

MICROFILM DIVIDER.

OMB/RECORDS MANAGEMENT DIVISION

SFN 2033 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2231

2001 SENATE EDUCATION

SB 2231

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2231

Senate Education Committee

☐ Conference Committee

Hearing Date 01-31-01

Tape Number	Side A	Side B	Meter #
1	x		0 - 36.7
Committee Clerk Signature <i>Janet Johnson</i>			

Minutes: CHAIRMAN FREBORG called the Senate Education Committee to order.

Roll call taken with all members present.

Students visiting from Jamestown were introduced.

CHAIRMAN FREBORG called the hearing on SB 2231 relating to authority of school district boards to establish student financial institutions.

Testimony in support of SB 2231:

SENATOR NETHING, District 48, spoke in support of the bill. Dickinson and Jamestown both have unique relationships between the bank and the high school. This bill will permit a bank to have a branch within the high school. He feels this is a hands-on experience for the students to teach them the banking industry.

JIM SCHLOSSER, ND Bankers Association, testified in support of the bill. (see attached). He did clarify that this would not be a branch of the bank, but would be a student bank not owned or operated by a financial institution. SENATOR COOK asked if the workers in the bank are paid a

salary and how it would be determined which bank would be the advisor if there is more than one bank in the community. Mr. Schlosser felt the school board would have to make a decision if there were more than one bank interested. SENATOR O'CONNELL questioned #6. in Mr. Schlosser's testimony. He wondered if the school board would be liable for a bad debt or for funds lost due to insolvency and the amount the board could be liable for.

GARY PRESZLER, Commissioner, Dept. Of Banking and Financial Institutions, presented supporting testimony. (see attached). In answer to Senator O'Connell's questions, he stated the liability would depend on the number of accounts and the size of them. Usually the accounts will be under \$100. He does see a risk to the Board in the case of theft or in uncollected loans. The school board would have to determine if they want the risk involved with this. SENATOR FLAKOLL asked what the interest and surcharges would be used for. He replied they might distribute them as dividends by offering a higher rate of return on deposits. SENATOR O'CONNELL asked if the students would be able to have their own credit card with this system. MR. PRESZLER stated that item is not currently in the plan and he is not sure how they would be able to connect into the electronic payment system to process credit card items. In order to do this, it would have to be more than a student bank.

MIKE HEILMAN, Principal at Dickinson High School, introduced KEITH MAETZOLD, President of Community First National Bank, which is the bank that oversees this program at Dickinson High School. (see attached testimony). Their system does not offer a checking account only savings accounts. Most loans that are taken out are small. The DECA club is also involved in this project. SENATOR O'CONNELL asked them to describe the rigors of this class and how many credits the student receives. The students in the class pick up a money box and go to the area designated for the Student Bank. When the class period is over, they balance their

transactions and return the money to the front office. Their class time is spent learning the banking industry and the rules and regulations associated with it. Dickinson students receive one credit for the course. SENATOR FREBORG noted that if the profits of the bank are large enough to cover the loan loss, they should cover it, otherwise it would fall on the school board. MR. HEILMAN stated the profits are used by the students who are members of the DECA Club to cover travel and housing expenses when they travel to other activities sponsored by DECA. JOEL GILBERTSON, Independent Bankers Assn., stated their support for this bill.

TENA LAWRENCE, Stutsman County State Bank, presented testimony and a handbook used in Jamestown. (see attached). She further stated that the student bank in Jamestown has involved all financial institutions in Stutsman County.

BILL NOLD, Asst. Principal Jamestown High School, presented testimony in support of the bill. (see attached).

There was no testimony in opposition to SB 2231.

SENATOR WANZEK moved a DO PASS on SB 2231. Seconded by SENATOR COOK.

Roll Call Vote: 7 YES. 0 NO. 0 Absent.

Carrier: SENATOR WANZEK

Roll Call Vote #: /

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2231

Senate Education Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number

Action Taken DP

Motion Made By Sen. Wanzek Seconded By Sen. Cook

[illegible]

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Wicker

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

REPORT OF STANDING COMMITTEE (410)
January 31, 2001 12:36 p.m.

Module No: SR-17-1993
Carrier: Wanzek
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2231: Education Committee (Sen. Freborg, Chairman) recommends DO PASS
(7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2231 was placed on the
Eleventh order on the calendar.

2001 HOUSE EDUCATION

SB 2231

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2231

House Education Committee

☐ Conference Committee

Hearing Date 03/06/01

Tape Number	Side A	Side B	Meter #
#1	X		102 to 4687
Committee Clerk Signature <i>[Signature]</i>			

Minutes:

Chairman R. Kelsch, Vice-Chair T. Brusegaard, Rep. Bellew, Rep. Grumbo, Rep. Haas, Rep. Hanson, Rep. Hawken, Rep. Hunsakor, Rep. Johnson, Rep. Meier, Rep. Mueller, Rep. Nelson, Rep. Nottestad, Rep. Solberg, Rep. Thoreson

Chairman Kelsch: We will now open the hearing on SB2231.

Sen. Nething: (District 28) The bill permits the school board to establish a student financial institution within the school itself, and the rest relates to the banking code that allows this. The two communities that have done this have brought to our attention some problems. This enables the students to have the opportunity to learn about running their own bank.

Jim Schlosser: (ND Bankers Association) *Please refer to written testimony*

Tena Lawrence: (Stutsman County State Bank) *Please refer to written testimony*

Jim Roaldson: (Teacher with Jamestown Public Schools) *Please refer to written testimony*

Rep. Brusegaard: I'm a student that comes in and I want to buy a Playstation so I borrow \$300.

What happens at the end of the year if I don't pay it back.

Roaldson: We have a cosigner, and at that point, they are to be paid in full. In those cases, we will approach the student first and then the person that has cosigned, and from there, it becomes a collection items where we will bring in the proper authorities.

Rep. Nelson: Do you have people from the banks and credit unions coming in and teaching along with this?

Roaldson: Yes.

