was not sure how it got changed. He mentioned the amendments that Senator Flakol had prepared concerning this bill. He stated the state wants to help our kids with their loans and their interest rates they have to pay.

Chairman Holmberg commented that Representative Carlson has worked with passion concerning this bill and stated a subcommittee will be looking at this bill.

Senator Robinson had questions regarding the student loan programs and if the students can chose business colleges, hair colleges or tribal colleges or other colleges and get the student loan. He was informed that in the original form of the bill the student could use any college of their choice. The concept was to keep our kids at home and give them an opportunity to continue their education.

Senator Nick Hacker, District 42, Grand Forks gave oral testimony stating the program that was originally introduced was what I wanted and when they started to change into interest accruing, the programs become much less attractive. Students do understand that interest

compound and a blended rate of higher than 3%. I hopefully encourage that we could defer that interest, similar to those federal student loans that students already use that defer interest until they graduate or one year after that. Because of how the bill was changed, I am not really sure it is so much a policy change as a financial matter. He continued to give testimony regarding the changes in this bill. He submitted a copy of the original bill to the committee

Senator Richard Marcellais, District 9, Belcourt , presented written testimony and proposed amendments (1) asking the committee to consider the attached amendments on HB 1487 as a funding source for HB 1395 relating to financial assistance to Tribal controlled colleges. He is support of the bill.

Chairman Holmberg referred to HB 1395 and SB 2404 and where they stand to date in the House and Senate.

Senator Tallackson stated the only thing not changed is the appropriations.

Laura Glatt, North Dakota University System (NDUS) presented written testimony with proposed amendment(2) and oral testimony in support of HB 1487. She stated that traditionally we have been able to only fund between 10-15% of the applicants for student loans.

Senator Mathern asked how they determine which students receive the loans. He was informed that they rank the students by their need. There is also a deadline that has to be met.

Eric Hardmeyer, President Bank of North Dakota (BND) presented written testimony (3) and oral testimony in support of HB 1487. Some of the highlights he shared was concerning fixed or variable interest rates, the DEAL program, increase in volume for student loans, the fact they are limited by statute the interest rate they can provide, the LIBOR program and how the bank can better help the kids get better loans with less interest. We already assist students with default fees and regular fees. He asked for support on section 1 of the bill.

Senator Mathern asked why we would offer this to out of state students.

Eric Hardmeyer stated that for the most part it is North Dakota or border community students that are going through their bank for their student loans. He also asked the committee to consider the emergency clause in section 1 be added back in as it was inadvertently removed and we think it is an important part. As soon as this is signed by the governor we can implement this rate change so we would like to do that as soon as possible.

Chairman Holmberg stated that the amendments that are dated the 15th do not have the emergency clause on them. Is there a more recent one? We will be looking at this in our subcommittee so we will have to make sure we keep that in mind regarding the emergency clause. He closed the hearing on HB 1487.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1487

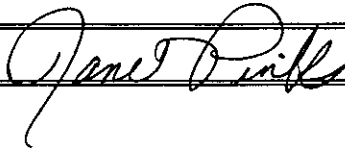
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-22-07

Recorder Job Number: 5483

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1487, introducing Senator Hacker to present an amendment.

Senator Nicholas P. Hacker, District 42, Grand Forks, introduced an amendment 0404 indicating this has not been adopted in the previous committee because the bill housed the bill. Under subsection 6 a student ceases to be a student in good standing then he does not qualify for the rate on student loans.

Chairman Holmberg indicated the original bill we have before us is \$3 million out of the general fund.

Senator Hacker indicated the funding comes from the student loan trust fund and is a transfer.

Senator Fischer asked about the good standing and does that mean being up to snuff in tuition, board and room as well.

Senator Hacker indicated that being a student in good standing refers to your GPA as well as financial obligations at the college.

Senator Mathern asked if this changes the eligibility as to which institutions the student can attend.

Senator Hacker indicated this goes to any student in the state of ND. The idea is these earnings will become a revolving pool and to create a long term fix. There is a financial need piece in the .400 version of the bill as well. The student has to prove financial need. When you go to borrow money, the school sets a budget for you based partially on how much your parent's make, how much you make, how much you get in Pell grants and how much you can borrow.

Senator Christmann asked what the difference is between this and a normal student loan program. Who are we targeting here?

Senator Hacker this is version 400. This creates a low interest of 3% student loan for students. If you are to give the grant out of the granting program here and lend that out over a ten or fifteen year period, you will actually save the student \$1,000 in interest.

Senator Tallackson then asked that is the main part of the bill.

Senator Hacker indicated there is \$3,000 available for the first year of school to X number of students that the fund can handle and there is \$4,000 available the second year, \$5,000 the second year and \$5,000 the fourth year. The match is \$17,000 at 3% interest from the proceeds from the student loan trust fund. What happens is that they will split that amount between students in the first and second year and half between the third and fourth year students. All of the \$3.1 will be used this biennium. Next session they will come back and ask for the student loan trusts fund again, just the earnings. Now that you have expended \$3.1 million the previous two years, then you go to the next time and continue to do this for a few years before the student loans start getting paid back. That is the revolving loan. This has been the concept, it is not a quick fix for anybody, but provides some financial assistance. If you took regular student loans, this saves the students \$125 a month on the payments.

Chairman Holmberg asked Don Morrisette that right now this bill shows up as expenditure out of the general fund on the fiscal impact report. Is there a reason why it doesn't show up on the budget comparison report? Is it because it is not a direct appropriation?

Don Morrisette (the response could not be heard)

Chairman Holmberg asked how this was reported before.

Becky indicated it was not impacting.

Chairman Holmberg in other words the reason these are germane to our discussion is because the bill as it is in front of us is it takes \$3 million out of the general fund and makes it a grant program and the

original bill took \$3.1 million transferred from the student loan trust fund and therefore that is off the general fund budget.

Senator Grindberg asked and then the amendment takes it back to the trust fund.

Chairman Holmberg this amendment takes it back to the trust fund and makes it a loan to all students.

Senator Grindberg asked has the transfer from the student loan trust and the revenue forecast changed because we took the executive budget takes that interest into the general fund.

Senator Bowman asked will my girls get a payback then because they are paying back those loans right now.

Senator Hacker unfortunately they like I just pay the loans back.

Senator Fischer moved approval of the amendment 0404, Senator Mathern seconded. There was no discussion. An oral vote was taken and the motion carried.

Senator Tallackson moved a do pass as amended on HB 1487, Senator Seymour seconded. Discussion was carried out.

Senator Grindberg indicated he is not convinced of the overall concept of the bill and would not support it.

Senator Mathern indicated he understands that concern, but he is also concerned we are taking the profits of our loans and using it for general government. At least if we are taking profits from our loan which is essentially taking money from the low income students, we are at least spending it on another set of low income students. I think it is better then what we do now.

