

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1360

2005 HOUSE EDUCATION

HB 1360

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1360**

House Education Committee

☐ Conference Committee

Hearing Date **25 January 05**

Tape Number	Side A	Side B	Meter #
1	X		0 - 1565
Committee Clerk Signature <i>Jan Prindle</i>			

Minutes:

**Chairman Kelsch opened the hearing on HB 1360.**

**Rep. Haas** introduced the bill. He started with a brief history lesson. The BND (Bank of North Dakota) has a long history of providing loans for students in the state of ND. When I started college in 1956, I was in need of funding and at that time and for the next four years I borrowed \$500 per year, that's all I needed to go to school at that time, plus what I earned when I was working, at 3% interest, and I had five years to pay it back after I graduated from college in 1960. I had it all paid back in two years after I started my first job at \$5200 a year as a teacher. ND has done a lot over the years to help students go through school. This is a very simple bill that allows the BND to extend the loans to students who are less than part time. There are a growing number of students who are employed and trying to go to school at the same time and not enrolled on a half-time basis or more. This would allow loans to be extended to students who enrolled half-time. I believe 6 semester hours is considered half time. I present also an

amendment to the bill that actually reduces the amount of money that has to be kept in reserve to pay off loans in default. The people who follow me will explain that more detail, but there really is no need to maintain the amount of money that we have in that default fund because our default rate is very, very low, probably one of the best in the nation. The fiscal note provides some interesting information about the student loan fund.

**Rep. Mueller:** If one were taking 2 hours of college credit, your bill would provide loan assistance for that individual.

**Rep. Haas:** Yes, they would be eligible if they met the criteria for giving the loan. We all know that college is darn expensive now. There are students who may go for a full time load and then they have to stay out for a semester and pick up only three hours. They would still be eligible for some help.

**Rep. Herbel:** If a student is taking classes part time out of state does the loan apply to that too.

**Rep. Haas:** I will refer that to those who work for the loan program.

**Julie Kubisiak, director of Student Loan Services at BND,** testified in favor of the bill.

**(Testimony attached.)**

**Rep. Herbel:** Please explain what it means when you say our credit rating experience is .391 and the current 5.87% default rate.

**Kubisiak:** That is the default rate percentage based on the claims that are paid for students that either die or default on their student loan in the Federal Family Education Loan Program. Our default experience is .391 with the state loan program.

**Rep. Herbel:** You're saying the actual default rate is about 5-6%.

**Kubisiak:** Yes, that is correct.

**Rep. Sitte:** Following up on a previous question does this mean students going out of state and taking on line courses will qualify?

**Kubisiak:** They would both be eligible.

**Rep. Meier:** What is the maximum amount that a student can borrow per year?

**Kubisiak:** The schools calculate that for us. They come up with a cost of education, subtract any other aid they receive, and then the remainder they borrow through the DEAL program.

**Rep. Herbel:** You say qualify, what are the things they need to qualify.

**Kubisiak:** We do a credit check, if the borrower does not have a credit worthy history, we ask for a cosigner. Parents often do that. They must also attend an eligible institution.

**Rep. Johnson:** If a student is part-time, borrows the money, is the repayment schedule the same?

**Kubisiak:** The repayment for a part time student begins earlier. Full time students have a six month grace period. Less than half time the repayment begins right away.

**Rep. Johnson:** I move we accept the **amendment to HB 1360**.

**Rep. Meier:** I second.

**Rep. Haas:** The amendment reduces the amount of money that has to be kept in reserve for defaults of loans to instead of a percentage amount, to the average amount of historical default payments the bank made.

**Kubisiak:** The reserve fund is kept solely for the DEAL program. Currently it is reserved at a rate of 10% of the unpaid principal balance of the loans outstanding. When we reflect on our claims experience, we're less than .05% and have more than enough set aside to pay default even with the amendment reducing it to 6%.