Rep. Nelson: You're in the classroom when they're there, so you have the proper certification problem. Do you have a banking background at all?

Roaldson: No. My four year degree is in business education minor and I also have a master degree in business education.

Rep. Haas: This is a one semester course. Do you have any students who continue to work in the bank if they were in your class first semester, do they continue to work in your bank the next semester?

Roaldson: We normal have a change over in personnel at semester, however we do allow carry overs, so if a student does wish to, he/she may and they get credit for that.

Rep. Mueller: How many folks do you have involved in your present operation, and what grade levels are they?

Roaldson: This semester we have 13 students, first semester we had 16. We do have a prerequisite of a full year of accounting, so we are dealing mostly with juniors and seniors.

Rep. Nelson: What's the mix of loans versus savings accounts?

Roaldson: We have granted three loans. We are running about 27 accounts and deposits of somewhere around \$6000.

Rep. Nelson: Is the savings situation a part of the banking?

Roaldson: We offer three services: savings, check/cashing and we do offer loans, minimum of \$100 and maximum of \$300.

Rep. Hunsakor: Do any of the students participate in on the job training after they complete this course? Do they work in a local bank?

Roaldson: We don't have any local coops set up at this time, however, we did have one student that is working part time at one of our local financial institutions.

Rep. Thoreson: Is this open during the school day? Or after school hours?

Roaldson: Our current hours: every day from 7:30 am to 8:00 am, and Mon., Wed., Fri. From 12:00 to 12:30, and Tues./Thurs. 3:00 to 4:00.

Chairman Kelsch: Can they use this experience as a reference when they apply for a loan at a standard bank?

Roaldson: I can't really answer that, I would feel that this is something they could bring up, but this has to be investigated further.

Austin Hammer: (President of the student bank in Jamestown) This is a real life experience for us, and we've learned skills that you probably wouldn't learn in any other class. We've learned communication skills. We work in committees, so group work is important. The group work that you do in other classrooms, you're assigned a problem and you have to do it, but now you have to bring all of those groups together and if it doesn't work out, it's real money, it's real life. I've learned punctuality. If you're late, you can't open, and you're letting your bank, your

customers and the rest of the students down. I've become more organized. It instills a lot of responsibility in the students. It's going to look excellent on my resume. I've learned so many things about the business world.

Rep. Nelson: Are you considering banking as a career option now because of this program?

Hammer: I've always considered institutional management, management of mutual fund as my career, making investment brokerage. It's looking more and more interesting to me now.

Rep. Bellew: Who normally cosigns a loan?

Hammer: The parents.

LC Reichert: (Teacher in Dickinson Public Schools) We are into our seventh year in the banking class. One question that I can answer as far as banking records. Once a student is out of school, and they want to go to a regular banking institution and take out a loan. We do have their banking records and loan records from when they were in school that we can give information on. Many of our loan customers are repeat customers. Our bank is set up the same as Jamestown's.

Carter Pong: (President of Dickinson's banking class) The student banks are very convenient for the students that use them. They can create their own savings account and earn interest on it. He/she can take out a loan. We make change for people, and it relieves the secretaries in the office of some of those duties. It helps school organizations other than the students. I'm in student council, and if we have a project, we can create a savings account, and we've got the account right there at school to work with. Student banks also benefit the banks that support us. Student banks are more approachable. Some students may be afraid to approach a big bank and they come to the school and they go to our bank with their peers running it, it's a lot easier for

them to go to a regular bank in the future. We educate about 30 banking students a year, and we've been running the program for six or seven years, so you're looking at 210 potential bankers that Community First might get a hold of in the future. Confidentiality is a good thing we learn. We learn the hands on experience for future jobs. I've learned to manage money.

Rep. Brusegaard: What interest rate do you charge?

Pong: On loans, we charge 1% a week. On savings account, we give them 4% interest.

Rep. Hanson: Have you had any loans go bad?

Pong: In previous terms we have had loans go bad, but we have cosigners, and it can usually can be taken care of, if not by the student, then by the cosigners, and if not, we bring in authorities if they be needed.

Rep. Hanson: Do you have any collateral?

Pong: No.

Rep. Meier: Can you deny a loan?

Pong: Yes. We have a loan committee as a part of our bank, and they look at the credit reports of the student and the cosigner, and they are able to deny a loan if that's the case.

Keith Maetzold (Community First National Bank) *Please refer to written testimony*

Rep. Solberg: How does the interest rates compare?

Maetzold: The savings account, we give a rather attractive interest rate on the student banks, which then allows them to give the students a fairly attractive interest rate.

Rep. Solberg: As far as the loans, how does that compare?

Maetzold: They make their own decisions as to what those interest rates are going to be on their loan. I can't really speak to that, because I'm not really involved in that process. I heard what they had mentioned this morning. I'm not exactly sure if that was stated correctly or not.

Rep. Bellew: Do you have any idea what the cost of this program would be to a school district to set it up? Did you help with the expenses?

Maetzold: We gave them the \$500 of capital that they needed to establish the bank. We also donated some of the other equipment and forms they needed to establish themselves. You're still going to need an educator, and I think that will be your largest cost.

Rep. Nelson: Does your staff also serve as guest instructors in the classroom?

Maetzold: We have been involved in a lot of different ways with them. We're there at the beginning of each semester to help train their teller staff.

Rep. Nelson: Would you be as likely to be in this program if you or your staff is required to have some emergency certification to come into the classroom to become part of this process?

Maetzold: It's hard for me to answer that question, but I'd probably say no.

Gary Preszler: (Commissioner for the Department of Banking and Financial Institutions) *Please refer to written testimony.*

Rep. Mueller: Tell me what that last sentence means on page 2.

Preszler: The existing law provides that if you're a minor and will sign a contract, from a legal standpoint, if you're under the age of 18, and you go and borrow money from a commercial bank, and the individual doesn't pay it, there's no legal basis to collect that, and that is one of the issues we looked at. What SB2231 does if you look on page 2 starting on line 4, the obligations of a

Page 7
House Education Committee
Bill/Resolution Number SB2231
Hearing Date 03/06/01

minor have the same force and effect as though they were obligations of a person over the age of the majority.