Senator Krebsbach indicated she is not too concerned about the final disposition of this bill. What she understands is HB 1403 was amended into this bill and I understand there is a great need to keep section one alive. I wonder if we could have Karlene address that issue.

Karlene Kline, Industrial Commission, Section one is where we needed the flexibility for a deal program to offer some variable rates. When Eric talked about this, we needed section one and the emergency measure to provide flexibility for our deal. (Dakota educational alternative loan programs) We need section one and the emergency clause on this bill. The emergency clause is in section four.

Senator Christmann indicated he would like to divide this with section 1 and 4 and section 2 and 3.

Chairman Holmberg indicated section 1 and 4 will be voted on first. A roll call vote was taken resulting in 14 yes, 0 no and 0 absent. A roll call vote was taken on Section 2 and 3 resulting in 9 yes, 5 no, 0 absent. The motion passed and Senator Tallackson will carry the bill.

Senator Krauter indicated he saw no problem to support this bill. There was discussion about the balance of the trust fund and concerns about dwindling the trust fund away.

Chairman Holmberg closed the hearing on HB 1487.

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1487

In lieu of the amendments adopted by the Senate as printed on page 763 of the Senate Journal, Reengrossed House Bill No. 1487 is amended as follows:

Page 1, line 1, replace "a low-interest student loan program" with "and enact two new sections to chapter 15-62.2 of the North Dakota Century Code, relating to financial assistance grants"

Page 1, line 2, after the semicolon insert "and"

Page 1, replace line 3 with "provide appropriations."

Page 1, replace lines 17 through 24 with:

"SECTION 2. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

Financial assistance - Students enrolled in two-year institutions. The state board of higher education shall administer a program for the purpose of providing grants to resident students attending two-year institutions of higher education under the control of the state board of higher education. Grants available under this section may be in any amount up to one thousand dollars per year and are payable to resident students who demonstrate financial need.

SECTION 3. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

Tribally controlled community colleges - Nonbeneficiary students - Grants.

1. The state board of higher education shall provide to each tribally controlled community college an annual grant in the amount of two thousand dollars for each full-time equivalent nonbeneficiary student enrolled in the college.
2. For purposes of this section, unless the context otherwise requires:
 - a. "Nonbeneficiary student" means a resident of North Dakota who is enrolled in a tribally controlled community college but is not an enrolled member of a federally recognized Indian tribe.
 - b. "Tribally controlled community college" means an institution of higher education in this state which is formally controlled or has been formally sanctioned or chartered by the governing body of an Indian tribe, or any combination of federally recognized Indian tribes.

SECTION 4. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,000,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of providing grants to resident students attending certain two-year institutions of higher education, for the biennium beginning July 1, 2007, and ending June 30, 2009. The state board of higher education may distribute no more than \$1,500,000 in grants under section 2 of this Act during each year of the biennium.

SECTION 5. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$700,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of providing per student grants to tribally controlled community colleges that enroll nonbeneficiary students, for the biennium beginning July 1, 2007, and ending June 30, 2009. The state board of higher education may distribute no more than \$350,000 in grants under this section during each year of the biennium. If insufficient moneys exist to fully meet the requirements of section 3 of this Act, the superintendent of public instruction shall prorate the payments according to the percentage of the total amount to which each tribally controlled community college is entitled."

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 5

Renumber accordingly

March 22, 2007

[Signature]
3-23-07

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1487

In lieu of the amendments adopted by the Senate as printed on page 763 of the Senate Journal, Reengrossed House Bill No. 1487 is amended as follows:

Page 2, line 14, remove "in this"

Page 2, line 15, remove "state"

Page 2, after line 17, insert:

"6. If an individual who receives a loan under this section ceases to be a student in good standing at an institution of higher education prior to completing the individual's course of study, the terms and conditions applicable to the individual's loan become identical to those terms and conditions otherwise applicable to guaranteed student loans."

Page 2, line 18, replace "6." with "7."

Page 2, line 22, replace "7." with "8."

Page 2, line 25, replace "8." with "9."

Renumber accordingly

Date:
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1987

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Sect 1 & 4 of Bill

Motion Made By _____

Seconded By _____

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/22
Roll Call/Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1487

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken DP as Amend.

Motion Made By Tallackson Seconded By Seymour

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm		✓	Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm		✓	Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm		✓	Senator Tim Mathern	✓	
Senator Randel Christmann		✓	Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓	✓	Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 9 No 5

Absent

Floor Assignment Tallackson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1487, as reengrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1487, as amended, was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the Senate as printed on page 763 of the Senate Journal, Reengrossed House Bill No. 1487 is amended as follows:

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Renumber accordingly

2007 HOUSE APPROPRIATIONS

CONFERENCE COMMITTEE

HB 1487

2007 HOUSE STANDING COMMITTEE MINUTES

Bill No. HB 1487

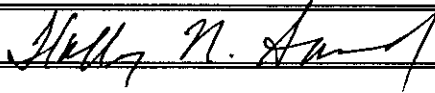
House Appropriations Committee

☒ Check here for Conference Committee

Hearing Date: April 10, 2007

Recorder Job Number: 5860

Committee Clerk Signature



Minutes:

Chairman Carlson called the meeting to order on HB 1487. Roll call: Rep. Carlson, Rep. R. Kelsch, Rep. Williams, Sen. Flakoll, Sen. G. Lee, Sen. Taylor all present.

Rep. Carlson: Sen. Flakoll, explain to us what you did to the bill.

Sen. Flakoll: We just made a couple simple changes to the bill. As we moved into the bill we heard from the Bank of North Dakota that it was a real administrative nightmare to try to figure out from all the eligible folks in the campus's and the lake who would be able to get the monies so as you remembered we had a little visit and talked about maybe just limiting it to the 11 campus's in the North Dakota University system. As we discussed the pros and cons of that and the merits of the bill we also visited about grants and needs. We want to have funds that fill an immediate need to a long term need because we feel what we did with our amendments would provide grant money in the amount of about three million dollars for students who wish to attend the two year campuses in the ND university system. When we look at the piers that those campuses on a regionalized basis would generally have a higher cost than their piers within the region on tuition and fees. The Senate has been of the belief that there is some value in providing assistance for some of these programs that produce many of the workers; whether it is plumbers or whoever that are vitally needed in the work force. With the current grant program there is somewhat of a disadvantage if a student to attend a 2 year campus vs.

a 4 year campus because it is based on need. Discussed the tuition differences regarding the two to a four year campus. General jest of the bill is that we had to sharpen the focus, but we historically have received our lowest grade when we are evaluated the state on the grants that we provide for students that are needs based. We thought this was an opportunity to sharpen that focus. With the current program it goes to a variety of things including provide institutions. University of Mary, Jamestown College, Ellendale and the WAG.

