

2009 HOUSE EDUCATION

HB 1357

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1357**

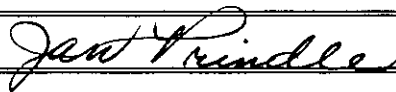
House Education Committee

☐ Check here for Conference Committee

Hearing Date: **January 20, 2009**

Recorder Job Number: 7312

Committee Clerk Signature



Minutes:

Vice Chairman Meier opened the hearing of HB 1357

Representative RaeAnn Kelsch, District 34, introduced the bill. It was the product of a constituent teacher's work. When this teacher graduated she had a \$55,000 debt. She ended up with a taking a 25-year payback loan to the BND. I strongly believe something like this should be afforded students who graduate from our colleges and are willing to stay here in ND and be productive North Dakotans. This legislation may have a death by fiscal note. But I think it important that we: 1) make college affordable, and 2) work to keep our college graduates in ND. The bill is very straight forward.

Representative Mueller: What happens when they decide they are not going to teach anymore?

Representative Kelsch: Certainly something could be put in here that says if you left the teaching profession that the loan could revert to the normal loan as afforded to others in the state.

Josh Askvig, NDEA, testified in favor of the bill. He distributed an article recently published by the NEA about rising costs students. **(Attachment 1)** Any efforts we can take to encourage individuals to stay in the profession by helping lower student loan rates along with

raising salaries, we believe will help attract, retain, and recruit individuals in to the profession.

We believe this bill will reduce the cost of debt at graduate.

Janet Welk, Education Standards and Practices Board, testified in favor of the bill. I think that we all know that we have many teachers coming in to the profession. Many of our teachers will retire over the next few years. I think this bill is much needed for our teachers in ND.

Bev Nielson, ND School Board Association, testified in favor of the bill. This bill is a no-brainer for us as well. A remark on the fiscal note—I hate when we have death by fiscal note. We're going to have death by teachers pretty soon in ND. People can't see this as as much of an investment as drilling for oil and putting up wind towers. There may be some things we can do to soften it.

Warren Larson, ND Council of Educational Leaders, testified in favor of the bill. We certainly support this. It's an investment in the future of our kids. A couple of other thoughts: I was floored when I heard that this young lady had \$55,000 in loans. The coupling factor with this is that we all know that teacher's salaries are not where we want them. I recently read a study where an electrician can start at \$70,000 a year. Many of our teachers will never see that in their lifetime. I think this bill is very important to help those people who are so vital in helping our kids and are very important in their lives.

Julie Kubisiak, senior vice president and director, Student Loan Services at the BND testified in opposition to the bill. **(Attachment 2)**

Representative Hanson: What is the total profit the BND makes in student loans in a biennium?

Kubisiak: About \$12 million.

Representative Mueller: We have a raft of information about this bill. It talks about in some of the categories a 25% pay down. Can you help me understand this fiscal note?

Kubisiak: We contacted the teacher retirement fund to see how many teachers may be retiring. We broke those down to who may have student loan balances. That's why you see the categories. Basically, we took the age group and presumed those teachers in that age group have already paid down a portion of the student loan.

Chairman Kelsch: Could you tell us about current loans available. Are there 15-year loans available? Can you tell us what interest rates are available?

Kubisiak: The current interest rates for Stafford loan borrowers. There are two types of Stafford loan borrowers--subsidized borrower and the unsubsidized borrower. The Department of Education pays the interest for the subsidized borrower while they are school and the grace period. If you have an unsubsidized loan, the borrower is responsible. The current interest rate for a subsidized student loan borrower is 6%. For unsubsidized borrowers it is 6.8%. The BND also offers the ND Educational Alternative Loan based on the fact that most students are unable to finance their education with the federal loan program and need an alternative source. The current rate on that is 5.99% fixed and 2.96% for the variable rate. The high for the variable has been as high as 8.25%. The benefits for students under these programs are the income-based repayment that will be available July 1. We can see borrowers having no payment at all based on their income. After 25 years all can be forgiven. There is also the opportunity to consolidate into the teacher forgiveness program.

Chairman Kelsch: Are there other options other than 10 or 25 repayment. Is there is 15 year repayment?