Page 4

House Education Committee

Bill/Resolution Number **HB 1360**

Hearing Date **25 Jan 05**

**Rep. Haas:** Essentially this would make more money available for loans, would it not?

**Kubisiak:** Yes, it would.

**Chairman Kelsch** called for a voice vote on the amendment:

**Yes:**   14   **No:**   0   **Absent:**   0   **Motion carried.**

**Chairman Kelsch:** We now have amended HB 1360 before us, what is the wishes of the committee:

**Rep. Herbel:** I move **do pass as amended.**

**Rep. Solberg:** Second

**Chairman Kelsch** called for a roll call vote on HB 1360 as amended:

**Yes:**   14   **No:**   0   **Absent:**   0   **The motion passed.**

**Rep. Haas** will carry the bill.

# FISCAL NOTE

Requested by Legislative Council  
01/27/2005

Amendment to: HB 1360

**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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$36,502	\$0	\$40,047
Expenditures	\$0	\$0	\$0	\$91,255	\$0	\$105,475
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Change in existing statute does not necessarily indicate an increase in loan volume. The change allows students attending an institution of higher education at a status of less than part-time or a dual credit high school student to be eligible to borrow for costs of attending the college of their choice.

A high school student participating in the DUAL credit program averages 3 to 4 credit hours per semester and may incur the following annual costs:

\$900 - tuition for 2 semesters  
\$50 - application fee  
\$200 - book fee  
\$50 - other expenses

\$1,200 - total per year

Currently, approximately 1,100 students participate in the North Dakota DUAL credit program. An increase of 4% per year for the next 5 to 6 years is projected. The number of participants who would borrow funds for this program is approximately 25% to 100% requiring annual funding of approximately \$343,000 to \$1.4 million.

**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.*

An estimated 4% increase in students per year.

An estimated 3% increase of loan amounts per year starting at \$1,200.

An estimated claim rate of 5.87%.

**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.*

Amount required for projected reserves and projected claims.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

n/a

<b>Name:</b>	Julie Kubisiak	<b>Agency:</b>	Bank of North Dakota
<b>Phone Number:</b>	328-5621	<b>Date Prepared:</b>	01/27/2005



# FISCAL NOTE

Requested by Legislative Council  
01/13/2005

Bill/Resolution No.: HB 1360

**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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An estimated 3% increase of loan amounts per year starting at \$1,200.  
An estimated claim rate of 5.87%.

**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.*

Amount required for projected reserves and projected claims.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

n/a

<b>Name:</b>	Eric Hardmeyer	<b>Agency:</b>	Bank of North Dakota
<b>Phone Number:</b>	701-328-5674	<b>Date Prepared:</b>	01/18/2005

VR  
1/25/05

HOUSE AMENDMENTS TO HOUSE BILL NO. 1360 ED 1-26-05

Page 1, line 1, replace "section" with "sections" and after "15-62.1-02" insert "and 15-62.1-05"

Page 1, line 2, after "students" insert "and loan guarantee funds"

HOUSE AMENDMENTS TO HB 1360 ED 1-26-05

Page 2, after line 16, insert:

**"SECTION 2. AMENDMENT.** Section 15-62.1-05 of the North Dakota Century Code is amended and reenacted as follows:

**15-62.1-05. Establishment and maintenance of adequate guarantee funds - Appropriation.** The agency may enter into an agreement with the federal government for the coinsurance of loans guaranteed under this program. The agency shall establish and at all times maintain from funds appropriated under this chapter adequate guarantee reserve funds in special accounts in the Bank of North Dakota unless required by title IV, part B, of the Higher Education Act of 1965 [Pub. L. 89-329; 79 Stat. 1236; Pub. L. 99-498; 100 Stat. 1353; Pub. L. 105-244; 112 Stat. 1581; 20 U.S.C. 1001 et seq.], as amended through December 31, 1998, to be invested elsewhere. The fund for loans ~~which that~~ are coinsured by the federal government must be maintained at a minimum amount equal to the requirements set forth in title IV, part B, of the Higher Education Act of 1965 [Pub. L. 89-329; 79 Stat. 1236; Pub. L. 99-498; 100 Stat. 1353; Pub. L. 105-244; 112 Stat. 1581; 20 U.S.C. 1001 et seq.], as amended through December 31, 1998. The fund for loans ~~which that~~ are not coinsured by the federal government ~~may not be less than one-tenth of the dollar value of the unpaid principal balance of the loans~~ will be determined by the agency but may be no less than the Bank of North Dakota historical default rate. Funds appropriated under this chapter and designated as guarantee agency reserve funds for loans that are not coinsured by the federal government must be administered separately and segregated from reserve funds for loans that are coinsured by the federal government. The securities in which the moneys in the reserve funds may be invested must meet the same requirements as those authorized for investment under the state investment board. The income from such investments must be made available for the costs of administering the respective guarantee loan programs and income in excess of that required to pay the cost of administering the programs must be deposited in the respective reserve fund that corresponds to the source of the initial invested funds. The proceeds of reserve funds received from federal, state, or private sources, for the purpose of guaranteeing loans made to students as provided in this chapter, are hereby appropriated as a continuing appropriation for the payment of defaulted loans guaranteed by each respective fund."

Renumber accordingly

Date:

Roll Call Vote #:

25 Jan 051

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1360**

House Education Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken

Amend per attached

Motion Made By

Johnson

Seconded By

Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch	✓		Rep. Hanson	✓	
Vice Chairman Johnson	✓		Rep. Hunsakor	✓	
Rep. Haas	✓		Rep. Mueller	✓	
Rep. Hawken	✓		Rep. Solberg	✓	
Rep. Herbel	✓				
Rep. Horter	✓				
Rep. Meier	✓				
Rep. Norland	✓				
Rep. Sitte	✓				
Rep. Wall	✓				

Total

(Yes)

14

No

0

Absent

0

Floor Assignment \_\_\_\_\_

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

Date: 25 Jan 05Roll Call Vote #: 22005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1360House Education Committee☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as amendedMotion Made By HerbelSeconded By Solberg

Representatives	Yes	No	Representatives	Yes	No
Chairman Kelsch	✓		Rep. Hanson	✓	
Vice Chairman Johnson	✓		Rep. Hunsakor	✓	
Rep. Haas	✓		Rep. Mueller	✓	
Rep. Hawken	✓		Rep. Solberg	✓	
Rep. Herbel	✓				
Rep. Horter	✓				
Rep. Meier	✓				
Rep. Norland	✓				
Rep. Sitte	✓				
Rep. Wall	✓				

Total (Yes) 14 No 0Absent 0Floor Assignment Haas

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

**REPORT OF STANDING COMMITTEE**

**HB 1360: Education Committee (Rep. R. Kelsch, Chairman) recommends AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1360 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "section" with "sections" and after "15-62.1-02" insert "and 15-62.1-05"

Page 1, line 2, after "students" insert "and loan guarantee funds"

Page 2, after line 16, insert:

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- **Appropriation.** The agency may enter into an agreement with the federal government for the coinsurance of loans guaranteed under this program. The agency shall establish and at all times maintain from funds appropriated under this chapter adequate guarantee reserve funds in special accounts in the Bank of North Dakota unless required by title IV, part B, of the Higher Education Act of 1965 [Pub. L. 89-329; 79 Stat. 1236; Pub. L. 99-498; 100 Stat. 1353; Pub. L. 105-244; 112 Stat. 1581; 20 U.S.C. 1001 et seq.], as amended through December 31, 1998, to be invested elsewhere. The fund for loans ~~which that~~ are coinsured by the federal government must be maintained at a minimum amount equal to the requirements set forth in title IV, part B, of the Higher Education Act of 1965 [Pub. L. 89-329; 79 Stat. 1236; Pub. L. 99-498; 100 Stat. 1353; Pub. L. 105-244; 112 Stat. 1581; 20 U.S.C. 1001 et seq.], as amended through December 31, 1998. The fund for loans ~~which that~~ are not coinsured by the federal government ~~may not be less than one tenth of the dollar value of the unpaid principal balance of the loans~~ will be determined by the agency but may be no less than the Bank of North Dakota historical default rate. Funds appropriated under this chapter and designated as guarantee agency reserve funds for loans that are not coinsured by the federal government must be administered separately and segregated from reserve funds for loans that are coinsured by the federal government. The securities in which the moneys in the reserve funds may be invested must meet the same requirements as those authorized for investment under the state investment board. The income from such investments must be made available for the costs of administering the respective guarantee loan programs and income in excess of that required to pay the cost of administering the programs must be deposited in the respective reserve fund that corresponds to the source of the initial invested funds. The proceeds of reserve funds received from federal, state, or private sources, for the purpose of guaranteeing loans made to students as provided in this chapter, ~~are hereby~~ appropriated as a continuing appropriation for the payment of defaulted loans guaranteed by each respective fund."