Rep. Meier: I noticed in your testimony that employees are eligible. Do they follow the same obligations as students do?

Preszler: Yes.

Chairman Kelsch: We will now close the hearing on SB2231.

Rep. Brusegaard: I move a DO PASS.

Rep. Hawken: Second.

Chairman Kelsch: Committee discussion.

The motion of DO PASS passes with 14 YAY 0 NAY 1 ABSENT

Floor Assignment: Rep. Hanson

Date: 3/6/01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2231

House House Education Committee V

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Brusegaard Seconded By Rep. Hawken

Representatives	Yes	No	Representatives	Yes	No
Chairman-RaeAnn G. Kelsch	✓		Rep. Howard Grumbo	✓	
V. Chairman-Thomas T. Brusegaard	✓		Rep. Lyle Hanson	✓	
Rep. Larry Bellew	✓		Rep. Bob Hunsakor	✓	
Rep. C.B. Haas	✓		Rep. Phillip Mueller	✓	
Rep. Kathy Hawken	✓		Rep. Dorvan Solberg	✓	
Rep. Dennis E. Johnson	✓				
Rep. Lisa Meler	✓				
Rep. Jon O. Nelson	✓				
Rep. Darrell D. Nottestad					
Rep. Laurel Thoreson	✓				

Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep. Hanson

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

REPORT OF STANDING COMMITTEE (410)
March 6, 2001 1:27 p.m.

Module No: HR-38-4899
Carrier: Hanson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2231: Education Committee (Rep. R. Kelsch, Chairman) recommends DO PASS
(15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2231 was placed on the
Fourteenth order on the calendar.

2001 TESTIMONY

SB 2231

SB 2231

Jim Schlosser

North Dakota Bankers Association

Senate Bill 2231 allows a school district board to establish a "student financial institution" or simply put "student banks". We have student banks in the state at the present time, one located in Dickinson and one in Jamestown. Under the guidance of a financial institution, the students make all decisions regarding deposits, loans, check cashing, interest rates and service charges. A student bank is a unique opportunity for students to develop skills through a "hands on" approach to banking.

I would like to review Section 2 which creates a new subsection under the powers and duties of school boards. In summary, it does the following:

1. Allows establishment of student financial institutions.
2. Student banks must be operated as part of high school education program.
3. State or federal chartered financial institutions must be advisors.
4. Student banks must not be owned or operated by a financial institution.
5. Student banks must be located on school premises for students and school employees.
6. Requires written commitment from school board guaranteeing reimbursement of depositors funds lost due to insolvency.

The language of this bill has been recommended by the Department of Banking as a result of an application by the Stutsman County State Bank in Jamestown for authority to establish and supervise a "student bank". It was determined by the Department that no authority existed in state law for financial institutions to establish student banks and the Stutsman County State Bank was required to file an application as they would for a branch and pay a \$1,500 fee, plus obtain FDIC insurance coverage.

Section 1 deals directly with the Stutsman County State Bank and allows the Department to refund the application fee paid to a banking institution (Stutsman County State Bank only one in state) that discontinues a facility which is a "student bank".

A copy of SB 2231 has been provided the school district boards in Jamestown and Dickinson and both have indicated their support of this proposal.

The North Dakota Bankers Association believes there are a number of financial institutions and schools in the state that are interested in establishing "student banks" and strongly urges your support for SB 2231.

TESTIMONY FOR SENATE BILL NO. 2231

Senate Education Committee

Testimony of Gary D. Preszler, Commissioner, Department of Banking and Financial Institutions in support of Senate Bill No. 2231.

As Commissioner for the Department of Banking and Financial Institutions I have worked with the Jump\$tart Coalition and made a presentation to the Quality Schools Committee to seek changes in high school curriculum to improve financial literacy for students. I strongly support efforts to provide educational opportunities for high school students to have them prepare for college financial disciplines and to better manage personal financial affairs later in life.

Banks located in other states (Kentucky, Wisconsin and Minnesota) started the evolution for student banks. Kentucky and Wisconsin allowed banks to establish a "branch" in the high school. Minnesota developed the educational opportunity as a separate student bank.

Dickinson High School has been operating a "student bank" for a number of years. In September 2000 I notified the Dickinson High School class instructor that unless legislation is enacted during this Legislative Session, the Dickinson High School would have to discontinue operating the student bank in noncompliance of state law.

The former Dickinson High School Superintendent, Rolly Molerud, moved to Bemidji, Minnesota, and in 1997 the Minnesota Legislature enacted legislation to allow a student bank pilot program specifically for the Bemidji school district. In 1998 the Minnesota ^{Legislature} amended the Act and added St. Peter school district to the pilot program.

Senate Bill No. 2231 addresses several obstacles posed by present state law to operate a student bank. State law prohibits the use of the word "bank" unless the state or Office of the Comptroller of the Currency has issued a charter. Similarly, state law prohibits the use of the words "credit union" unless chartered by the state or the National Credit Union Administration. State law mandates that all deposits must be insured by the Federal Deposit Insurance Corporation. Other issues that must be considered for the operation of a student bank include responsibility in the event of loss. Senate Bill No. 2231 will require that the school board by a written commitment guarantee reimbursement of any loss to depositors due to insolvency. Senate Bill No. 2231 also limits the student bank customers to students or employees of the school. Finally, since a minor can legally disaffirm any contract, Senate Bill No. 2231 provides that a contractual obligation has the same force and effect as to someone over the age of 18.

I urge a favorable "Do Pass" recommendation from this Committee.

Thank you.

