

2013 SENATE EDUCATION

SB 2096

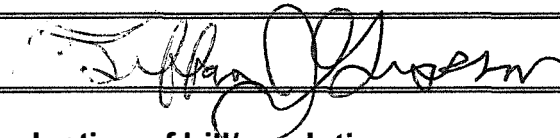
2013 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

SB 2096
1-09-13
17033

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to funds received by the Bank of North Dakota in relation to the federal student loan program; to provide a continuing appropriation; and to declare an emergency.

Minutes:

Written Testimony Attached

Chairman Flakoll opened the hearing for SB 2096.

Eric Hardmeyer, President and CEO of Bank of North Dakota- Testified in support of SB 2096. (See attachment #1 for copy of testimony). (Ended testimony at 11:20)

Senator Heckaman: When you are looking at using the funds for the college planning center will it decrease the cost for the participants or reduce student loan interest rate.

Eric Hardmeyer, President and CEO of Bank of North Dakota: It will go to outreach, financial literacy, scholarships based on certain criteria that has not been developed yet, and matching grants. The BND has been providing funding for their College Save Program so the money could go towards that. We are also doing matching grants for the College Save Program.

Senator Heckaman: Where the money was coming for now that you are matching for the College Save Program?

Eric Hardmeyer, President and CEO of Bank of North Dakota: The College Save Program was established in 2001 and is administered by the BND but the back office is done by YouPromise a company out of Massachusetts that does 13 other states. The

investment house behind it where the investments are made is a company called Vanguard. The BNC negotiated a fee to get 1/10th of a percent of the top of all the fees that are managed under this program. Today there is 320 million dollars managed under that program so we get around \$320,000 a year and that is where the money is coming from.

Senator Marcellais: Mr. Hardmeyer, you mentioned something about tribal colleges, could you expand on how it would help the students at the Tribal Colleges?

Wally Erhardt, Director of Student Loans of North Dakota and the Bank of North Dakota College Planning Center: We created a new website called whyapplynd.com and did 25 videos. Twelve were student based, 13 were parent based. They dealt with issues of going to college and considering college. We also provided every tribal school and a few other schools with large native populations with a touchscreen television where the videos can be showed and discussed in the classrooms. We want to enhance and improve program.

Chairman Flakoll: How the money would be decided and released?

Eric Hardmeyer, President and CEO of Bank of North Dakota: The BND operates within a set of policies and procedures so typically we would run this through the advisory board and the industrial commission and they will approve the program or expenditures. In our Appropriation budget we have accounted for the money in the budget. The industrial commission would look at the program and be provided with an overview of what the bank is doing. They are more interested in the program.

Chairman Flakoll: Why can't you use this money to give 1% student loans?

Eric Hardmeyer, President and CEO of Bank of North Dakota: The rates are set by the federal government and it is 6.8% fixed by the government. The bank who made the loan years ago does not receive the rate. The bank receives special allowance of 1.6 or 1.7 so

there is not much we can do about that. We control the DEAL program. We offer students two different rates on the deal program. The BND has a fixed rate of 4.31% for the life of the loan, ten years minimum. You can get the variable rate which is 1.8% today that is adjusted quarterly with a cap of 10%. We are not aware of any other program across the country that offers those rates. We believe this is the best alternative program in the country. \$1.7 million spread across a portfolio of nearly a billion dollars isn't going to reduce it much. We recently announced a consolidation program where you can combine your alternative loans with your DEAL loan.

Chairman Flakoll: Seeing no opposition we will close the hearing on SB 2096. Committee

Vice Chairman Schaible: Move to Do pass on SB 2096

Seconded by Senator Heckaman

A Roll Call Vote was taken: 6 yeas 0 nays, 0 absent.

Vice Chairman Schaible will carry the bill.

Date: 1-09-13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO.

Senate Education Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Schaible Seconded By Heckaman

Senators	Yes	No	Senator	Yes	No
Chairman Tim Flakoll	✓		Senator Joan Heckaman	✓	
Vice Chairman Donald Schaible	✓		Senator Richard Marcellais	✓	
Senator Larry Luick	✓				
Senator Nicole Poolman	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Schaible

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

REPORT OF STANDING COMMITTEE

SB 2096: Education Committee (Sen. Flakoll, Chairman) recommends DO PASS
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2096 was placed on the
Eleventh order on the calendar.

2013 HOUSE EDUCATION

SB 2096

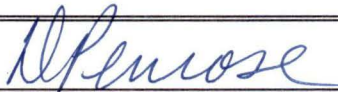
2013 HOUSE STANDING COMMITTEE MINUTES

House Education Committee
Pioneer Room, State Capitol

SB 2096
March 13, 2013
19862

Conference Committee

Committee Clerk Signature



Minutes:

Ch. Nathe: We will open the hearing on SB 2096.

Eric Hardmeyer, President and CEO, Bank of ND: Support (see attached #1).

