

Prepared in regard to: SENATE Bill- 2147 Student Loan Guarantee Program
(List bill or resolution and number, if available,
or subject)

Amendment to: _____
(List bill or resolution and number)

Requested by: _____ Date of receipt: _____

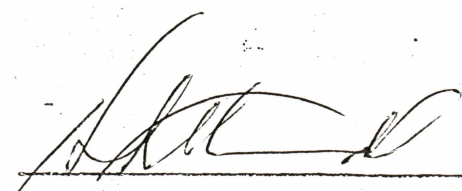
In the following space note the fiscal effect in dollars of the legislative proposal:

Narrative:

The funds necessary for the implementation of a State Guarantee Agency were included in the general budget of the Bank of North Dakota as a contingency item. The considerations provided by this bill (\$250,000) could be repaid to the general fund from the additional revenues received as the program develops and loan guarantee volume increases.

Fiscal Effect:

1981-82		1982-83		Total Biennium	
<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>

Signed 

Typed Name _____

Date Prepared: _____ Department _____

If additional space is needed, attach a supplementary sheet.

Prepared By M. E. Stenehjem, Vice President

ISSUES/NEEDS ANALYSIS

(Complete one form for each Issue/Need)

Program Area Affected Student Loan Program

New Program Yes No

Describe the circumstances causing the need for this major change: (i.e. mandated programs such as accessibility of handicapped, non-mandated program expansion based upon increased demands of public/private sectors, etc.)

Section 127(a) of the Education Amendment of 1976 (Public Law 94-482) amended Title 4, Part B, Section 421(c) of the Higher Education Act of 1965 (Public Law 83-329), requires that the commissioner of Education develops and executes a plan designed to encourage the establishment of the Student Loan Program by each state which does not now operate such a program. Such a program must be prepared to guarantee 25 million dollars annually.

How do you intend to address this Need/Issue:

Chapter 15-62.1, North Dakota Century Code, provides for the formation and operation of such a program in the State of North Dakota. It further provides that the Bank of North Dakota shall be the state agency designated to administer a state guarantee agency.

What are the consequences of not providing budget authority for this need - cite alternative solutions if applicable:

The budget authority necessary to provide personnel and operating expense can entirely be recovered from the insurance charge paid by the students, which is at present retained by the Federal Government plus the administration cost allowances provided by the Federal Government, also, the Office of Education reinsures the loans (presently at 100%). Failure to comply with the commissioners requirements could result in appointment of outside agency to operate such a program at considerable additional expense to North Dakota students.

Estimated Cost (1981-83 Biennium) for implementing program to address this Issue/Need:

250,000.00

Do you intend to ask for funding of this Issue/Need in your budget request for the 81-83 Biennium: Yes No

Additional Comments:

The costs are approximately what would be charged by United States Aid funds for the operation of a program of this size. As the program increased in size the unit costs will decrease. A locally operated agency is usually more successful in the encouragement of lenders to participate in this program.