Renumber accordingly

2005 HOUSE APPROPRIATIONS

HB 1360

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1360

House Appropriations Committee  
Education and Environment Division

☐ Check here for Conference Committee

Hearing Date February 4, 2005

Tape Number	Side A	Side B	Meter #
1	X		6.8- 8
Committee Clerk Signature <i>Robin Purcell</i>			

**Minutes:** **Chairman Martinson** opened discussion on HB1360. Relating to loans for part-time students.

**Rep. Kelsch** It allows more students to qualify for the DEAL loans through the Bank of North Dakota. It allows students who are taking less than 6 credit hours or who are enrolled less than half time would be eligible for the DEAL program. Our understanding from the Bank of North Dakota is that it would not mean any extra expenditures or appropriations for the Bank of North Dakota student loan program but it would be used in the amount of money they have for distributing loans. You're seeing an increase in revenues and expenditures but no appropriations because there will be an increase in students and an increase in the loan amounts.

**Chairman Martinson** No general fund amounts?

**Rep. Kelsch** Correct.

**Chairman Martinson** closed discussion on HB1360.



2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1360

House Appropriations Committee  
Education and Environment Division

☐ Check here for Conference Committee

Hearing Date February 7, 2005

Tape Number	Side A	Side B	Meter #
1	X		3.2-4.2
Committee Clerk Signature <i>Robin Runley</i>			

**Minutes:** Chairman Martinson opened hearing on HB1360. No general fund money involved in this.

**Vice Chairman Brusegaard** I move a Do Pass on this.

**Rep. Aarsvold** Second.

**Chairman Martinson** Any discussion? Call the roll.

**VOTE 6 YES and 0 NO with 0 absent. DO PASS. Vice Chairman Brusegaard will carry the bill to the floor.**

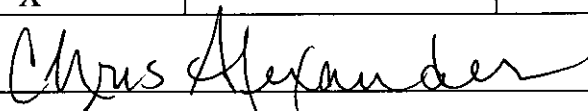
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1360  
Student Loans for Part Time Students

House Appropriations Full Committee

☐ Conference Committee

Hearing Date February 8, 2005

Tape Number	Side A	Side B	Meter #
1		X	#28.8 - #39.4
2	X		#0 - #8.0
Committee Clerk Signature 			

Minutes:

**Rep. Ken Svedjan, Chairman** opened the discussion on HB1360

**Rep. Bob Martinson** explained that this bill does not contain any general fund money. Allows a student who is less than part time or a dual credit high school student to borrow money to take their college courses.

**Rep. Bob Martinson** moved a Do Pass motion to HB1360.

**Rep. Pam Gulleon** seconded.

**Rep. Ken Svedjan, Chairman** asked if Rep Martinson could explain the limits set on borrowing and is it the same for both the part time students and the dual credit high school students.

**Rep. Bob Martinson** answered that the figures are in the fiscal note. There is a \$900.00 limit for two semesters and a \$50 application fee, a \$20 books fee, and a \$50 expense allowance for a total of \$1200 per year.