**SB 2231
KEITH MAETZOLD
COMMUNITY FIRST NATIONAL BANK
DICKINSON, NORTH DAKOTA**

The Dickinson High School Student Bank was established in September, 1994. There are two banking classes per year and since the Bank's origination, 195 students have attended classes. This is a fully accredited class whereby students earn school credits towards their graduation. The Student Bank gives student bankers both an academic and "hands on" experience on how the banking industry works. The Student Bank provides opportunities for increased responsibility, integrity and maturity in the students who operate the Bank on a daily basis. By fostering these qualities in the students today, they will be better able to meet the challenges and problems of tomorrow.

Community First National Bank partnered with the Dickinson Public School System and Dickinson High School as an opportunity to educate today's youth for tomorrow's challenges. Direct involvement of Community First in the Student Bank is listed below:

- \$500.00 – initial capital contribution
- Donated small cash vault and teller station
- Donated external banking motif for the Student Bank office
- Provided initial supply of forms necessary for the operation of the Bank
- Donation of staff time for training and also serve in an advisory capacity

**Dickinson High School
Student Bank**

Savings Accounts

- Total deposits average \$6,800 to \$10,000 (today, 60 savings accounts)
 - a. Student Bank maintains individual ledger accounts
 - b. Majority of funds are deposited in a Student Bank account at Community First
 - c. Main Student Bank account earns interest

Lending

- Small loans (seven open today at an average of \$200.00 each)
 - a. Requires parent as co-maker
 - b. Requires weekly or biweekly loan payments
 - c. Verified credit history
 - d. Decision to lend made by Loan Committee of Student Bank (all existing loans are current as of today.

- e. To date, the Student Bank has had two loan losses with a total loss of less than \$400.00. Students have also been successful in obtaining a Judgment through Small Claims Court and have assigned these accounts to a Collection Agency

Income

- Profits - The Student Bank earns fees from check cashing, interest on loans and NSF check fees
- Student Bank is profitable (averaging \$500.00 per year)
- Profits are retained by the Bank with any expenditures approved by the Bank Board (the students may elect to take educational trip or purchase bank clothing such as T-shirts)

Teller's Schedule

- The Bank is open ½ hour in the morning and at noon
- All Student Bank employees are required to work assigned shifts and two students are on duty at all times that the Bank is open
- Management - the Bank is managed by the Board of Directors made up of banking students. The instructor and an Officer from Community First serve in an advisory capacity only. The Student Bank has a full slate of officers and students have to apply for their position. Students serve as President, Vice President, Treasurer, Secretary, Marketing Committee and Loan Committee and as a member of the Board of Directors.

In Summary

This is a full-accredited class at Dickinson High School with the responsibility of classroom instruction to be managed and provided by qualified teachers of the Dickinson Public School System. Community First will provide staff on a limited basis as necessary to provide training in the teller and lending function. A staff officer will also sit in an advisory capacity at all Board of Directors meetings that are held by the student bankers.

Dickinson Public School Administration has committed to guaranteeing reimbursement of depository funds lost due to insolvency.

January 31, 2001

Comments provided to the Senate Education Committee

Regarding: SB 2231 - Student Financial Institutions

Tena Lawrence, VP

Stutsman County State Bank

Mr. Chairman, Members of the Committee, good morning, my name is Tena Lawrence. I am here today to ask for your favorable consideration in exempting Student Financial Institutions from regulation and supervision by the State Banking Department. The purpose of a "Student Bank" is twofold:

- 1. To allow students to put to use the skills they have learned in the classroom. In this real life environment they get the hands on experience that shows them how the classes they are taking today will benefit them in the future.**
- 2. Provide them with information about the banking system, credit and credit histories which will enable them to make informed credit decisions as adults.**

The class consists of not only the classroom instruction but also operating a "Student Financial Institution". The students are able to put to use the skills they have learned in the following ways:

- ♦ Calculating their cost of funds;**
- ♦ Projecting income and expenses;**
- ♦ Setting fees and interest rates;**
- ♦ Deciding if a loan application should be approved or denied;**
- ♦ Marketing the student bank;**
- ♦ Putting the principles of accounting into action by posting to the customer accounts and general ledgers;**
- ♦ Using math skills to calculate interest on deposits and loans;**
- ♦ Preparing resumes and interviewing for positions at the Student Financial Center**

Operating the Student Financial Center is a wonderful real-life experience for the students. They decide whether they are comfortable in a supervisory position or if they prefer a position with fewer leadership responsibilities. A Student Financial Center provides significant opportunities to students in helping them decide what career path to pursue.

During class time the instructor and speakers from the banking and credit industry teach the students about banking issues such as check clearing, the Federal Reserve System, credit ratings and banking regulation. The instructor insures that the student financial institution is operated in a safe and businesslike manner. In the case of the Jamestown High School's Student Financial Center, Stutsman County

State Bank provided them with \$500.00 startup money along with the equipment and signage they needed to get the facility started. The startup funds may also be used as a reserve against any losses. We also assist the instructor in obtaining curriculum materials and speakers. This has been a very rewarding way for our bank to give back to our community. We are not in the classroom to promote our financial institution; we are there to give them the support to successfully run their financial institution.

Each facility will make their own decisions as to what products to offer and rates they will pay. JHS's Student Financial Center offers check cashing, savings accounts and loans up to \$300.00 (all loans must be cosigned by a parent or guardian). Because normal banking safeguards are followed (checking credit ratings, balancing of cash and accounting systems, etc) there is minimal risk involved. Two tellers are scheduled at all times and another individual verifies their work. The students have done a wonderful job in running and promoting the Student Financial Center. They have even established a web page – something many small financial institutions have not yet accomplished!