Kubisiak: There is not a specific 15 year repayment period; but there are no penalties for early repayment.

Chairman Kelsch: Is the BND willing to work with this Committee or other individuals to come up with something that would be an enticement to get teachers into the field and remain in the state.

Kubisiak: I don't see why not.

Representative Hanson: What are you paying on CD interest rates today? Do you know the total transfers from the BND to the general fund are by biennium or year?

Kubisiak: I have no idea. I work in student loans. We transfer \$60 million on a biennial basis.

Representative Mock: In looking at your testimony the first bullet point shows 23% of loans are at less than 4%. Those must be the variable rates.

Kubisiak: Actually, it is students who have consolidated their loans at that fixed rate.

Representative Mueller: What happens in the programs that you currently have if someone decides to leave the state. What is the process?

Kubisiak: If a student qualified for a loan forgiveness program of the Stafford Loan Program, it doesn't matter where you reside or work. For this new program being it is not stipulated, that would have to be discussed.

Representative Kelsh: The BND is basically a business. This has been more of a policy flaw for the State of ND. Teacher's salaries have been way too low, college costs have increased, and we put a lot of these people in to a real bind. They are still starting out way to low to make payments on a loan of \$55,000 plus maybe a house and car and other things. I certainly wouldn't blame the BND for protecting their interests. I think we have to take a look at our policies on how teachers are paid and what college costs are and how we keep those people in the state of ND. We need to entice them with fewer loans.

Chairman Kelsch: That's a point well taken.

Linda Jagielo testified as a private citizen. She is currently working with Childhood Services for the State of ND for child care licensing. I would like to suggest consideration of an amendment in Part 2, add: "employed as a full-time teacher or a full-time early childhood provider in a licensed program." The rationale behind that is that is we do have child care shortage as those of you from Fargo, Minot and other areas know. We have degreed teachers that teach in child care. Child care is extremely low paid. If you think teachers are paid low, check out a child care provider. They can make more money working at McDonalds. There is a high turnover rate. This might be a little bit of a help to keep them. They teach as well as help in the development of small children.

Vice Chairman Meier: Is it common for child care providers to keep up a current teacher's license?

Jagiello: I don't know that for certain. Some of them do. We don't keep track of that so I really don't know.

Chairman Kelsch closed the hearing of HB 1357.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1357

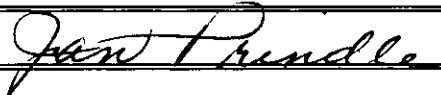
House Education Committee

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Hearing Date: **January 20, 2009**

Recorder Job Number: 7360

Committee Clerk Signature



Minutes:

Chairman Kelsch: Again this morning we had this bill that has money in it. (HB 1172) So far we are seeing how they are faring on the floor. It is my best advice as a Committee is if we see some projects that we believe are truly worthy, we need to be prioritizing them. We won't be able to pass out every single spending bill we have before this Committee. I'm guessing they are just not going to make it. If we pass out bills that have funding outside of the executive budget, we need to work hard to get them passed by the full body and get them to Appropriations so there can be further discussion regarding the issues. Funding bills need to be out of this Committee by February 5.

Representative Mueller: Do you have a sense from the Appropriates folks that they would be interested in our prioritizing them in terms of what they will do?

Chairman Kelsch: No.

Representative Johnson: There have been some pretty good bills as far as Adult Ed and after school programs; would it be better to send them out of here with a little less money on them?

Chairman Kelsch: That's a possibility. We have some amendments we want to put on some of these bills. We may want to look at a little bit of reduction in the amount.

We have 1172, the adult education bill, and we have 1357 which is the student loan bill. I have a concern I stated that there may be death by fiscal note. The Bank of ND is probably the worst one for coming in with exaggerated fiscal notes.

I thought about Bev Nielson's comments: we're busy making sure that we have this, that and the other thing out in the oil fields, talking employers and employees, addressing shortages in that and that economic development is a real priority. We sometimes forget that we keep losing teachers and then who is going to be educating our people so we do have a workforce. The fiscal note is going to be the biggest detriment. We are not going to get around it being high.