**Rep. Ken Svedjan, Chairman** commented that this could range between \$343,000 to \$1.4 million but the fiscal note is based on how many students are participating. Currently this is 1100 students with a projected increase of 4% per year.

**Rep. Jeff Delzer** asked if the age of the student made any difference, for instance a minor.

**Rep. Bob Martinson** answered that this was not discussed in committee, we focused on the fiscal note and that this simply expands the eligible borrowers..

**Rep. Ole Aarsvold** answered that there were minor full time students as well and that the same rules applied.

**Rep. David Monson** asked if this covered anything less than half-time students other than dual credit high school students, like teachers who need to go back to school for continuing education or anyone else.

**Rep. Bob Martinson** answered that this bill covers any less than half time students..

**Rep. Ken Svedjan, Chairman** clarified that this is less than half time students and dual credit population of students who are eligible and they project \$36,000 in revenues and \$91,000 in expenses during the 2005-07 biennium. Is this correct? (meter Tape #1, side B, #36.0)

**Rep. Al Carlson** says that this isn't right. The Bank of North Dakota has been making student loans forever so I don't understand why making more student loans would have a fiscal note. We deal with the processing of the loans not the profits. The profits go to the student loan trust fund.

**Rep. Ken Svedjan, Chairman** asked Rep Martinson for clarification on the expenditures in the fiscal note.

**Rep. Bob Martinson** commented that he was unsure but would check on this.

**Rep. Ken Svedjan, Chairman** commented that it seems that the \$91,000 is the expense of the Bank of North Dakota for expanding these loans to half time students. We will hold this bill until after our break and we get some clarification on this.

BREAK - (discussion continues on Tape #2, side A)

**Ms Roxanne Woeste** from Legislative Council explained that the revenues listed on the fiscal note of \$36,000 are the fees and interest from the payments from these additional loans and the expenditures of \$91,000 are the amount required for projected reserves and claims because the bank is required to have a certain amount of reserves on hand to cover the amount of the loans given out. (meter Tape #2, side A, #0.7)

**Rep. David Monson** asked if the \$36,000 was the cost of making more loans?

**Rep. Ken Svedjan, Chairman** explained that the \$36,000 comes from fees and interest on the loans themselves

**Rep. Earl Rennerfeldt** explained that banks are required to have "loan loss reserves" in case any loans are not repaid.

**Rep. David Monson** asked what happens if an extra 500 people show up for regular school in the fall and wanted student loans. Would we have to appropriate for that?

**Rep. Bob Martinson** explained that this bill just creates a new category of students who are eligible for loans.

**Rep. David Monson** commented that he understood that with this new category of students the number of student loans would expand but he did not understand why this would cost any more to do.

**Rep. Mike Timm, Vice Chairman** asked if anyone from the Bank of North Dakota spoke to the subcommittee.

**Rep. Bob Martinson** answered no.

**Rep. Tom Brusegaard** explained that this allows more students access to more programs and the Bank says that they can do this. The bank knows their business and their projections are based on historical knowledge so I did not see the need to question them on their abilities. (meter Tape #2, side A, #4.2)

**Rep. Bob Skarphol** commented that he did not disagree with the bill but was not understanding why the fiscal note was needed.

**Rep. Ken Svedjan, Chairman** answered that the fiscal note was built on the projections that they've made but what happens if they have a 10% increase rather than the 4% increase they projected and it seems to me that the Bank of North Dakota would do this only to the extent that they had the revenue to support the reserve and claim requirements. But if they are able to loan more money than they are also able to collect more fees and interest off of the additional loans.

**Rep. Ole Aarsvold** wondered if there are any administrative costs for carrying out the Federal Student Loan Program.

**Rep. Tom Brusegaard** answered that this is a change in statute and therefore has a fiscal impact on the Bank of North Dakota.

**Rep. Ken Svedjan, Chairman** called for a roll call vote on the Do Pass motion on HB1360.

The motion carried with a vote of 21 yeas, 2 nays, and 0 absences. Rep Haas will carry the bill to the house floor.