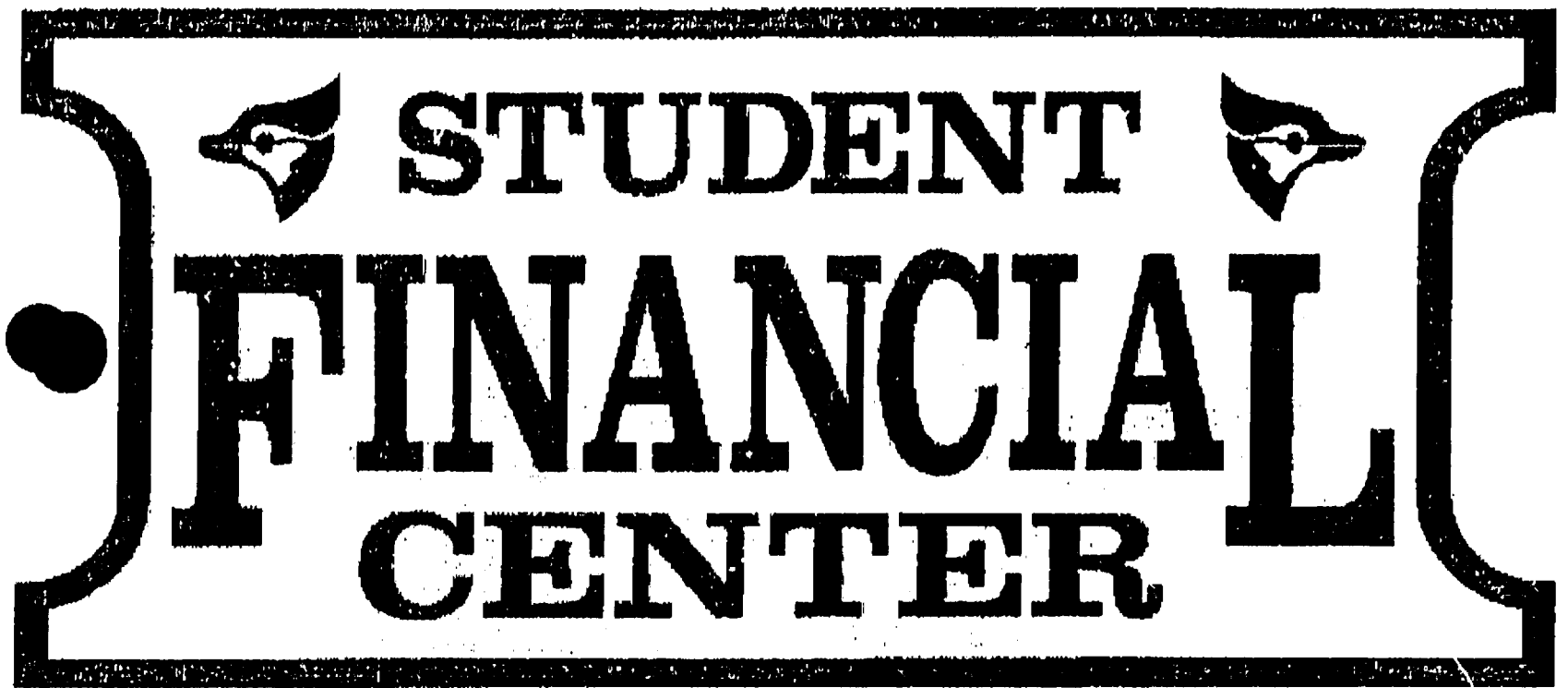
This has been a great experience for us as a bank. We have enjoyed helping to educate students about the banking industry whether for personal enrichment in their adult lives or to help them choose a career. One area of banking that is important to the industry yet very complex and time consuming is the regulatory area. If the same regulatory burdens were placed on the student financial centers as the banking industry, the students would learn nothing but bank regulation and compliance issues. This is not the purpose of the class. Because the type of accounts and customer base is limited, and taking in consideration the purpose of the class, we ask that you exempt student financial institutions from supervision by the State Banking Department.

Mr. Bill Nold, Assistant Principal at Jamestown High School is here to add his perspective as an educator. We also have the instructor, Mr. Jim Roaldson and students from the class available to answer any questions you may have.

Thank you for your consideration.

Jim Kaalson
SB 2231

Jamestown High School



Employee Manual

Purpose of the Student Financial Center

School is an institution, which prepares people to successfully meet challenges and problems in the future. It also prepares them to advance themselves past their current achievements and goals. The Student Financial Center is designed to promote the education of high school students about the legal lending and depository functions of a bank. It gives the student bankers both an academic and "hands-on" experience of how parts of a bank work. This education will prepare the student bankers for the future by giving them knowledge and experience for when they might work in a bank or for when they might work with a bank to utilize its services.

Another purpose for the Student Financial Center is to promote responsibility, integrity, and maturity in the individuals who operate it. These students will need to work with each other as a team to help make the bank a successful business. Since student bankers will be working with personal information involving their peers, they will be responsible for keeping that information confidential. The student bankers will grow in integrity by rightfully handling their peer's affairs. They will also grow in maturity by making decisions and standing behind them. By fostering these qualities in the students today, they will be better able to meet the challenges and problems of tomorrow. The Student Financial Center is set up with this purpose in mind.

Mission Statement of the Student Financial Center

The mission of the Student Financial Center is to educate students about how a bank operates and to provide deposit, check cashing, and loan services to the student body. Although the Student Financial Center is not created for the purpose of making a large profit, it should be operated with the goal of realizing at least a small annual net gain.

The student bankers are to be aware that the positions they hold are important ones. It is essential that each loan be handled with integrity, maturity, and confidentiality. It is each student banker's goal to perform his/her job in this manner.

The primary purpose of the Student Financial Center is to educate the students about banking. In doing this, the Financial Center is to be run efficiently and professionally so that it will self perpetuate and the primary goal will be achieved both now and in the future.

**Jamestown High School
Student Financial Center
Guidelines**

A. Confidentiality

1. Any member of the Student Financial Center who discloses any information concerning the Student Financial Center or its present or past customers without being authorized to do so, shall be immediately dismissed. Confidentiality of the Financial Center and its customers are of the utmost importance and any breach of that confidentiality shall not be tolerated.