Representative Rust: I have for a number of years been telling people in our area that we are going to run out of teachers before we run out of kids. When we advertise for staff members we don't in some cases get any applications. I would like to see if we can do anything we can to encourage some people to stay in ND and teach. I like this concept. One of the things I would do is I don't want to have anybody get stuck with paying 4% when they could have gotten it for less. I would like to put in something that says "no more than 4%." The other thing would be putting in a Section b which says that upon leaving the teaching profession in ND they would no longer be eligible for the low interest loan and it would revert. I wouldn't want to see somebody stay in ND one year, get the loan, and then leave. I think the concept is a good one to encourage people to stay in ND.

Chairman Kelsch: Bev and Julie said they could work with us. I will set up our subcommittee and you can see what we can up with—perhaps we can keep the concept alive.

Representative Hunsakor: As I listen to the discussion, the question comes up in looking at HB 1357 and the way the BND is treating student loans now, is this bill going to be an

improvement over what's currently being done? Can we work with 1357 and the BND and improve what's out there now for the teachers?

Chairman Kelsch: Representatives **Wall, Rust and Hunskor** will be the subcommittee.

Representative Kelsh: I think one of the people who testified this morning said we could lower that fiscal note by looking at the most necessary areas.

Chairman Kelsch: Right. Looking at the masters, science, technology, engineering, and math.

Representative Kelsh: I have a little problem with that because there are some people that may not be the best and brightest but they are going to be good teachers and they if they don't qualify they are probably going to go someplace else. They are still going to have \$50,000 debt when they get out of college. Personally, I see a little problem with giving it just to certain types of people.

Chairman Kelsch: I think what Bev was saying that in some of the need areas—some of those where you have to get your masters—like speech therapy, counseling, and some of the core subjects where we have the largest shortages. I don't think she necessarily meant the best and brightest as she meant some of the shortage areas. I recommend that the subcommittee meet with her and Julie. The associations may have some ideas. See what they currently have and see how we can make work to enhance that.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1357

House Education Committee

☐ Check here for Conference Committee

Hearing Date: January 21, 2009

Recorder Job Number: 7476

Committee Clerk Signature



Minutes:

This was a difficult recording to transcribe because they met in an informal setting. I have transcribed as many major points that I could hear.

This was a sub committee meeting. The members of the sub committee were **Rep. John**

Wall, Rep. David Rust, and Rep. Bob Hunsakor. Also in attendance were

Shirley Glass, Bank of North Dakota; Josh Askvig, NDEA; and Bev Nielson, NDSBA.

Julie Kubisiak, Bank of North Dakota, came in a little later.

Rep. John Wall explained that there were numerous questions on the bill and the fiscal note on the bill.

Rep. Bob Hunsakor referred to Rep. Hanson's question about the \$12 million profit.

Shirley Glass explained that in the Stafford loan program, which is the majority of the portfolio they have right now, the major loans they make are subsidized and unsubsidized. On those there are three different fees that are required to be paid. Two of those go to the Dept. of Ed. Right now the Bank of North Dakota pays those fees on behalf of all North Dakota students. In 2008 those dollar amounts were \$1.3 million and \$1.4 million(?). It was just under a million dollars in another __. If a student applies for a \$2,000 loan, they get a \$2,000 loan. Along with those fees, we have almost \$3.4 million paid out. They have rates all over the board right now depending when students took out their loans. Many students taking out loans right now are at

6.8%. The 2.88% that they are required to send back to the Dept. of Education, in years past back in the 90s when interest rates were such that excess earnings were being made, we would rebate. You would actually see us applying those to a customer's account at the end of the year as a rebate. Now we no longer can do that. It is not an option. It is sent back to the Dept. of Ed. There are a lot of questions about why isn't the Bank of North Dakota continuing consolidation loans. One of the reasons is that we have to pay a fee each year to the Dept. of Ed. on our entire outstanding principal and interest balance of those loans. In 2008 that amounted to \$3.4 million.

Josh Askvig asked if you refinance through this program, doesn't it take the federal government out of it?

