

FISCAL NOTE

Requested by Legislative Council
01/26/2009

REVISION

Bill/Resolution No.: HB 1547

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$0	(\$891,000)	\$0	\$0
Expenditures			\$0	\$200,000	\$0	\$0
Appropriations			\$22,500,000	\$0	\$0	\$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$0	\$0	\$0	\$0	\$0	\$0

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).*

HB 1547 will require Bank of North Dakota (BND) to repay a portion of student loans obtained by borrowers who graduated within the past 10 years and have been a North Dakota resident for at least 12 months. This bill also creates a 5 member Board to advise BND on administration of the 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.*

Bank of North Dakota currently has 24,895 borrowers with loans totalling approximately \$245,000,000 where the borrower currently resides in North Dakota and has left school within the last 10 years. Based on data obtained from the North Dakota University System (NDUS), BND presumes that 46.5% or 11,576 of those students attained a four-year degree with loans totalling \$113,925,000 and 35.6% or 8863 students attained a two-year degree with loans totalling \$87,220,000.

Other data collected from NDUS suggests that 21.5% (1906) of the 8863 students with loans totalling \$87,220,000 planned to pursue a 4-year degree; therefore, 1906 students with loans totalling \$18,752,300 are subtracted from values above because these amounts are already included in the 4-year degree totals.

The estimates above indicate a potential of 18,533 (11,576 + 8863 minus 1906) students may qualify for loan reduction. These estimates reflect \$182,392,700 (\$113,925,000 + \$87,220,000 minus \$18,752,300) of potential BND serviced loan amounts that may qualify for loan reduction, which is over and above the \$22,500,000 appropriated in HB 1547.

Based on \$22.5 million appropriation, BND estimates that \$11.25 million would apply to BND owned loans for the 2009-2011 biennium which is estimated to be insufficient as noted above. BND assumes that students with loans at other financial institutions will exhaust the remaining \$11.25 million totalling \$22,500,000 and these appropriated funds may be similarly insufficient for other financial institutions.

Other considerations:

- 1) BND made the assumption that all students selected would meet the 12 month residency requirement.
- 2) The number of students and loan amounts listed above only represent student loans owned or serviced by BND.
- 3) Residents of North Dakota that obtained loans from other lenders could meet eligibility requirements and would likely increase costs of this program.

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.*

HB 1547 would not produce revenues for the State of North Dakota.

Assuming that BND would be required to reduce student loan debt of approximately \$11,250,000 results in loss of interest revenue to BND in an amount of \$882,000 each biennium at 3.92% (Commercial paper at 2.58% + 1.34%). In addition, these revenue funds would not be available for reinvestment by BND resulting in additional losses estimated at approximately \$9000 per biennium based on a 1% reinvestment. The 2009-2011 biennium will negatively impact BND earnings up to \$891,000.

- 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.*

The cost for BND to create and implement this program, along with counseling borrowers and providing payments to lenders during the 2009-2011 biennium is estimated at \$200,000, which includes 2 additional FTE's.

- 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.*

A maximum of \$22,500,000 is appropriated in section 2 of HB 1547 from the general fund in the ND state treasury to BND to provide student loan principal reductions for the 2009-2011 biennium.

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