B. Loans

1. Each loan made by the Student Financial Center is to be approved by the Student Financial Center loan committee and must also be approved by Mr. Roaldson.
2. Loans range between \$100 and \$300, with a minimum loan of \$100, and a maximum loan of \$300.
3. There is a minimum interest of \$5.00.
4. The loan interest rate is 18%.
5. The loans must be paid off two weeks prior to the last day of school.
6. The late charge on a loan will be 15% of the payment due, with a maximum of \$8.00.
7. There will be a seven-day grace period before the loan accumulates late charges.
8. A loan will be automatically approved if the Beacon Score is 650 and above. Beacon Scores of 635-649 will need to be approved by the SFC Board before the loan can be granted.
9. A customer does not need to have a savings account with the SFC to take out a loan.
10. Loans will not exceed 50% of total deposits.

C. Expenses

1. Expenses for the Student Financial Center are to be presented to the Board by the Treasurer at its regular meeting.

D. Accounting Procedures

1. The Data Processing Team will be responsible for all of the accounting records of the Student Financial Center. At no time will the original records be removed from the school building until updated photocopies are made of the records being taken and those copies are left in the classroom.
2. In a loan disbursement situation, the loan check will be given to the customer, the copy of the check will be placed in the customer's loan file, and the ledger will be retained by the Data Processing to maintain the records of the Student Financial Center.
3. An expense file is to be kept with a ledger and places for statements. When a bill is paid a copy of the check and the paid statement are stapled together and filed in a paid file. No expenditure is to be paid without a statement or an expense request form and a receipt. The latter would be in a case in which an officer is

requested to purchase an item from his/her own money and needs to be reimbursed by the bank. The Treasurer is responsible for keeping these files up to date on a monthly basis.

E. Accounting Duties

1. Operations need to verify that debits and credits are equal.
2. Data Processing must check to make sure everything is posted correctly.
3. Operations must check to see if the savings accounts match the savings account in the General Ledger.
4. Operations need to make sure that the checks on hand and Checks in Process equal.
5. The Treasurer must make sure that ending cash equals the General Ledger cash account.

F. Teller Procedures

1. Opening Procedure
 - a. Open teller stand (two drawers)
 - b. Take out coin tray
 - c. Open customer door
2. Closing Procedure
 - a. Close customer door
 - b. Balance Teller Money
 - c. Lock teller box lid
 - d. Put coin tray in second drawer
 - e. Lock both Drawers
 - f. Turn off calculator and lights
 - g. Lock doors
 - h. AM
 1. Lock coin tray in second drawer
 2. Bring transaction bag and balancing sheet to class with ledger binder
 3. Take keys to Mr. Roaldson
 - i. PM
 1. Lock transaction bag and teller proof sheet in second drawer with coin tray
 2. Take keys to office

G. Teller Checklist

1. Check for all transaction forms
 - a. Saving Deposit Ticket
 - b. Savings Withdrawal Ticket
 - c. General Ledger Ticket
 - d. Cash In & Out
 - e. Transaction Receipt
 - f. Loan Payment
 1. Contact Operations if needed
2. Balance Proof Sheets

H. Filling Positions

1. Each student applying shall submit to the teacher and bank advisory committee a typed resume. From those applications, the bank advisory committee and teacher shall choose the positions of the Student Financial Center following interviews.
2. The students shall serve in their position in the Student Financial Center for one school semester, unless problems occur.
3. Should a position become vacant in the middle of a semester, the bank advisory committee and teacher shall be responsible for filling the position.
4. The criteria for serving as a member on the Student Financial Center Board shall be as follows:
 - a. The student must exhibit a willingness and ability to spend several hours a week devoted to the Student Financial Center work.
 - b. The student must exhibit leadership abilities and an ability to keep bank matters confidential.

I. Receipts

1. A receipt will be given to a customer for any payment that is made.

J. Remuneration

1. All positions making up the Student Bank are volunteer positions. No board member, officer, or anyone else involved with the Student Financial Center shall receive payment for time and/or service rendered for the Student Financial Center.

**Jamestown High School
Student Financial Center
Job Descriptions**

A. President

1. Primarily responsible for assuring that the bank is being operated in a financially healthy manner with an adequate staff who conduct themselves confidentially, maturely, and professionally.
2. Specific Responsibilities
 - a. Act as Chairman of all Bank Board meetings.
 - b. Operate the Student Financial Center according to all guidelines set forth.
 - c. Be the liaison between the outside advisory committee, teacher, and the Student Financial Center Board.

B. Vice President

1. Primarily responsible for the current loans on the books.
2. Specific Responsibilities
 - a. Preside over loan committee to consider all loan requests. Organize and coordinate with head teller a schedule for when and where customers are to make their loan payments and who will accept them.
 - b. Collect all delinquent loans. Any loan account with a past due payment or matured note would be given by the Vice President to the Loan Committee for collection work to be done.
 - c. Provide the Bank Board with information concerning delinquent loans. This information is to include the customer's name, status of the loan, reason for delinquency, and description of the efforts to collect the loan. This information is to be given at each Board meeting.
 - d. Provide an update about all loans to the Student Financial Center Board.
 - e. Be responsible for each loan customer receiving a receipt for each payment that is made.

C. Treasurer

1. Primarily responsible for keeping record of all income and out flow of bank funds and reporting it to the Student Financial Center Board.
2. Specific Responsibilities
 - a. Write checks as needed.
 - b. Maintain up to date, accurate records of the SFC's deposit accounts.
 - c. Prepare reports of the financial condition of the SFC when needed.
 - d. Administrate the disbursal of loan funds and payment of expenses.
 - e. Report the following at the SFC Board meetings:
 - Balance of all the SFC's deposit accounts.
 - Ratio of loans to deposits
 - f. Be responsible for depositing the daily receipts from the tellers and preparing income reports.
 - g. Prepare monthly budget and report it at Board meetings.
 - h. Balance SFC statement monthly.

D. Operations

1. Responsible for setting up and maintaining record keeping systems for the SFC.
2. The Operations Officer is responsible for supervising the Data Processing Manager.
3. Responsible for making the cash deposits of the SFC.
4. The Operations Officer is the chair of the asset/liability committee.