Shirley Glass said that it does. We have paid the piper so to speak. Now we might take it out of that federal program. Now we are going to lose all those benefits that are valuable to that student that we kind of feel they already paid for and the bank has already paid for in the form of federal forgiveness. That is a huge thing that needs to be considered. While these loans are federally insured there is that federal loan forgiveness option. If we pay those loans off, that teacher loses that benefit of having those loans forgiven.

Josh Askvig asked how many are using the federal loan forgiveness.

Shirley Glass did not know. It was for new borrowers on or after October 1, 1998. You had to teach for five qualifying years. They can qualify for \$5,000 to \$17,500 depending on their academic qualifications, whether they are considered highly qualified. There are 241 schools in the state of North Dakota that you can teach at that would qualify for this.

Rep. David Rust stated that some schools that qualify for the title are based on the free and reduced lunch.

Rep. John Wall referred to Section 1, line 7 of the bill. If we consolidated the loans as this bill calls for and then 4%, that gets them on the pool for that forgiveness?

Shirley Glass: They are no longer a federally insured loan. She talked a little about teachers looking for work and unable to make payments over the summer possibly qualifying for unemployment deferment.

Rep. David Rust: What kind of a counseling service does the Bank of North Dakota have with students?

Shirley Glass: We have ten customer service representatives that answer thousands of calls.

Bev Nielson: Do they know what benefits are available to them when you give them a loan?

Shirley Glass: All that information is provided in their promissory note and we send out deferment information. When a student contacts us and indicate that they are having difficulty, we start asking questions. Are you currently working? Are you working full time? Their income? There are so many options that are about benefits.

Rep. Bob Hunsakor: How many are student loan customers?

Shirley Glass: We have appropriated \$800 million. We have about 75,000 students.

Rep. Bob Hunsakor: This \$12 million is entirely made up of interest that is being paid on student loans? Out of that \$12 million, you have to pay some of this out to the feds. What's left?

Shirley Glass: The bank pays \$60 million to the general fund every couple of years and that is out of the earnings that we make.

Rep. John Wall: Is it difficult to provide us with teaching certificates and what areas there are ___?

Shirley Glass: In order to qualify for the \$17,500 you have to be highly qualified. In order to qualify for the \$5,000 you don't have to be considered highly qualified. There is another

forgiveness program because it is a state teacher forgiveness program. It allows \$1,000 a year for a maximum of \$3,000. Income based forgiveness is another. It is not limited to a school teacher. That can be forgiveness for anybody that has education. This is a very new loan program that just passed and will take effect July 1, 2009. That takes into consideration family size, earnings, poverty level, or where you are living. That is 25 years. Prior to that and during the 25 year period your payment isn't set based upon what your loan balance, which is traditionally how your payment is set, it is based upon your income and family size. You could realistically have no payment. Your payment is set for the year based upon your previous year's income and family size.

Josh Askvig: If I am a teacher and I am having trouble making the payment, I call you and say I understand I can get 4% fixed interest rate and then they learn about all these other things. They are not forced to go into this forgiveness? They would still be able to stay in the federal if they figured out that it was ___. Do you have to do an exit interview when you do a student loan? Have you ever thought of inputting your major? If I were a teaching major and graduating from Dickinson State and at the end of graduating and I can say I am a teacher and in the exit interview it would make you realize that this is how much you are going to have to pay and some of the things that you are talking about.

Shirley Glass: With the Bank of North Dakota it is not a requirement. She talked about how there is a wealth of information and how to better get that information out with what there is in existence now. She mentioned that SB 2226 in regard to technology is trying to change to \$2,000 a year to a maximum of \$10,000. It was hard yesterday to speak in opposition of anything that provides benefits to teachers.

Josh Askvig: When consolidating loans at a fixed rate, does that happen at every bank?

Shirley Glass: I am not aware of any other.

Josh Askvig: Let's say I am a teacher. Let's say I have taken my student loans out through Wells Fargo through the federal program. They didn't pay my fees and I have consolidated already. Let's say I have \$15,000 in debt that I have consolidated already so I can't consolidate again through you, right? She answered right. Would this not then be a option for them to say look I don't teach in one of the areas, I don't work in a school that could go in to reduction, could they not then take out this loan through you?