Sen. Taylor: The Bank will administer what we pass. There has been testimony that they have 30,000 borrowers and as you open it up and find out there is going to be a low interest pool of loans there will be probably 40-50,000 who would apply and they would be able to finance 1,000 of these low interest student loans so it would be like quarter day when they were selling the ND state quarter and they would be lined up around the block. This would be needs based with the state grant and he explained some of the reasons why we thought the two year campuses would be a good way to sharpen that focus. Sections 1 & 4 of the bill; the emergency clause, which is some language that allows the bank to offer a variable rate testimony is probably going to allow them to drop from 8.25%to 6.75%. We want to make sure in the conference we don't loose that.

Rep. Kelsch: What is the fiscal impact? Looking at it it basically stayed the same.

Rep. Carlson: Tell me about the fiscal note?

Roxanne Woeste, Legislative Council explained changes.

Rep. Kelsch: Explained that most kids would have already applied so there would just be a small pool of kids that would not have applied already or hadn't received them in 07 and then going forward it is basically is an estimate of what the second year would be.

Rep. Carlson: the other funds would be \$900,000 in less revenue because of the fixed rate loan assuming the rates went down.

Rep. Kelsch: They don't know what the interest rates will do so it is a guesstimate on their part and they don't know if kids will choose the fixed or the variable. This is what the affects would be.

Rep. Carlson: How did we get the \$700,000,000 in 09-11?

Rep. Kelsch: That is for section 2 and 3 when the appropriation comes into affect.

Rep. Carlson: There is \$3 million dollars appropriated, but they show a \$7million fiscal note. So that does not add up. Because we are appropriating the money in section 3.

Ms. Woeste: Trying to figure out the amounts and get back to you.

Rep. Carlson: Where are we getting the extra 7 from? It appears to be one time expenditure. It appears to begin in 07 and ends in 09 and says we split half of it in each biennium.

Laura Glatt, NDUS: I will double check. Our understanding is it would not be a one time appropriation unless you intend this program to be grants for students only in 07 and 09 and then they go away after that. Typically you continue those students in future biennium and enroll new students in those students.

Rep. Carlson: Then you are targeting a two year student in a two year program so that is why I am questioning why it would go on. Because it would be a group of two year kids. Between Roxanne, Karlene and Lara to resolve this that would be good. Some one needs to clarify that for me and the fiscal note for me. Whether this continues on or not.

Ms. Glatt: Certainly we would need clarification from you whether your intent was to be one time or continuing.

Rep. Carlson: If I am going back to the original bill Rep. Kelsch what was your assumption when your committee dealt with the bill?

Rep. Kelsch: When we originally had the bill there are two parts to it. The first part we figured the fixed or variable would be something that would potentially be something that could

go on, but we did figure that the grant line item because it was four years that it would continue past the first biennium just because you were looking at four years. Now that it is two years, it would seem to make sense to me that it would just be for two years and potentially would not continue on.

Rep. Carlson: The focus has changed on two years ago from this bill.

Sen. Flakoll: I agree. When you look at March 12 fiscal note it looks like it was quite similar to the April 4th one which would be the post amendment adoption.

Rep. Kelsch: If you look at the March 26th with the re engrossed bill it is an expenditure of only \$3.1 million.

Rep. Carlson: I like the fixed and variable because that gives the bank some options if the rates go up over the standard federal rate; obviously I would not want it to be variable and charge the kid more than he was going to pay normally, but on the other hand if we can at the bank, which is owned particularly by some of these students, we can lower the rate, I think that is the good part of the bill. I am not sure my agreement is on the grant side of it or not.

Sen. Taylor: When it came to us it was about \$3.1 million dollars and we shaved off about \$100,000 with the amendments. We weren't really sure how many snow angel amendments might be coming so we wanted to be sure we had plenty of cushion for those.

Rep. Carlson: The \$3.1 million from the original bill was the amount of the transfer from the student loan trust fund that we normally make so there was some logic to the money. Instead of transferring it to the general fund we are going to transfer it into this loan pool. So it does have this fiscal affect.

Rep. Kelsch: I agree with you. I think at least the first part of the bill is important and should pass. I think that gives students another option that they don't currently have. When we heard testimony on that portion of it in particular from the Bank of North Dakota they felt that that was

a really good component to add into state law. I am in agreement with that, but I am not so sure I am supportive of the way the rest of the bill is.

Rep. Carlson: We can go back to the original intent of the bill was simply to get some lower interest loans in the hands of our students so they are not coming out so strapped with payments when they get done.

Sen. Taylor: I think one of the things in the Senate was that if we maybe have some grants then they would need fewer student loans and since these were needs based we did not have to worry about them using the student loans for something that may be beyond educational purposes.

Rep. Carlson: I go way back when my kids were in college and I don't disagree with that, but because I owned some office buildings and did not have any money, but had property I could never get any decent loans for my kids because they said you are not needs based. Even though you are still paying the same amount as anyone else you don't have the cash. You go borrow the money and that is why I originally kept the needs base out of it because a lot of people that are close that will never qualify because they own something and they have some equity so they say you are not needs based and you don't qualify. There are a lot of people who do not qualify for loans that are assumed to have a lot of money even though it may only be on a piece of paper.

Ms. Glatt: First of all that \$3 million and \$7 million; it should say \$3 million and \$4 million so the \$7 is wrong. Here is why the \$4 million in the next biennium. You have year one and year two to spend a million here, you assume you are going to continue those students into the second year of their program. Then in year 2 of 07-09 biennium you have another freshman class the second year so you have spent your \$3 million. We assume that the program was going to continue. The next biennium you have two classes here; you have two classes here

so you have the extra million to continue that program. You need to make a decision are you going to fund it for only one year or are you going to bring them back in the 09-11 and fund them as sophomores and then add another class of freshmen?

Rep. Carlson: I understand what you are saying. It is not unusual to fund a grant for one year or a scholarship.

Sen. Flakoll: On the needs based is it based on income or based on income and holdings?

Ms. Glatt: What we do is use the Federal formula so we start off with cost of education, left pall grant and left with the federal government determines the parent should be contributing and that is based upon a formula which takes into consideration both taxable and non taxable income. Assets including savings and the value of a business and those kinds of things.

Sen. Flakoll: That is why I did not put it in the first place. Sometimes you can't spend it, but you still have to send those kids.

Rep. Carlson: When we come back we are going to have to make a decision whether we want the grants done separately or if we want to go back and look the way we had it originally and whether or not we want to deal with funding it for that second year group of kids that comes through.

Adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill No. HB 1487

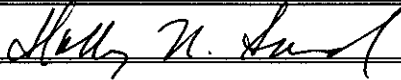
House Appropriations Committee

☒ Check here for Conference Committee

Hearing Date: April 11, 2007

Recorder Job Number: 5928

Committee Clerk Signature



Minutes:

Rep. Carlson called the conference committee hearing to order on HB 1487. Roll Call: Rep. Carlson, Rep. R. Kelsch, Rep. Williams, Sen. Flakoll, Sen. Taylor all present; Sen. G. Lee absent.