E. Data Processing

1. Responsible for the day to day posting of SFC receipts and disbursements
2. Responsible for providing information to the Operations Officer as requested.
3. Must be responsible for balancing the bank statement.

F. Marketing

1. The Marketing Officer is responsible for the planning, organization, implementation, and training aspects of all SFC products.
2. Responsible for working within an approved budget and report it to the Board as requested.

G. Head Teller

1. Primarily responsible for making sure the vault and teller drawer has sufficient working cash.
2. Responsible for preparing monthly teller work schedules.

H. Secretary

1. Primarily responsible for keeping minutes of all meetings and maintaining the files of the SFC. Also responsible for the correspondence of the bank.
2. Specific Responsibilities:
 - a. Maintain written record of all topics discussed and/or acted upon by the SFC Board at a meeting.
 - b. Maintain the Student Financial Center's filing system
 - c. Coordinate the SFC's correspondence.
 - d. Keep attendance records of the Board members and officers at the Board meetings.

I. Teacher

1. Primarily responsible for giving the President, officers, and Board members direction in the planning and day-to-day operation of the Student Financial Center.
2. It is preferred that the position be filled by a person in the Business or Marketing Department

J. Outside Student Financial Center Advisory Committee

1. Primarily responsible for providing technical expertise to the SFC.
2. The Committee will be provided by Stutsman County Bank.

3. Should Stutsman County Bank at some point in time decide not to participate in the Student Financial Center program by providing an advisory committee, the Student Financial Center may select and approve another one by unanimous vote.

TO: North Dakota Senate Education Committee Members

FROM: Bill Nold
Assistant Principal
Jamestown High School

RE: Student Financial Center and Banking Class

Date: January 31, 2001

I am asking you to support the legislation allowing schools to operate student managed banks. Our school first looked at this idea last spring at the invitation of Stutsman County Bank. We visited Dickinson to view the class and "bank" that they were operating. Our feeling was that we could develop an academic curriculum and include hands-on experience for our students. The course that advisor Tena Lawrence and instructor Jim Roaldson have put together has far exceeded my expectations.

This course and financial center is a shining example of a school-community partnership. It is my belief that it will be a model for other communities who choose to partner with their high schools in offering a similar class coupled with practical experience. I am very proud of and grateful for the leadership and support provided by Tena Lawrence and other members of the Jamestown Financial Community. They have allowed us to make a fine (and needed) addition to our curriculum. In these times of tight school budgets, a partnership like this one between school and community really benefits our students.

The feedback I have received to this point from parents and students has been very positive. The course has provided students many opportunities for hands-on practical learning. The "real-life" learning that takes place in our financial center setting serves to reinforce the classroom curriculum. Many parents have commented about the need for such a course within our curriculum and have voiced their support of our initiative.

Some of the benefits of our student financial center are as follows:

- Community partnership
- "Real World" learning
- Students & staff may effect transactions without leaving the building
- Many students (not just the ones enrolled) learn and benefit
- Has stimulated thinking about future community partnerships
- We are training students to become tellers while creating a vocational interest

I want to close by saying the financial center has brought a lot of pride to JHS. I am respectfully requesting your support so that we may continue.

March 6, 2001

Comments provided to the House Education Committee

Regarding: SB 2231 - Student Financial Institutions

Tena Lawrence, VP

Stutsman County State Bank

Mr. Chairman, Members of the Committee, good morning, my name is Tena Lawrence. I am here today to ask for your favorable consideration in exempting Student Financial Institutions from regulation and supervision by the State Banking Department. The purpose of a "Student Bank" is twofold:

- 1. To allow students to put to use the skills they have learned in the classroom. In this real life environment they get the hands on experience that shows them how the classes they are taking today will benefit them in the future.**
- 2. Provide them with information about the banking system, credit and credit histories which will enable them to make informed credit decisions as adults.**

The class consists of not only the classroom instruction but also operating a "Student Financial Institution". The students are able to put to use the skills they have learned in the following ways:

- ♦ Calculating their cost of funds;**
- ♦ Projecting income and expenses;**
- ♦ Setting fees and interest rates;**
- ♦ Deciding if a loan application should be approved or denied;**
- ♦ Marketing the student bank;**
- ♦ Putting the principles of accounting into action by posting to the customer accounts and general ledgers;**
- ♦ Using math skills to calculate interest on deposits and loans;**
- ♦ Preparing resumes and interviewing for positions at the Student Financial Center**

Operating the Student Financial Center is a wonderful real-life experience for the students. They decide whether they are comfortable in a supervisory position or if they prefer a position with fewer leadership responsibilities. A Student Financial Center provides significant opportunities to students in helping them decide what career path to pursue.

During class time the instructor and speakers from the banking and credit industry teach the students about banking issues such as check clearing, the Federal Reserve System, credit ratings and banking regulation. The instructor insures that the student financial institution is operated in a safe and businesslike manner. In the case of the Jamestown High School's Student Financial Center, Stutsman County

State Bank provided them with \$500.00 startup money along with the equipment and signage they needed to get the facility started. The startup funds may also be used as a reserve against any losses. We also assist the instructor in obtaining curriculum materials and speakers. This has been a very rewarding way for our bank to give back to our community. We are not in the classroom to promote our financial institution; we are there to give them the support to successfully run their financial institution.

Each facility will make their own decisions as to what products to offer and rates they will pay. JHS's Student Financial Center offers check cashing, savings accounts and loans up to \$300.00 (all loans must be cosigned by a parent or guardian). Because normal banking safeguards are followed (checking credit ratings, balancing of cash and accounting systems, etc) there is minimal risk involved. Two tellers are scheduled at all times and another individual verifies their work. The students have done a wonderful job in running and promoting the Student Financial Center. They have even established a web page – something many small financial institutions have not yet accomplished!