Shirley Glass: The availability of some of these loan forgiveness programs are pretty broad. The vast majority of loans that are less than 4% are consolidation loans.

Rep. Bob Hunsakor: What could we do with 1357 to accomplish Rep. Rust's doubts?

Josh Askvig: I still see some merit in this for those who aren't in the Bank of North Dakota.

Shirley Glass: For example, you are a highly qualified teacher with debt in the amount of \$15,000 and another highly qualified teacher whose debt is in the amount of \$40,000, we are going to treat you differently in the fact that we know that at the end of your five years, you are going to qualify for forgiveness up to \$17,500 so there is no real need for you to be making any type of payment at this point. We will be making no payment with you at least up to the point that you get to the \$17,500. We aren't going to encourage you to add debt to that, but we aren't going to encourage you to pay down something that you should be eligible to forgive. To the other one we would say you are only eligible for \$17,500 forgiveness, so we would like to work with you on a lower payment if you can afford that. If you can't, then obviously we can still do the no payment__.

Rep. John Wall: I have a question on Section 1, Number 2, line 13. Any provision for out of state?

Shirley Glass: In this one you just qualify and assume you are going to get that benefit for the rest of your life. We saw that as a flaw.

Bev Nielson: Could anything be written that if they leave the state, that their loan is recalculated at current?

Shirley Glass: You certainly could do something like that. This is going to be a self certifying responsibility on the part of the customer—be sure you let us know if this changes.

Rep. John Wall: The fiscal note is troublesome. Where are the areas of need and if we can identify those?

Shirley Glass: There are four other bills that relate to student loan forgiveness.

Bev Nielson: Loan forgiveness is better to keep in the state. Forgiveness is easier to administer and maybe it is easier to fund.

Rep. John Wall: There is a tradeoff.

Rep. David Rust: I think the intent of this was to do something for teachers who are currently employed in the state and have a loan to repay and let us see if we can't at least get them a lower interest rate.

Rep. John Wall: We may need to look at other bills.

Bev Nielson: The whole goal was to get the fiscal note down. I think part of the problem is people don't know what is available to them. If you don't give it to them in really big print with bullets on it, it is not going to ____.

Josh Askvig: We certainly still would support a program like this. If it is going to cause too much heartburn, we are not going to stand in the way and ____.

Rep. John Wall: You don't want to jeopardize something that ends up hurting you more than helping you.

Josh Askvig: I certainly agree with that.

Rep. David Rust: What is the final dollar amount on this? Is it \$100,000?

Julie Kubisiak: It depends upon how many teachers are looking at this program. Remember this bill says you can use _____. It could be up to \$40 million. It could be up to \$170 million _____.

Shirley Glass: How much money is currently being allocated to that? How close are we to meeting the needs of teachers? Where could we build upon what your goals for retention in the state? There you have a history of this loan forgiveness to draw off of so you are not really speculating like we are in these cases.

Rep. David Rust: Is there any way to subsidize the interest without redoing the loan?

Rep. John Wall: We are also looking at the fiscal note too. How many tens of millions would that cost? Do you have any ballpark?

Shirley Glass: Approximately \$40 million x 2%. 6% estimated.

Rep. John Wall: Do you think it is doable?

Shirley Glass: Yes.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1357

House Education Committee

☐ Check here for Conference Committee

Hearing Date: February 3, 2009

Recorder Job Number: 8566

Committee Clerk Signature



Minutes:

Rep. John Wall explained what the sub committee consisting of Rep. Wall, Rep. Hunsakor, and Rep. Rust did on HB 1357. **(See Attachments 1, 2, & 3.)** This is a total rewrite, a hoghouse of the original 1357. The sub committee met with a representative of NDEA, Bev Nielson, and a representative of the Bank of North Dakota. We tried to figure out how to get the fiscal note down on the original 1357. We found that what we were trying to accomplish if we did it we would get away from all of the federal loan guarantees. We would get rid of the federal forgiveness loans. By so doing, we jeopardize students. We took a shot at just buying down and staying in the federal loan program interest rates for teachers. Our premise was to get the interest rate to no more than 4%. The proposed amendment does exactly that. Attachment 3 is the closest thing he could get to a fiscal note. The price tag would be \$2.2 million for the 2009-2011 biennium.