Ch. Nathe: How much money are you sitting on right now?

Eric Hardmeyer: Close to \$2 million.

Ch. Nathe: So it's the \$1.65 million.

Eric Hardmeyer: Yes, that was an upfront fee and then we \$270,000 every year.

Ch. Nathe: On the bill, line 16, it says "these funds are not subject to section 54-44.1-11. What is that?"

Eric Hardmeyer: That means that this is a continuing appropriation. We continue to get to spend it as the money comes in.

Rep. Rust: How long will this \$270,000/yr. come in?

Eric Hardmeyer: At least through 2019.

Ch. Nathe: Thank you. Further testimony in support of SB 2096. Testimony in opposition. We will close the hearing.

2013 HOUSE STANDING COMMITTEE MINUTES

House Education Committee
Pioneer Room, State Capitol

SB 2096
March 18, 2013
20125

Conference Committee

Committee Clerk Signature



Minutes:

Ch. Nathe: Let's take a look at SB 2096.

Rep. Rust: I move a Do Pass and rerefer to Appropriations.

Rep. Heilman: Second the motion.

13 YES 0 NO 0 ABSENT DO PASS / REREFER TO APPROPRIATIONS

CARRIER: Rep. Rust

Date: 3/18

Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2096

House EDUCATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Amended Rerefer to Appropriations

Do Not Pass Adopt Amendment

Motion Made By Rep. Rust Seconded By Rep. Heilman

Representatives	Yes	No	Representatives	Yes	No
Chairman Mike Nathe	✓		Rep. Bob Hunsakor	✓	
Rep. Mike Schatz	✓		Rep. Jerry Kelsh	✓	
Rep. Joe Heilman	✓		Rep. Corey Mock	✓	
Rep. Brenda Heller	✓				
Rep. Dennis Johnson	✓				
Rep. Ben Koppelman	✓				
Rep. Lisa Meier	✓				
Rep. Karen Rohr	✓				
Rep. David Rust	✓				
Rep. John Wall	✓				

TOTAL (YES) 13 (NO) 0 (ABSENT) 0

FLOOR ASSIGNMENT Rep. Rust

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

REPORT OF STANDING COMMITTEE

SB 2096: Education Committee (Rep. Nathe, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2096 was rereferred to the Appropriations Committee.

2013 HOUSE APPROPRIATIONS

SB 2096

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

SB 2096
3/26/13
Job 20476

Conference Committee

Committee Clerk Signature

Meredith Traubolt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 6-09 of the North Dakota Century Code, relating to funds received by the Bank of North Dakota in relation to the federal student loan program; to provide a continuing appropriation; and to declare an emergency.

Minutes:

You may make reference to "attached testimony."

Rep. Mike Nathe, District 30: This bill does not have a Fiscal Note, but it is before you today because of a conversation Eric Hardemeyer with the Bank of ND and Rep. Thoreson had. The bill has to do with the Missouri higher education loan authority. They are currently sitting on \$1.65M. They receive \$270,000 per year on an ongoing basis. The contract they have does not have a specific end date. The program runs through 2019. They have been discussing spending options. They treat this like a windfall and would like to use it to promote activity that relates to their educational mission. I think Rep. Thoreson's section (government operations) would like to take a closer look at this bill, and that is why it's before you today.

Chairman Delzer: Questions by the committee? We'll drop this into government ops. We should look at an end date on the bill to match the end date of 2019 on the program. Further questions or comments? Thank you. The committee continued to the next bill.

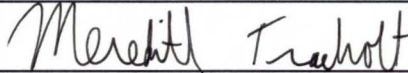
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

SB 2096
4/4/13
Job 20906

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 6-09 of the North Dakota Century Code, relating to funds received by the Bank of North Dakota in relation to the federal student loan program; to provide a continuing appropriation; and to declare an emergency.

Minutes:

You may make reference to "attached testimony."

Rep. Thoreson: We looked at this bill in Government Ops, since we have the industrial commission budget which includes the Bank of North Dakota (BND). We receive this money because of the federal student loan program. Through a unique situation, we are reaping a windfall, through an organization called MOHELA. We wanted to take a look at it along with the bank budget. It does not have a fiscal impact on that. They want to use the funds coming in to support their mission for promoting education.

Chairman Delzer: To promote their mission, did you ask them how they would use the money?

Rep. Brandenburg: They were talking about looking at students that want to go to college and get loans to do so. There is 1.6 total there to work with, that they received and they really can't do anything with it right now. They have the money, and are looking for the authority to put it into education.

Chairman Delzer: How will they use the money?

Rep. Brandenburg: Eric Hardemeyer explained they would like to use it for college student loans. They would expand their current program. It is \$1.65M.

Rep. Thoreson: That was the initial payment. We will also get an extra \$275,000 per year through the year 2019.

