

# FISCAL NOTE

Requested by Legislative Council  
01/30/2001

**REVISION**

Bill/Resolution No.: SB 2333

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$2,740,000		\$5,892,000	
<b>Appropriations</b>			\$2,740,000		\$5,892,000	

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

The proposed loan program does not fit readily within the Bank's current student loan servicing operations because: 1) Bank systems do not currently track some of the data elements necessary to support the requirements of the proposal; and, 2) the loan systems do not accommodate certain of the processing requirements of this bill, such as zero percent interest rates, provision for new types of forbearances, new limits for forbearance periods and annual reductions in the borrowers' loan balances.

How are borrowers made aware of the program? Is the Bank expected to provide some sort of notice to anyone? We did not allow anything in my calculations for this.

Note that this would require a new loan program, presumably outside the Federal Family Education Loan Program (FFELP) and the Bank's DEAL program.

There is no indication of the terms of the new loan program, other than zero percent interest, waive of repayment terms and the annual loan reduction. Assume all else to be equal (loan limits, etc.) to the FFELP?

What volume should we expect? Would there be more than a handful of unsubsidized students who would not declare an education major for at least part of their years in school in order to take advantage of the zero percent interest?

What happens if a student starts as an education major but changes his major, or graduates as a teacher but never enters the teaching field, or teaches in another state? As presented, they could make the argument that they could retain the zero percent interest rate?

Note that the requirement for reduction of the loan balances at 10% per year will not completely reduce the loan balances.

Can the program be used for graduate degrees also?

What kind of notice of benefits do we need to provide to the borrower? We have assumed a simple letter.

Do we need to provide IRS 1099C reporting for cancellation of debt? We have assumed so.

Note that as the language is presented, it would be possible for someone who is teaching only part-time to qualify for these benefits.

What happens if there is a temporary cessation of teaching due to medical reasons, military duty or a return to school for continuing education? Does the borrower lose his eligibility for these benefits? Or should we allow for some sort of deferment similar to the FFELP offerings?

Note that the bill applies only to students of public instruction in North Dakota. Education students at private schools would not be covered.

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.*

n/a

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.*

Expenditures for the 2001-2003 biennium include: foregone earnings on the loan program of \$2,150,000 due to the zero percent interest rate; loss of principal due to loan forgiveness of \$350,000; 2.25 FTE Account Tech II's; and lease of personal computer equipment, postage, telephone, systems enhancements, etc.

Expenditures for the 2003-2005 biennium include: forgone earnings on the loan program of \$2,450,000 due to the zero percent interest rate; loss of principal due to loan forgiveness of \$3,150,000; 3 FTE Account Tech II's; and lease of personal computer equipment, postage, telephone, systems enhancements, etc.

**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.*

None of the expenditures for the next biennium have been included in the appropriations request for the Bank of North Dakota. Net profits of the Bank have already been factored into the revenue projections of the State, without the impact of this bill, therefore the funding for this bill has been requested under the general fund column.

Expenditures for the 2003-2005 biennium have been treated in a similar manner.

**Name:** Al Nosbusch  
**Phone Number:** 328-5742

**Agency:** Bank of North Dakota  
**Date** 01/26/2001  
**Prepared:**