Sen. Carlson: What does the committee want to do with the bill? I like Section 1. I think some of my concern is about the high payments and debt that these kids come out of school with. Personally I am not a fan of the grants thing the way it ended up on the rest of the bill.

Rep. R. Kelsch: I really like Section 1; I think that is a goal and I think the emergency clause is appropriate on there. **Motion Made by Rep. R. Kelsch the Senate Recede from their amendments and further amend. To remove Sections 2 & 3 of the bill. Seconded By Rep. Williams.**

Sen. Flakoll: Would the Houses intent be to pass the bill then. What would the appropriations likely be then?

Rep. Carlson: Section 1 has a reduction of income to the Bank of North Dakota estimated at \$7500 for 05-07 biennium and \$900,000 for 07-09 and \$2.7 million for 009-11 utilizing today interest rate environment. So that number would be different depending on the interest rates.

I do think that language is good language for the bill. I think it benefits our students who are borrowing money from all the banks.

Sen. Taylor: Now if the Senate recedes without further amending does it take it back to the bill as we received it, which was your bill with the \$3.1 million transfer into a low interest student loan fund?

Roxanne Woeste, Legislative Council: This should help the committee members a little bit. The motion isn't quite correct. Senate would need to recede; we would go back to the bill, the re engrossed version as the bill came back from counsel and then we would further amend the bill to remove sections 2 & 3. We would basically be back to Section 1 of the bill and Section 4.

Rep. Carlson: There would be not other low interest student loan programs because that was gone on the original bill that came to us.

Ms. Woeste: That was in the House version and was sent to the Senate.

Rep. K. Kelsch: I have the version that we sent over to the Senate in my hand so I did know that by removing Section 2 we were removing your low interest student loan language and Section 3, which was the transfer.

Rep. Carlson: An existing rate today on a student loan would be what on a fixed rate at the bank?

Karlene Fine: 8.25%

Rep. Carlson: If it would go to the variable rate, what would that mean to the interest rate to that student loan?

Karlene Fine: It would be in the area of 6.26%. The Bank of North Dakota sets those rates on a regular basis. Generally the rate adjustments follow the feds meet so there is no set time frame.

Rep. Carlson: So there is no set time so it could be 6.25% today and it varies whenever the rates are adjusted.

Sen. Taylor: In my prior conversations with the President of the Bank was that variable rate would allow them to go at the LIBOR rate and the fixed rate has to be prime at 8.25% but the language would also allow the flexibility to go to the federal home rate, which would be down to 6.75%. So that could be done on both of these.

Rep. Carlson: That is a real win for our kids. Did we answer your question Sen. Flakoll?

Sen. Flakoll: Yes, I would like to hear it directly rather than three times over from rumors.

I am in support of Sections 1 & 4 and have all the time. I know your intention when you had section 2 & 3 in the bill was for the state to further invest \$3 or \$3.1 million dollars at the time you brought the bill from the student trust fund into something that would aid students and would be at a low interest revolving loan pool or grant. I just ask if the conferee are really ready to give up what we thought for most of the session was a vehicle to get another \$3 million dollars out to our students who have mounting debt of mounting needs in the face of rising college costs.

Rep. Carlson: If we took every student loan that we had out in a portfolio and adjusted this rate for those students I think it would be far in excess of \$3 million if we added it up. How many total students loans do we have out? Karlene any idea of volume?

Ms. Fine: Maybe \$100-\$200 million.

Rep. Carlson: It is a commitment in a different way to our students, but I think it is far in excess of our \$3 million.

Rep. R. Kelsch: I guess when we heard this bill and we discussed the two issues; while I like the proposal that Rep. Carlson is thinking to offer the low interest loans. There is a concern so we put in the language regarding need and he was not happy with that. My biggest concern

was that the way it was written at that time very few students would receive those monies or the 3 ½ %. That is why I like the fixed and variable better and actually felt if I was going to hold on to anything that is what I was going to hold onto because it would affect every student that took out a student loan. The bank said the lines are long now, but if we had that 3 ½ % interest rate the lines would be so huge of people trying to get those loans and very few people will receive them.

Rep. Carlson: The problem with the original bill if it had gone through it was not enough money. It was the right idea to have the low interest loans, but when you started dividing it out who could get it it just didn't get to enough kids. It was meant for North Dakota kids only. To make it significant would probably have been \$15 million instead of \$3 million to make it work.

Sen. Flakoll: Do you know of any other budget adjustments that have occurred in higher education in the last 48 hours?

Rep. Carlson: As of today we have had no adjustments made to the higher education budget. There have been discussions but nothing that has changed. There has been a conference committee appointed today and they are Rep. Wald, Monson, Gulleason.

Rep. Williams: Why did you ask that questions?

Sen. Flakoll: Because of what we are doing in the big scheme of things with the dollars.

Vote: 5 Yes 0 No 1 Absent

Hearing closed.

REPORT OF CONFERENCE COMMITTEE (ACCEDE/RECEDE)

Bill Number 1487 (, as (re)engrossed):

Date: 4/11/07

Your Conference Committee _____

For the Senate:

For the House:

	YES / NO		YES / NO	
P	Sen. Flakoll ✓		Rep. Carlson ✓	P
A	Sen. D. Lee —		Rep. R. Kelsch ✓	P
P	Sen. Taylor ✓		Rep. Williams ✓	P

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE) from)

the (Senate/House) amendments on (SJ/HJ) page(s) 1448 -- _____

_____, and place _____ on the Seventh order.

_____, adopt further amendments as follows, and place _____ on the Seventh order:

_____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

(Re)Engrossed HB 1487 was placed on the Seventh order of business on the calendar.

DATE: 4/11/07

CARRIER: Rep. R. Kelsch

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: Rep. R. Kelsch

SECONDED BY: Rep. Williams

VOTE COUNT 5 YES 0 NO 1 ABSENT

REPORT OF CONFERENCE COMMITTEE

HB 1487, as reengrossed: Your conference committee (Sens. Flakoll, G. Lee, Taylor and Reps. Carlson, R. Kelsch, Williams) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1448, adopt amendments as follows, and place HB 1487 on the Seventh order:

That the Senate recede from its amendments as printed on page 1448 of the House Journal and page 1244 of the Senate Journal and that Reengrossed House Bill No. 1487 be amended as follows:

Page 1, line 1, remove "to create a low-interest student loan program;"

Page 1, line 2, remove the second "to"

Page 1, line 3, remove "provide a transfer; to provide a continuing appropriation;"

Page 1, remove lines 17 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 3

Page 3, line 4, replace "Section 1 of this" with "This"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1487 - Summary of Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
University System office						
Total all funds	\$0	\$0	\$0	\$0	\$3,000,000	(\$3,000,000)
Less estimated income						
General fund	\$0	\$0	\$0	\$0	\$3,000,000	(\$3,000,000)
Bank of North Dakota						
Total all funds	\$0	\$3,100,000	(\$3,100,000)	\$0	\$0	\$0
Less estimated income		3,100,000	(3,100,000)			
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Bill Total						
Total all funds	\$0	\$3,100,000	(\$3,100,000)	\$0	\$3,000,000	(\$3,000,000)
Less estimated income		3,100,000	(3,100,000)			
General fund	\$0	\$0	\$0	\$0	\$3,000,000	(\$3,000,000)

House Bill No. 1487 - University System office - Conference Committee Action

This amendment does not include the \$3 million general fund appropriation to the State Board of Higher Education for providing grants to resident students attending certain two-year higher education institutions as included in the Senate version of the bill.