**Rep. Ken Svedjan, Chairman** closed discussion on HB1360.

Date: 2-1-05  
Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. *HB1360*

House Appropriations Education and Environment

☐ Check here for Conference Committee

Legislative Council Amendment Number

### Action Taken

**Motion Made By**

Seconded By

[illegible]

Total 6 (Yes) 6 No 0

Absent

## Floor Assignment

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

Date: February 8, 2005  
Roll Call Vote #: 1

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. HB1360**

House Appropriations - Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO PASS

Motion Made By Rep Martinson Seconded By Rep Gulleon

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	X		Rep. Jeff Delzer		X
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew	X	
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Gulleon	X		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	X				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson		X			

Total Yes 21 No 2

Absent 0

Floor Assignment Rep Haas (Education)

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

REPORT OF STANDING COMMITTEE (410)  
February 8, 2005 2:34 p.m.

Module No: HR-25-2160  
Carrier: Haas  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

HB 1360, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)  
recommends **DO PASS** (21 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed HB 1360 was placed on the Eleventh order on the calendar.



2005 SENATE EDUCATION

HB 1360

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1360**

**Senate Education**

Business and Conference Committee

Hearing Date March 2, 2005

Tape Number	Side A	Side B	Meter #
1	x		2440-3433
Committee Clerk Signature			

**Chairman Freborg** opens the hearing on HB 1360.

(meter # 2440)

**Representative CB Haas** - Sponsor of the bill - See written testimony.

**Julie Kubisiak** - Director of Student Loan Services at Bank of ND - See written testimony.

(meter #3123)

**Closed the hearing HB 1360**

(meter #3160)

**Senator Flakoll** - Moved do pass and referrer to appropriations.

**Senator Taylor** - Seconded

Do Pass - 6 yes, 0 no.

**Senator Seymour** will carry.

(meter #3433)

Date: 3/2/05  
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1360

Senate SENATE EDUCATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO Pass <sup>unopposed</sup> Referred to approp.

Motion Made By Flakoll Seconded By Taylor

Senators	Yes	No	Senators	Yes	No
CH- SENATOR FREBORG	✓		SENATOR SEYMOUR	✓	
V-CH- SENATOR G. LEE	✓		SENATOR TAYLOR	✓	
SENATOR ERBELE	✓				
SENATOR FLAKOLL	✓				

Total (Yes) 6 No 0

Absent \_\_\_\_\_

Floor Assignment Sen. Seymour

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

**REPORT OF STANDING COMMITTEE (410)**  
March 2, 2005 1:49 p.m.

**Module No: SR-38-3990**  
**Carrier: Seymour**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1360, as engrossed: Education Committee (Sen. Freborg, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1360 was rereferred to the Appropriations Committee.**

2005 SENATE APPROPRIATIONS

HB 1360


2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1360

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 03/14/05

Tape Number	Side A	Side B	Meter #
1	x		955-1460
Committee Clerk Signature 			

Minutes: **Chairman Holmberg** opened hearing on HB 1360.

**Rep. CB Haas, District 36** appeared in support of HB 1360. Written testimony was provided, see appendix I. Rep. Haas provided a background and overview of the bill stating that, this bill allows students who are enrolled in post secondary education for less than half time to qualify in the Dakota Education Alternative Loan Program.

**Julie Kubisak, Director SLND, Bank of ND** appeared in support of HB 1360. Ms. Kubisak went over the fiscal impact of the bill.

**Sen. Grindberg:** Under the federal guidelines of Title 4 are we aloud to do this.

**Ms. Kubisak:** Under Title 4 it would not work, this can work because it is a state program.

A **DO PASS** motion was made by Sen. Grindberg, seconded by Sen. Thane. Roll call vote was taken, 13 yeas, 0 nays and 2 absent votes were recorded. The bill will be carried by Sen.

Seymore.