Rep. Brandenburg: We have a good deal; whether it's around in a few years, I don't know.

Rep. Hawken: We have a certain number of slots. When the program changed, ND decided not to continue; some other states did, and they could buy our slots of students.

We made money on the student loan program, that's what this is. The money will be used in our program for colleges, the state student loan program, which is not the same as the federal program.

Chairman Delzer: How much money is currently in the state student loan program?

Rep. Hawken: It's a totally different thing, they are just asking for authority to use this money. The money already in the program comes from the profits of BND, I believe.

06:00

Karlene Fine, Executive Director, Industrial Commission: The MOHELA money is going to be used in conjunction with the College Save program and reach out to students. We will also be working with the campuses as to how best to reach the students so they could be able to go to college. There are scholarship programs involved. If this money is made available to the bank, it will continue to expand those programs.

Chairman Delzer: Would they have any problems with a reporting requirement?

Fine: We would do that as part of our appropriation process next session, but if you want to put something in, that's fine, we have no problem reporting.

Chairman Delzer: Unless somebody asks, with a continuing appropriation, it never comes forward.

Fine: Typically we have several continuing appropriations with the industrial commission agencies, and we always include that in our testimony. If you would like it specifically in there, we will make sure it is done.

Rep. Kempenich: I think with a report next session will be sufficient.

Rep. Brandenburg moved Do Pass, seconded by **Rep. Glassheim**.

Chairman Delzer: Further discussion? Seeing none, a roll call vote was done. The motion carried 21 Yes, 0 No, 1 Absent. **Rep. Brandenburg** will be the carrier, and we will return it to Rep. Rust, the policy carrier.

Date: 4/4/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2096

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Brandenburg Seconded By Rep. Glasheim

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glasheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson			Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 21 No 0

Absent 1

Floor Assignment Rep. Brandenburg

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

REPORT OF STANDING COMMITTEE

SB 2096: Appropriations Committee (Rep. Delzer, Chairman) recommends DO PASS
(21 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2096 was placed on the
Fourteenth order on the calendar.

2013 TESTIMONY

SB 2096

#1

**TESTIMONY TO THE
SENATE EDUCATION COMMITTEE
JANAURY 9, 2013
ERIC HARDMEYER – PRESIDENT AND CEO
BANK OF NORTH DAKOTA**

I am here today to testify in support of Senate Bill 2096. This bill provides the authority for the Bank of North Dakota (BND) to spend funds received in relation to the federal student loan program.

With the passage on March 30, 2010 of the Health Care and Education Reconciliation Act of 2010 [Pub L. 111-152], a provision under Section 2201 called for the termination of appropriations for the Federal Family Education Loan Program (FFELP). This termination ended the origination of all new federal student loans, including Stafford, PLUS, and Consolidation loans, by Bank of North Dakota and guaranteed through Student Loans of North Dakota after June 30, 2010.

Also included in the passage of the Health Care and Education Reconciliation Act of 2010, was a provision under Section 2212 which provided for the Secretary of the U.S. Department of Education to contract with eligible not-for-profit servicers to service loans originated directly by the U.S. Government. Under this section of the law, BND qualifies as an eligible not-for-profit servicer and was entitled to receive and service loan accounts for up to 100,000 borrowers.

BND conducted an analysis of service fee revenue and related expenses for the servicing of loan accounts for 100,000 borrowers and determined that it would not be profitable to enter into a contract with the U.S. Department of Education based on this loan volume.

However, also allowable under the Act was the ability of non-profits to subcontract their account servicing allocation to another non-profit entity. In an effort to reach economies of scale, several not-for profit organizations

contacted BND to determine if we were interested in subcontracting our loan account allocation. A number of proposals were received, and BND made the decision November 29, 2011 to enter into a contract with the Missouri Higher Education Loan Authority (MOHELA).

Since entering into that contract, BND has received \$1.65 million from MOHELA and will receive approximately \$270,000 per year on an on-going basis. This contract does not have a specific end date, but funding for the program runs through 2019. BND anticipates minimal internal expenses in the administration of these funds.

We are operating with the understanding that we have no authority to spend this money as it was not contemplated nor appropriated by the 2011-13 legislature. Consequently, the full amount is available. We have discussed conceptual spending options with both the Industrial Commission and our Advisory Board. It is our collective opinion that we should treat this as a windfall and to use it to promote activity that relates to our educational mission.

As you may know, housed within BND is the College Planning Center. As part of our work there we coordinate the College Access Grant (Federal funds), deliver the College Save Program (529 Plan), and act as the state coordinator for the Dollars for Scholars program. We also do extensive work with educational and financial outreach to all areas of the state.

Our plans are to use these funds in the promotion of the activities of the College Planning Center. We support the proposed legislation.

**TESTIMONY TO THE
HOUSE EDUCATION COMMITTEE
MARCH 13, 2013
SENATE BILL 2096
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