House Bill No. 1487 - Bank of North Dakota - Conference Committee Action

	EXECUTIVE BUDGET	HOUSE VERSION	COMMITTEE CHANGES	COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Low-interest student loan fund		<u>\$3,100,000</u>	<u>(\$3,100,000)</u>			
Total all funds	\$0	\$3,100,000	(\$3,100,000)	\$0	\$0	\$0
Less estimated income		<u>3,100,000</u>	<u>(3,100,000)</u>			
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Dept. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	REMOVES PROVISIONS RELATING TO THE CREATION OF A LOW-INTEREST STUDENT LOAN FUND ¹	TOTAL CONFERENCE COMMITTEE CHANGES
Low-interest student loan fund	<u>(\$3,100,000)</u>	<u>(\$3,100,000)</u>
Total all funds	(\$3,100,000)	(\$3,100,000)
Less estimated income	<u>(3,100,000)</u>	<u>(3,100,000)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment removes the provisions of the bill creating a low-interest student loan program and the transfer of \$3.1 million from the student loan trust fund to the Bank of North Dakota for the new low-interest student loan fund, same as the Senate version.

The bill retains the section amending North Dakota Century Code Section 15-62.1-03 to provide the Bank of North Dakota with the ability to offer both a fixed and variable rate option for student loans guaranteed by the state without federal coinsurance, same as the Senate version.

Reengrossed HB 1487 was placed on the Seventh order of business on the calendar.

2007 TESTIMONY

HB 1487

HB 1487
29 Jan 07

Testimony to House Education Committee
On HB 1487

January 29, 2007

Chairman Kelsch and members of the House Education Committee. For the record, I am Peggy Wipf, director of financial aid for the North Dakota University System.

Thank you for the opportunity to provide testimony in support of HB 1487 regarding the creation of a low-interest student loan program. This bill would provide another avenue in helping maintain an affordable education for our North Dakota students. The attached pages help drive home the point that students are having to borrow more for their college education. Currently, the average loan indebtedness of a North Dakota undergraduate student is between \$17,000 and \$22,000. This legislation will be extremely beneficial in reducing the amount of money a family needs to repay for their post-secondary education and would provide a reasonable low-cost loan alternative.

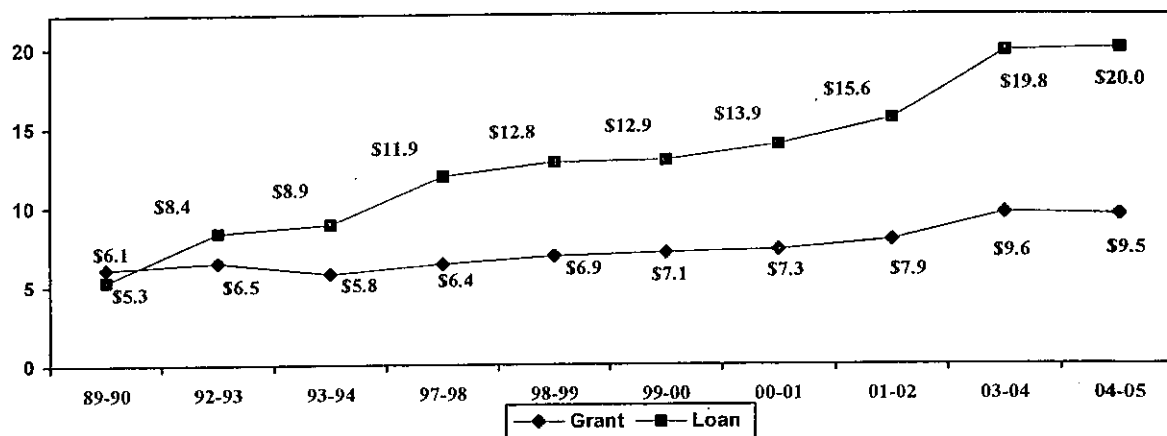
Thank you and I would be pleased to respond to questions.

Same
given to
Senate Education

NDUS Two-Year Campus Combined Loan*, Grant/Campus-Based** Financial Aid Information

(BSC, LRSC, MiSU-BC, NDSCS and WSC)

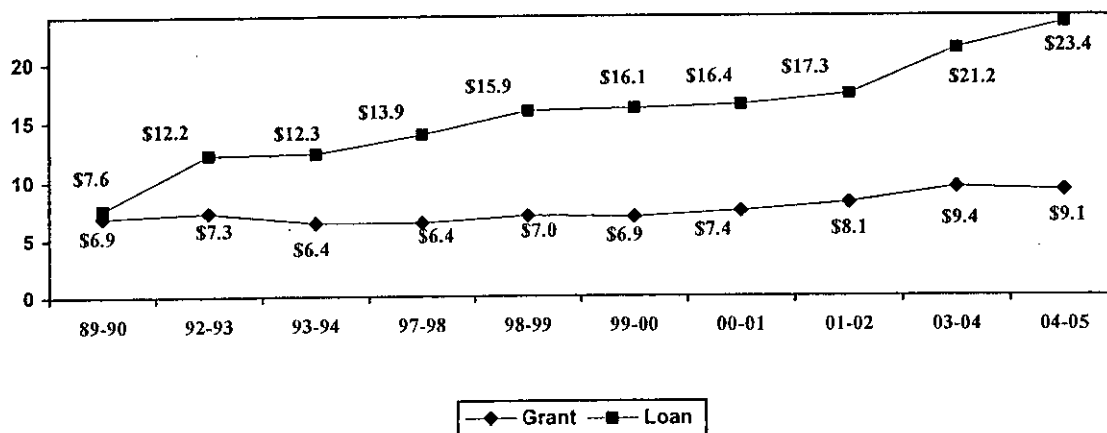
(Millions of Dollars)



NDUS Four-Year/Regional Campus Combined Loan*, Grant/Campus-Based** Financial Aid Information

(DSU, MaSU, MiSU and VCSU)