**Chairman Holmberg** closed hearing of HB 1360.

Date

Roll Call Vote #:

3/14/05  
7

**2005 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 1360**

Senate SENATE APPROPRIATIONS

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken

Do Pass

Motion Made By

G

Seconded By

TH

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	/		SENATOR KRAUTER		
VICE CHAIRMAN BOWMAN	/		SENATOR LINDAAS	/	
VICE CHAIRMAN GRINDBERG	/		SENATOR MATHERN	/	
SENATOR ANDRIST	/		SENATOR ROBINSON	/	
SENATOR CHRISTMANN	/		SEN. TALLACKSON	-	
SENATOR FISCHER	/				
SENATOR KILZER	<del>/</del>				
SENATOR KRINGSTAD	/				
SENATOR SCHOBINGER	/				
SENATOR THANE	/				

Total

(Yes)

13

No

0

Absent

2

Floor Assignment

Edu → Sumore

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

REPORT OF STANDING COMMITTEE (410)  
March 14, 2005 9:22 a.m.

Module No: SR-46-4827  
Carrier: Seymour  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

HB 1360, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)  
recommends **DO PASS** (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).  
Engrossed HB 1360 was placed on the Fourteenth order on the calendar.



2005 TESTIMONY

HB 1360

**TESTIMONY TO THE  
HOUSE EDUCATION COMMITTEE**

**JANUARY 25, 2005**

**HOUSE BILL 1360**

Chairman and members of the Education Committee, my name is Julie Kubisiak, Director of Student Loan Services at Bank of North Dakota (BND). I am appearing today on behalf of BND to support HB 1360.

In 1997, the North Dakota Industrial Commission gave approval to Student Loans of North Dakota (SLND), the guaranty agency administered by BND, to guarantee loans without federal co-insurance. BND implemented an alternative loan program named the Dakota Education Alternative Loan (DEAL) program that qualified for the loan guaranty. The program was implemented to meet the needs of students attending high cost programs, i.e., medical and aviation students. Since the launching of the DEAL program in 1997, the program has grown due to the costs of higher education increasing for all programs. In 1997, BND guaranteed and disbursed \$168,000 in loans and in 2004, the number increased to \$11,003,076. The grand total of loans disbursed since 1997 is \$22,230,645.

There is a population of students that currently do not qualify for a DEAL program loan. Dual credit high school students and those students who are taking less than six credit hours or enrolled less than half-time are ineligible for a DEAL program loan. If passed, HB 1360 would allow this population of students to apply for a DEAL program loan to pay their educational costs.

President Bush in his FY2006 budget is also requesting the elimination of student aid restrictions, particularly for adult students, giving them greater access to the skills they need to succeed. To make worker training more affordable, the President will propose to make loans available to help workers pay for short-term training. The requested change in HB 1360 would accommodate this need. Non-federal borrowing has increased from 7% to 16% of education loan volume over the past five years. Non-federal borrowing reached \$11.3 billion in 2003-04, up 39% over the previous year and almost 150% in three years. Private loans made up \$10.6 billion of these loans. BND saw a 53% increase in DEAL program loan volume in 2003-04 over the previous year.

Should volume increase with the amendment to allow less than half-time students to be eligible for a DEAL program loan, Section 15.62.1-05 is affected. The statute currently requires a 10% reserve of the unpaid principal balance of the loans. The current reserve level is \$3,144,300. The reserve is held to pay claims on students who fail to repay their loan according to their repayment plan. To date, since 1997, the guaranty agency has paid \$121,295 in claims to BND. Our claim rate experience is 0.391%. Based on our loan projections, the fund will run out of money by 2007, if the calculation for the reserve fund is not changed. Based on an external auditor opinion, we currently use a 5.87% historical default rate experienced in the Federal Family Education Loan Program to project our claim rate. If the amendment to HB 1360 is passed, the reserve fund is adequate through 2010.

Thank you for consideration of HB 1360. I would be happy to respond to any questions the committee may have at this time.