Rep. Dennis Johnson: If you were in the profession for 15 years and had student loans yet, would that qualify you being you are employed the last 9 months and a full time teacher? Any teacher would qualify?

Rep. John Wall: I think you are correct. I would hope that is also in the fiscal note.

Rep. Lee Myxter: They would have to reside in North Dakota. How would this affect teachers that live in East Grand Forks, Moorhead, and Breckenridge and teach in North Dakota?

Chairman Kelsch: You have to be a resident of the state. You have to be licensed by ESPB. You have to be employed as a full time teacher during 9 of the preceding 12 months, and you have to be employed as a full time teacher in this state. You would have to meet all those requirements. Part of it is you are using state tax dollars for the buy down.

Rep. Lyle Hanson: What is the definition of a full time teacher?

Chairman Kelsch: I am sure a full time teacher is one that is teaching full time.

Rep. David Rust: TFFR uses a number.

Josh Askvig, NDEA, was asked the question. To answer Rep. Hansen's question, it would be determined by their contract, and if they are contracted as a full time teacher, it will state full time and that is usually governed by how many hours they work in a day under their contract as negotiated. TFFR also does have definitions of what constitutes full time.

Rep. Brenda Heller: On the email to John from Shirley Glass, on that third bullet it says we would not be seen on existing loans, so this would be for students who are just becoming teachers. Is that right?

Chairman Kelsch: That is probably the way they interpreted it.

Rep. David Rust: The reason why they would not pay off existing loans is they pay off existing loans and then if you had 4% interest rate, you lose those loan forgiveness and those federal benefits.

Rep. John Wall moved to accept the amendment 90665.0101. **Rep. Dennis Johnson** seconded the motion.

Voice vote taken. Motion carries.

Rep. John Wall moved a **Do Pass as Amended**. **Rep. Corey Mock** seconded the motion.

Rep. Corey Mock: For those on the sub committee, it is my understanding that this would not apply to any existing loan. It is only for new loans. Is this is correct?

Chairman Kelsch: That is what I see when I read that last sentence.

Rep. Corey Mock: I am just going back to Rep. Johnson's example of the 15 year teacher with student loans outstanding. We are subsidizing the interest down to 4%.

Rep. Phillip Mueller: That doesn't confine you to brand new teachers, I wouldn't think.

Chairman Kelsch: I am assuming that Shirley has taken into consideration the number of teachers that we would have in the state that would have loans for buy down purposes. If you are not comfortable and would like to wait, we have the amendment on it and we can wait until ____.

Rep. David Rust: I thought in all of our conversations with the Bank of North Dakota, what we were asking was to buy down the interest on loans for teachers who are currently teaching in the state of North Dakota and future ones as well. It was to buy down the interest and, therefore, you don't pay off the existing loan because you don't want to lose those benefits of having a federal loan with loan forgiveness and federal benefits. It applies to all people who have loans. You are simply buying down the interest.

Chairman Kelsch: That is where we need a fiscal note.

Rep. Lyle Hanson: Why would a teacher want to take a loan out after—she isn't a teacher until she graduates? Why would you want to take a loan out after you have graduated?

Chairman Kelsch: Some of the teachers potentially still have their loans, and they are paying off their loans. Some of these loans are lower than 4%. Some of them wouldn't apply to some teachers that currently have the loans. Others that are about 4% would apply to them. You may have a couple of teachers that have two years of loans left, and they are sitting at 6.8% or 7% and it would buy it down to 4%. I am sure that when Shirley did the fiscal note she took into account what loans are out there.

Rep. David Rust: I like everything about this but I think I am going to vote no because of the fiscal note.

DO PASS AS AMENDED AND REREFERRED TO APPROPRIATIONS. 12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING. Rep. John Wall is the carrier of the bill.