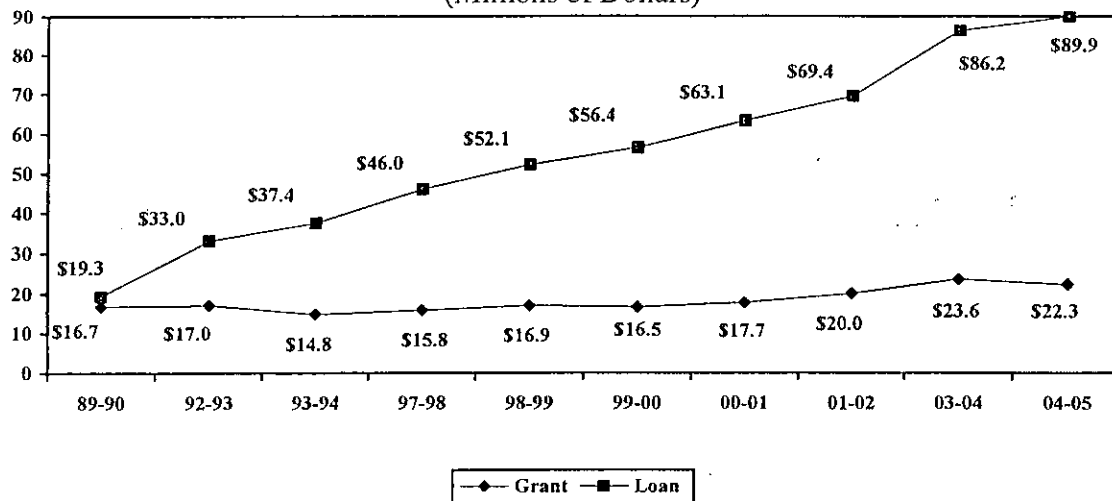
(Millions of Dollars)



NDUS Doctoral Campus Combined Loan*, Grant/Campus-Based Financial Aid Information**

(NDSU and UND)

(Millions of Dollars)



* Federal Stafford (subsidized) Loan, Federal Unsubsidized Stafford Loan, Supplemental Loans for Students, Federal Parent Loan for Undergraduate Students

** Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Perkins Loan, Federal College Work-Study Program

The majority of information used in Appendices 2-3 was gathered from the following sources: (1) a federal campus reporting form entitled, "Fiscal Operations Report and Application to Participate," (2) Student Loans of North Dakota (SLND), and (3) the Education Assistance Corporation (EAC) for academic years 1989-90, 1992-93, 1993-94, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, and 2004-05. SLND and EAC guarantee over 90 percent of all student loan volume for University System students.

**TESTIMONY TO THE
SENATE EDUCATION COMMITTEE**

MARCH 5, 2007

HOUSE BILL 1487

ERIC HARDMEYER, PRESIDENT – BANK OF NORTH DAKOTA

I am appearing today in support of House Bill 1487. This bill relates to the rate of interest for student loans guaranteed by the state without federal coinsurance and creates a low interest student loan program administered by the Bank of North Dakota.

Student financial aid includes many options for financing postsecondary education, including grants and loans, institutional aid, scholarships, and alternative loans, also known as private loans. For many students facing higher education prices, loans have become an essential part of financing their education. In addition to the Federal Family Education Loan Program (FFELP), alternative loans are becoming increasingly important. Alternative loans fill the gaps where federal loans, scholarships, and parental assistance are not sufficient to cover educational costs.

The increasing significance of alternative loans can be seen in their tremendous growth. On a national level in 2005-06, federal loan volume equaled nearly \$69 billion and alternative loan volume was slightly more than \$16 billion. Since 1995-96, according to the College Board, alternative loans have increased from \$1.4 billion to \$16 billion or an increase of 1042%. For BND's alternative loan program, Dakota Education Alternative Loan (DEAL), the volume increased from \$40 million in 2005 to \$64.3 million in 2006 or an increase of 60%.

Section 1 of the bill provides BND the ability to offer both a fixed and variable rate option for BND's DEAL program. The current language of Section 15-62.1-03 of the North Dakota Century Code limits BND's options in offering flexible interest

rates to borrowers. Current statute provides a ceiling on interest rates on loans not coinsured by the Federal government, requiring that the loan bear an interest rate to be no more than two percentage points above BND's base rate or prime rate on the date the loan is made. In fact, a recent informal attorney general's opinion concluded that based on legislative intent and testimony, the rate of interest on BND's alternative loan program must be fixed.

While BND's fixed interest rate through the DEAL program is among the best, most competing loan programs offer a variable rate product. We would like the option to offer a variable rate option to provide additional flexibility to student borrowers.

We understand the burgeoning debt students face. In 2005, BND lowered the interest rate on DEAL loans from prime plus 2% to prime to assist student borrowers, and to further assist them, initiated the payment of origination and guarantee fees on their behalf. The total impact to BND for bearing the fees is \$2.4 million for the period of July 1, 2006 through June 30, 2007. The amount is amortized against interest income over an estimated annual life of a student loan of 10 years. Therefore, the impact to the one year's income is \$240,000. It is estimated that the amortized fiscal impact for the periods of July 1, 2007 through June 30, 2009 would be \$810,000 million and \$1,410,000 for July 1, 2009 through June 30, 2011.

Section 2 establishes a 3% student loan program from funds transferred from the North Dakota Student Loan Trust fund. Under this program the Industrial Commission must transfer \$3.1 million to BND to administer this program.

This program will allow an eligible student to receive up to \$3,000 for the first year, \$4,000 for the second year, and \$5,000 for the third and fourth year. An individual is capped at a total of \$17,000 under this program.

For your consideration as you contemplate this bill, BND makes approximately 30,000 student loans each year. This program at its maximum will allow BND to make a little over 1,000 loans based on a \$3,000 loan.

The issue for BND as administrator is; how do you equitably distribute this program? Even though it is need-based, it becomes a matter of first-come, first-served. Surely then it will be gone the first day and what did we accomplish? The first 1,000 students got a great loan with no payments until a year after they completed their studies. Inevitably this will lead to frustration and disappointment for those left out.

Considerable work will need to be done with our counterparts in higher ed to devise a program that both distributes the money equitably and fulfills a specific need. The bill is drafted in a manner that provides BND flexibility to do just that and we look forward to the opportunity.

There are several areas in the bill that need to be reviewed/changed: Section 2, paragraph 2 states: "The Bank may deduct a service fee for administering the fund from interest payments received on loans". The problem is that in some cases the borrower may go five years or longer before they make a payment. How then does BND get paid for the work we do until then?

Section 2, paragraph 5, subsection b, describes an individual that is eligible as a high school graduate. What about those students that are home schooled?

Section 2, paragraph 5, subsection d, states that the FASFA form must be submitted to BND. Actually, this should be submitted to the school as required for all financial aid transactions.

HB 1487 would allow flexibility to BND in assisting students with options to pay for their higher education costs. Thank you for your consideration.