**House Bill 1360**  
**Representative CB Haas, Prime Sponsor**

**Senate Education Committee Presentation**  
**2 March 2005**

*Same given to  
Senate  
approps -*

1360

House Bill ~~1630~~ allows students who are enrolled in post secondary education for less than half time to qualify in the Dakota Education Alternative Loan program. Students most likely to use this provision, who are unable to use it now, are dual credit high school students who are enrolled in a university for less than six credit hours and others who are attending school but for financial or other reasons are not able to enroll on a half time basis or more. This will give students, who need the financial assistance, the opportunity to receive university credit for dual credit programs.

The bill also reduces the amount required to be kept in reserve for claims for those students who fail to repay their loan according to their repayment plan. Currently, the required amount is 10% of the unpaid principal balance of the loans. Since 1997, the guaranty agency has paid only \$121,295.00 in claims. This is only .391% (less than one half of one per cent) default rate where as the historical default rate experienced in the Federal Family Education Loan Program is 5.87%. As you will note, this will reduce the required reserve to 'no less than the Bank of North Dakota historical default rate'. This will make more funds available for student loans while still protecting the program in case of defaults on loans.

These changes will certainly help North Dakota students reach their educational goals.

Julie Kubisiak, Director of the Student Loan Services at the Bank of North Dakota is here to further explain these changes and to respond to your detailed questions. Julie has all the answers.

I ask for your favorable consideration on this bill.

Thank you, Mr. Chairman, and members of the Senate Education Committee.

**TESTIMONY TO THE  
SENATE EDUCATION COMMITTEE**

**MARCH 2, 2005**

**HOUSE BILL 1360**

Chairman and members of the Education Committee, my name is Julie Kubisiak, Director of Student Loan Services at Bank of North Dakota (BND). I am appearing today on behalf of BND to support HB 1360.

In 1997, the North Dakota Industrial Commission gave approval to Student Loans of North Dakota (SLND), the guaranty agency administered by BND, to guarantee loans without federal co-insurance. BND implemented an alternative loan program named the Dakota Education Alternative Loan (DEAL) program that qualified for the loan guaranty. The program was implemented to meet the needs of students attending high cost programs, i.e., medical and aviation students. Since the launching of the DEAL program in 1997, the program has grown due to the costs of higher education increasing for all programs. In 1997, BND guaranteed and disbursed \$168,000 in loans and in 2004, the number increased to \$11,003,076. The grand total of loans disbursed since 1997 is \$39,522,295.

There is a population of students that currently do not qualify for a DEAL program loan. Dual credit high school students and those students who are taking less than six credit hours or enrolled less than half-time are ineligible for a DEAL program loan. If passed, HB 1360 would allow this population of students to apply for a DEAL program loan to pay their educational costs.

President Bush in his FY2006 budget is also requesting the elimination of student aid restrictions, particularly for adult students, giving them greater access to the skills they need to succeed. To make worker training more affordable, the President will propose to make loans available to help workers pay for short-term training. The requested change in HB 1360 would accommodate this need. Non-federal borrowing has increased from 7% to 16% of education loan volume over the past five years. Non-federal borrowing reached \$11.3 billion in 2003-04, up 39% over the previous year and almost 150% in three years. Private loans made up \$10.6 billion of these loans. BND saw a 53% increase in DEAL program loan volume in 2003-04 over the previous year.

Should volume increase with the amendment to allow less than half-time students to be eligible for a DEAL program loan, Section 15.62.1-05 is affected. The statute currently requires a 10% reserve of the unpaid principal balance of the loans. The current reserve level is \$3,144,300. The reserve is held to pay claims on students who fail to repay their loan according to their repayment plan. Since 1997 to date, the guaranty agency has paid \$121,295 in claims to BND. Our claim rate experience is 0.391%. Based on our loan projections, the fund will run out of money by 2007, if the calculation for the reserve fund is not changed. Per an external auditor opinion, we currently use a 5.87% historical default rate experienced in the Federal Family Education Loan Program to project our claim rate. If the amendment to HB 1360 is passed, the reserve fund is adequate through 2010.

Thank you for consideration of HB 1360. I would be happy to respond to any questions the committee may have at this time.