FISCAL NOTE
Requested by Legislative Council
02/06/2009

Amendment to: HB 1357

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$1,281,808)		(\$1,281,808)
Expenditures				\$100,000		\$50,000
Appropriations				\$0		\$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB1357 will require Bank of North Dakota to buy down student loan interest rates to 4% for teachers residing & teaching in North Dakota. The bill permits Bank of North Dakota to assess a service fee for administering the program.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Based on data that Bank of North Dakota (BND) obtained from the North Dakota Teacher's Fund for Retirement and Student Loans of North Dakota, BND estimates that 3421 teachers with loans totalling \$40,056,500 may be eligible for this Program during the 2009-2011 biennium.

The weighted average interest rate of all loans held by BND is approximately 5.6%. A buy down of interest rates to 4% will reduce BND earnings approximately \$1,281,808 ($\$40,056,500 \times 1.6\% \times 2$) for each of the next two bienniums (2009-2011 & 2011-2013).

The total cost of this program will have a negative fiscal impact to BND earnings in amounts of \$1,381,808 for the 2009-2011 biennium and approximately \$1,331,808 for each subsequent biennium assuming interest rates do not increase. These amounts are calculated by adding the expenditures to the cost of the interest rate buy down.

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.*

This interest buy down program would not generate any revenues for BND.

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.*

The cost to create and implement this interest buy down program, along with counseling borrowers and servicing loans during the 2009-2011 biennium is estimated at \$100,000, which includes 1 additional FTE.

BND estimates the cost to administer this program in subsequent bienniums is \$50,000.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and*

appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

Bank of North Dakota requests \$1,381,808 be appropriated for the 2009-2011 biennium and \$1,331,808 for each subsequent biennium from the General Fund to administer this interest buy down program.

Name:	Julie Kubisiak	Agency:	Bank of North Dakota
Phone Number:	701-328-5621	Date Prepared:	02/09/2009

FISCAL NOTE
Requested by Legislative Council
01/19/2009

REVISION

Bill/Resolution No.: HB 1357

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$801,130		\$44,880
Expenditures				\$100,000		\$25,000
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB1357 will provide low interest loans to teachers residing & teaching in North Dakota. Each eligible teacher is entitled to refinance up to \$50,000 of existing student loan debt through Bank of North Dakota (BND). The bill permits Bank of North Dakota to assess fees for administering the new loan.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Bank of North Dakota estimates that section 1 of the proposed bill could require initial appropriations of over \$40m for the 2009-2011 biennium. Based on data obtained from the North Dakota Teacher's Fund for Retirement, BND presumes that 3421 teachers may be eligible for this Program during the 2009-2011 biennium. Based on data obtained from Student Loans of North Dakota, the average student loan debt of a borrower is \$22,000. Group 1 includes 154 teachers at an age of 24 or less with an average education debt of \$22,000 totalling \$3,388,000. Group 2 includes 1038 teachers at an age of 25 to 29 with an average education debt of \$16,500 totalling \$17,127,000 (25% paydown). Group 3 includes 1018 teachers at an age of 30 to 34 with an average education debt of \$11,000 totalling \$11,198,000 (50% paydown). Group 4 includes 1109 teachers at an age of 35 to 39 with an average education debt of \$5500 totalling \$6,099,500 (75% paydown). Group 5 includes 102 new teachers entering the field during the 2009-2011 biennium with an average education debt of \$22,000 totalling \$2,244,000. The combined groups bring the total initial appropriations to \$40,056,500.

This bill may add additional liability to the State of North Dakota. Currently, loans under the Federal Family Education Loan Program (FFELP) are reimbursed at 100% by the Department of Education when a borrower dies, becomes totally and permanently disabled, files bankruptcy, or when other specific events occur. In addition, FFELP loans are reimbursed at 97% by the Department of Education when a borrower defaults on their loans. This program will void this guarantee causing the State of North Dakota to absorb those losses. BND's current default rate is 1.8% and assuming that 1.8% of these loans would default, could result in losses of \$721,017 for the 2009-2011 biennium period. Data is unavailable on loans for teachers where BND was reimbursed 100% and is not included in the loss calculation.

Estimated revenues to BND for the 2009-2011 biennium are \$801,130. Additional revenues for subsequent bienniums are estimated at \$44,880. These amounts are based on a service fee of 2%.