This has been a great experience for us as a bank. We have enjoyed helping to educate students about the banking industry whether for personal enrichment in their adult lives or to help them choose a career. One area of banking that is important to the industry yet very complex and time consuming is the regulatory area. If the same regulatory burdens were placed on the student financial centers as the banking industry, the students would learn nothing but bank regulation and compliance issues. This is not the purpose of the class. Because the type of accounts and customer base is limited, and taking in consideration the purpose of the class, we ask that you exempt student financial institutions from supervision by the State Banking Department.

Mr. Jim Roaldson, Instructor of the Student Financial Center at Jamestown High School is here to add his perspective as an educator, as well as Austin Hemmer, the student bank's current President.

Thank you for your consideration.

March 6, 2001

Comments provided to the House Education Committee

Regarding: SB 2231 – Student Financial Institutions

Jim Roaldson, Instructor

Jamestown High School

Mr. Chairman, Members of the Committee, good morning, my name is Jim Roaldson. I am here also today to ask for your favorable consideration in exempting Student Financial Institutions from regulation and supervision by the State Banking Department. Tena Lawrence who has served as our community advisor in this venture has already discussed with you the reasons that she feels that this is a valuable experience. At this time I would like to share with you mine.

This year marks my tenth year as an educator. I have taught in the states of Wisconsin, Minnesota and now have come home to the great state of North Dakota. As a business education instructor being innovative as well as trying to give my students an education for a lifetime is a constant challenge and by no means an easy task. What has taken place in Dickinson, and now in Jamestown is a prime example of what can happen when community and school come together to form a partnership in education. In these two instances it just happens to be involving the financial industry.

At Jamestown High School the student financial center is designed to promote the education of high school students about the legal lending and depository functions of a bank. It gives the student bankers both an academic and "hands-on" experience of how parts of a bank work. This education will prepare the student bankers for the future by giving them the knowledge and experience for when they might work in the financial industry or for when they might work with a financial institution to utilize it's services.

By looking at the copy of the course syllabus and employee handbook you can see the various units that are covered, and the responsibilities that these students undertake in the running of such an institution. I have also included within the syllabus a breakdown of how students are evaluated just to give you an idea how we operate the class.

Some of the benefits from such a class include:

- ◆ Real Life Curriculum
- ◆ Goal Setting
- ◆ Problem Solving Skills
- ◆ Math Skills
- ◆ Communication Skills
- ◆ Technology Skills
- ◆ Confidentiality Issues
- ◆ Human Relations Skills
- ◆ Career Skills

This has been a great experience for me. I hope that you will give strong consideration to this bill so that we are able to continue to provide learning opportunities such as this one to our students in the future.

Thank you for your time.

Jimi Roaldson
SB 2231

**JAMESTOWN HIGH SCHOOL
BUSINESS EDUCATION DEPARTMENT
STUDENT FINANCIAL CENTER
SYLLABUS**

Instructor: Mr. Roaldson

Length of Course: One Semester

Credit: ½ Credit

Course Overview:

School is an institution, which prepares people to successfully meet challenges and problems in the future. It also prepares them to advance themselves past their current achievements and goals. The Student Financial Center is designed to promote the education of high school students about the legal lending and depository functions of a bank. It gives the student bankers both an academic and "hands-on" experience of how parts of a bank work. This education will prepare the student bankers for the future by giving them knowledge and experience for when they might work in a bank or for when they might work with a bank to utilize it's services.

Units of Study:

Employee Orientation
Teller Training
Job Interviews & Resume Writing
Functions of Money
Federal Reserve System
Loans

Conducting a Board Meeting
Creation of Money
Bank Profitability
Banking Regulations
Credit, ATM, and Debit Cards
Auditing

Grading/Evaluation:

100-93 A	25% Daily Work
92-85 B	25% Tests & Quizzes
84-78 C	25% Teller Work
77-70 D	25% Job Performance
Below 70 F	

TESTIMONY FOR SENATE BILL NO. 2231

House Education Committee

Testimony of Gary D. Preszler, Commissioner, Department of Banking and Financial Institutions in support of Senate Bill No. 2231.

As Commissioner for the Department of Banking and Financial Institutions I have worked with the Jump\$tart Coalition and made a presentation to the Quality Schools Committee to seek changes in high school curriculum to improve financial literacy for students. I strongly support efforts to provide educational opportunities for high school students to have them prepare for college financial disciplines and to better manage personal financial affairs later in life.

Banks located in other states (Kentucky, Wisconsin and Minnesota) started the evolution for student banks. Kentucky and Wisconsin allowed banks to establish a "branch" in the high school. Minnesota developed the educational opportunity as a separate student bank.

Dickinson High School has been operating a "student bank" for a number of years. In September 2000 I notified the Dickinson High School class instructor that unless legislation is enacted during this Legislative Session, the Dickinson High School would have to discontinue operating the student bank in noncompliance of state law.

The former Dickinson High School Superintendent, Rolly Molerud, moved to Bemidji, Minnesota, and in 1997 the Minnesota Legislature enacted legislation to allow a student bank pilot program specifically for the Bemidji school district. In 1998 the Minnesota amended the Act and added St. Peter school district to the pilot program.

Senate Bill No. 2231 addresses several obstacles posed by present state law to operate a student bank. State law prohibits the use of the word "bank" unless the state or Office of the Comptroller of the Currency has issued a charter. Similarly, state law prohibits the use of the words "credit union" unless chartered by the state or the National Credit Union Administration. State law mandates that all deposits must be insured by the Federal Deposit Insurance Corporation. Other issues that must be considered for the operation of a student bank include responsibility in the event of loss. Senate Bill No. 2231 will require that the school board by a written commitment guarantee reimbursement of any loss to depositors due to insolvency. Senate Bill No. 2231 also limits the student bank customers to students or employees of the school. Finally, since a minor can legally disaffirm any contract, Senate Bill No. 2231 provides that a contractual obligation has the same force and effect as to someone over the age of 18.

I urge a favorable "Do Pass" recommendation from this Committee.

Thank you.