Alternative Loan Program Comparison for the 1st Quarter of 2007

Lender Loan	Bank of North Dakota DEAL Loan	U.S. Bank Five Star Undergraduate Education Loan	U.S. Bank Five Star Continuing Education Loan	U.S. Bank GOAL II Loan	Citibank CitiAssist Loan	Wells Fargo Education Advancement Loan	Minnesota Office of Higher Education SELF Loan
Phone Online Application	800-472-2166 ext 85763 mystudentloanonline.nd.gov	800-242-1200 usbank.com/fivesstarapp	800-242-1200 usbank.com/fivestarapp	800-242-1200 usbank.com/goalapp	800-967-2400 studentloan.com	800-658-3567 wellsfargo.com/student	800-657-3866 selfloan.org
Eligibility Guidelines	U.S. citizen or permanent resident (cosigner required for borrowers younger than 24 years).	U.S. citizen or permanent resident (can apply with or without cosigner), or international student with a U.S. citizen/permanent resident cosigner.	U.S. citizen or permanent resident (can apply with or without cosigner), or international student with a U.S. citizen/permanent resident cosigner.	U.S. citizen or permanent resident (can apply with or without cosigner), or international student with a U.S. citizen/permanent resident cosigner.	U.S. citizen or permanent resident (with a cosigner); or international student with a U.S. citizen/permanent resident cosigner.	U.S. citizen can apply with or without cosigner, or international student / permanent resident with a U.S. citizen/permanent resident cosigner.	For students who attend eligible schools in MN, or for MN residents who attend eligible schools out of state. All applicants must have a creditworthy cosigner.
Enrollment Requirements	May be attending less than 1/2 time. Satisfactory academic progress is required. May use for past due balances.	Must be attending half-time or more. Satisfactory academic progress not required. May use for past due balances.	Must be attending less than half-time. Satisfactory academic progress not required. May use for past due balances.	May be attending less than 1/2 time. Satisfactory academic progress not required. May use for past due balances.	May be attending less than 1/2 time. Satisfactory academic progress not required. May use for past due balances.	May be attending less than 1/2 time. Satisfactory academic progress not required. May use for past due balances.	Must be enrolled at least half-time.
Borrowing Minimums	Minimum: \$500 Prime +0%	Minimum: \$1,000 LIBOR + 2.99% to LIBOR + 5.45% (=8.338% to 10.798%). Rate dependent upon credit strength. Varies quarterly.	Minimum: \$1,000 LIBOR + 3.50% (=8.848%). Varies quarterly.	Minimum: \$500 Prime + 2% to Prime + 7% (=10.25% to 15.25%). Rate dependent upon credit strength. Varies quarterly.	No Minimum Prime + 1% to Prime + 7.25% (=9.25% to 15.5%) with a cosigner required. Varies quarterly.	Minimum: \$1,000 (\$500 for repeat borrowers) Prime + 0% to Prime + 9.75% (=8.25% to 18%) dependent upon credit strength. Varies monthly.	Minimum: \$1,000 (\$500 for repeat borrowers) LIBOR + 3.2% (=8.548%). Varies quarterly.
Interest Rates As of 01/2007*	Interest rate is fixed at the prevailing rate on the date of the first disbursement.	0% to 9.5% depending on credit strength and payment plan selected. Fee added to loan amount.	6.5% to 10.5% dependent upon credit strength and payment plan selected. Fee added to loan amount.	4% to 8% depending upon credit strength. Fee added at repayment.	0% Fees	0% Fees	0% Fees
Loan Fees	May be deferred until 6 months after graduation or less than 1/2 time enrollment.	May be deferred until 6 months after graduation or less than 1/2 time enrollment.	May be deferred until 6 months after graduation or less than 1/2 time enrollment.	May be deferred until 6 months after graduation or less than 1/2 time enrollment.	May be deferred until 6 months after graduation or less than 1/2 time enrollment.	May be deferred until 6 months after graduation or less than 1/2 time enrollment.	Quarterly interest payments required while in school. Monthly interest payments during a 12 month grace period. Followed by interest and principal loan payments.
Repayment Terms	Up to 25 Years depending on loan amounts	Up to 25 Years	Up to 20 Years	Up to 15 Years	Up to 12 Years	Up to 12 Years	Up to 10 Years
Repayment Term Length	0.25% interest rate reduction for auto-payment. Co-signer may be released after completion of 24 on-time monthly payments.	0.25% interest rate reduction for auto-payment. Co-signer release after 48 on-time payments.	0.25% interest rate reduction for auto-payment. No cosigner release option.	0.25% interest rate reduction for auto-payment. Cosigner release after 48 on-time payments.	0.25% interest rate reduction for auto-payment. 0.50% interest rate reduction after 48 on-time payments. Cosigner release option available.	0.50% int. rate reduction for auto-payment from a Wells Fargo account. 0.25% from any other bank account. 0.50% int. rate reduction after 48 on-time payments. Cosigner release after 24 on-time payments.	None
Repayment Incentives							

*For March, 2007, Prime Rate equivalent to 8.25% and LIBOR Rate equivalent to 5.348. Information provided by the above lenders to U.S. Bank on 4/2006 and rates adjusted by BND to reflect current rates as of 03/01/2007.



**TESTIMONY
HOUSE BILL 1487
SENATE EDUCATION
March 5, 2007**

- Mr. Chairman and members of the committee. My name is Matthew Larsgaard and I am appearing in support of House Bill 1487 on behalf of the Automobile Dealers Association of North Dakota, which consists of approximately 100 franchised new car dealers, and the North Dakota Implement Dealers Association which consists of approximately 130 farm implement dealerships.
- Currently, our industry's number one concern is finding and retaining qualified employees. Over the next 8 years there is expected to be well over 600 job openings for automotive technicians and almost 300 openings for diesel technicians.
- These numbers are alarming as they represent a total combined job opening ratio equal to 30% of the current labor force. This means over the next 8 years there will be a labor demand equal to 30% of today's current workforce.
- In an effort to address this concern we have developed a college scholarship program and a student loan repayment program. We have also constructed a PowerPoint presentation which will be brought into ND high schools to inform students of the many opportunities within our industry.
- Mr. Chairman, members of the committee, we believe that this bill will help keep our ND students in ND working for ND businesses. It works hand-in-hand with our student loan repayment program by providing both a lower loan payment and a shorter repayment period. This benefits both North Dakota dealerships and our state's young adults.
- Mr. Chairman, this concludes my testimony in support of House Bill 1487. Thank you for the opportunity to testify.

Matthew C. Larsgaard
Automobile Dealers Association of North Dakota
North Dakota Implement Dealers Association

(1)

**Testimony on House Bill No. 1487
Rates of interest for student loans and appropriations
Senator Holmberg, Chairman
Appropriations Committee
Harvest Room, March 16, 2007 @ 2:00 PM**

Chairman Holmberg, members of the Senate Appropriations Committee, Senator Richard Marcellais, from District 9, of Belcourt provide you with testimony on behalf of the five tribal community colleges in the state of North Dakota.

Requesting the assistance of Senate appropriations committee to consider the attached amendments on House Bill 1487 as a funding source for House Bill 1395 relating to financial assistance to Tribal controlled colleges.

House Bill 1395 would provide an appropriation of \$700,000 over a two year period, to subsidize non-beneficiary students current attending North Dakota Tribal Colleges

The presidents of the tribal colleges of North Dakota urge the state legislature to make an investment in their tribal colleges by passing House Bill # 1395.

Thank you very much for the opportunity to appear in support of this bill today.

(2)

Second Engrossment with Senate Amendments HB1487
Laura Glatt, NDUS on March 15, 2007
Senate Appropriations Committee

I am here today in support of HB1487. This bill would provide a \$3.0 million state general fund appropriation to students attending public two-year campuses who demonstrate financial need. Currently, about 75% of ND students apply for some form of financial aid, including federal and state needs-based financial aid, loans and other institutional aid.

As you know, the NDUS currently administers the State Grant program, which provides a \$600 annual grant to students attending public, private or tribal colleges, who demonstrate financial need. Below is a table that provides a history of the number of applications and awards funded. You will note that traditionally, we have been able to only fund between 10-15% of the applicants. The students who did not receive a grant, due to lack of funding, had a demonstrated financial need between \$4,000-\$6,000.

State Grant Program History 1998-2006

Year	# Applicants	# Applicants Showing Need	#Grants Awarded	%Eligible Student Funded	Ran Out of Funds at Unmet Need of
1998-99	29,545	21,576	3,604	16.7%	\$4,058
1999-00	30,778	21,237	3,711	17.5%	\$4,000
2000-01	31,967	18,294	1,382	7.6%	\$5,800
2001-02	33,046	20,369	2,379	11.7%	\$5,934
2002-03	35,156	24,492	2,600	10.6%	\$6,076
2003-04	30,255	21,930	2,275	10.4%	\$6,047
2004-05	37,167	19,431	2,700	13.9%	\$6,025
2005-06	33,864	20,638	3,200	15.7%	\$5,603

The 2005-07 NDUS appropriation includes \$3.8 million for the State Grant Program, and Engrossed HB1003 provides \$5.987 million. The funding in HB1003 would provide about 5,000 grants of \$600 each or 4,000 grants of \$750 each in 2007-09. Assuming roughly the same number of applicants as 2005-06, we would be able to assist between 10-15% of the applicants, depending on whether the grant amount remains at \$600 or increases to \$750.

Other data (NASSGAP) suggests that ND ranks 45 out of 52 in the total state grant dollars appropriated per capita at \$2.85 as compared to the national average of \$22.46 per capita.

The gap between cost and aid, from all sources, is being filled by student loan borrowing. For students who attend NDUS campuses, debt has increased each year between 1989-90

to 2004-05. Average debt for a four-year program graduate is between \$15,000-\$20,000. The average monthly payment on loan debt of \$17,000 to \$22,000 is \$200-250 per month.

We also know that a large portion of students enrolled at the two-year campuses are Pell eligible---as high as 35-40% at some campuses.

The 2006 National Report Card on Higher Education once again gave North Dakota an "F" in affordability. The report specifically states: *"the state makes a very low investment in need-based financial aid compared with top performing states, and North Dakota offers no low-tuition college opportunities."*

All of this data suggests there is significant student financial need, across all campuses, including the two-year campuses, and your investment would be greatly appreciated by students and their families.

In closing, I have attached an amendment for your consideration. This amendment would permit the NDUS to utilize up to five percent of the funding or \$75,000 per year to cover administrative costs associated with implementation and management of this new program. For the past several years, the NDUS has absorbed the administration of new financial aid programs (e.g. teacher loan forgiveness, technology occupations loan forgiveness, etc.) without any additional staff or operating funds. We cannot continue to do this, especially when flexible funds in the NDUS Office have either been removed or dedicated to other purposes. This new program will likely require significant ITD programming, for which we must pay ITD for services. There are also ongoing costs associated with those ITD programs, correspondence costs and staff time. I appreciate your thoughtful consideration of this amendment and bill.

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1487

Page 2, line 9, after the period insert "The state board of higher education may allocate not more than five per cent of the total amount appropriated in this section to costs of administering the program established in section 2."

Renumber accordingly

(3)

**TESTIMONY TO THE
SENATE APPROPRIATION COMMITTEE**

MARCH 16, 2007

REENGROSSED HOUSE BILL 1487

ERIC HARDMEYER, PRESIDENT – BANK OF NORTH DAKOTA

I am appearing today in support of reengrossed House Bill 1487. Section 1 of this bill relates to the rate of interest for student loans guaranteed by the state without federal coinsurance.

Student financial aid includes many options for financing postsecondary education, including grants and loans, institutional aid, scholarships, and alternative loans, also known as private loans. For many students facing higher education prices, loans have become an essential part of financing their education. In addition to the Federal Family Education Loan Program (FFELP), alternative loans are becoming increasingly important. Alternative loans fill the gaps where federal loans, scholarships, and parental assistance are not sufficient to cover educational costs.

The increasing significance of alternative loans can be seen in their tremendous growth. On a national level in 2005-06, federal loan volume equaled nearly \$69 billion and alternative loan volume was slightly more than \$16 billion. Since 1995-96, according to the College Board, alternative loans have increased from \$1.4 billion to \$16 billion or an increase of 1042%. For BND's alternative loan program, Dakota Education Alternative Loan (DEAL), the volume increased from \$40 million in 2005 to \$64.3 million in 2006 or an increase of 60%.

Section 1 of the bill provides BND the ability to offer both a fixed and variable rate option for BND's DEAL program. The current language of Section 15-62.1-03 of the North Dakota Century Code limits BND's options in offering flexible interest rates to borrowers. Current statute provides a ceiling on interest rates on loans

not coinsured by the Federal government, requiring that the loan bear an interest rate to be no more than two percentage points above BND's base rate or prime rate on the date the loan is made. In fact, a recent informal attorney general's opinion concluded that based on legislative intent and testimony, the rate of interest on BND's alternative loan program must be fixed.

While BND's fixed interest rate through the DEAL program is among the best, most competing loan programs offer a variable rate product. We would like the option to offer a variable rate option to provide additional flexibility to student borrowers.

We understand the burgeoning debt students face. In 2005, BND lowered the interest rate on DEAL loans from prime plus 2% to prime to assist student borrowers, and to further assist them, initiated the payment of origination and guarantee fees on their behalf. The total impact to BND for bearing the fees is \$2.4 million for the period of July 1, 2006 through June 30, 2007. The amount is amortized against interest income over an estimated annual life of a student loan of 10 years. Therefore, the impact to the one year's income is \$240,000. It is estimated that the amortized fiscal impact for the periods of July 1, 2007 through June 30, 2009 would be \$810,000 million and \$1,410,000 for July 1, 2009 through June 30, 2011.

HB 1487 would allow flexibility to BND in assisting students with options to pay for their higher education costs. Thank you for your consideration.