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.*

This Loan Program could produce initial revenues of \$801,130 to BND. Subsequent biennium revenues are estimated at \$44,880. These amounts are based on a service fee of 2%.

- 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.*

The cost to create and implement this Loan Program, along with counseling borrowers and servicing loans during the 2009-2011 biennium is estimated at \$100,000, which includes 1 additional FTE.

BND estimates the cost to administer this program in subsequent bienniums is \$25,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Eric Hardmeyer	Agency:	Bank of North Dakota
Phone Number:	701-328-5674	Date Prepared:	01/16/2009

FISCAL NOTE
Requested by Legislative Council
01/13/2009

Bill/Resolution No.: HB 1357

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$801,130		\$44,880	
Expenditures			\$100,000		\$25,000	
Appropriations			\$40,056,500		\$2,244,000	

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB1357 will provide low interest loans to teachers residing & teaching in North Dakota. Each eligible teacher is entitled to refinance up to \$50,000 of existing student loan debt through Bank of North Dakota (BND). The bill permits Bank of North Dakota to assess fees for administering the new loan.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Bank of North Dakota estimates that section 1 of the proposed bill could require initial appropriations of over \$40m for the 2009-2011 biennium. Based on data obtained from the North Dakota Teacher's Fund for Retirement, BND presumes that 3421 teachers may be eligible for this Program during the 2009-2011 biennium. Based on data obtained from Student Loans of North Dakota, the average student loan debt of a borrower is \$22,000. Group 1 includes 154 teachers at an age of 24 or less with an average education debt of \$22,000 totalling \$3,388,000. Group 2 includes 1038 teachers at an age of 25 to 29 with an average education debt of \$16,500 totalling \$17,127,000 (25% paydown). Group 3 includes 1018 teachers at an age of 30 to 34 with an average education debt of \$11,000 totalling \$11,198,000 (50% paydown). Group 4 includes 1109 teachers at an age of 35 to 39 with an average education debt of \$5500 totalling \$6,099,500 (75% paydown). Group 5 includes 102 new teachers entering the field during the 2009-2011 biennium with an average education debt of \$22,000 totalling \$2,244,000. The combined groups bring the total initial appropriations to \$40,056,500.

This bill may add additional liability to the State of North Dakota. Currently, loans under the Federal Family Education Loan Program (FFELP) are reimbursed at 100% by the Department of Education when a borrower dies, becomes totally and permanently disabled, files bankruptcy, or when other specific events occur. In addition, FFELP loans are reimbursed at 97% by the Department of Education when a borrower defaults on their loans. This program will void this guarantee causing the State of North Dakota to absorb those losses. BND's current default rate is 1.8% and assuming that 1.8% of these loans would default, could result in losses of \$721,017 for the 2009-2011 biennium period. Data is unavailable on loans for teachers where BND was reimbursed 100% and is not included in the loss calculation.

Estimated revenues to BND for the 2009-2011 biennium are \$801,130. Additional revenues for subsequent bienniums are estimated at \$44,880. These amounts are based on a service fee of 2%.

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.*

This Loan Program could produce initial revenues of \$801,130 to BND. Subsequent biennium revenues are estimated at \$44,880. These amounts are based on a service fee of 2%.

- 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.*

The cost to create and implement this Loan Program, along with counseling borrowers and servicing loans during the 2009-2011 biennium is estimated at \$100,000, which includes 1 additional FTE.

BND estimates the cost to administer this program in subsequent bienniums is \$25,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

\$40,056,500. See section 2B for an explanation of estimated appropriation amounts.

Name:	Eric Hardmeyer	Agency:	Bank of North Dakota
Phone Number:	701-328-5674	Date Prepared:	01/16/2009

VR
2/4/09

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1357

Page 1, line 2, remove "low" and replace "loans" with "rate buydowns"

Page 1, replace lines 6 through 17 with:

"Interest rate buydowns - Teachers."

1. Each year, the Bank shall buy down to four percent the interest rate on any student loan held by an eligible individual. For purposes of this section, an eligible individual is one who:
 - a. Is a resident of this state;
 - b. Is licensed to teach by the education standards and practices board;
 - c. Was employed as a full-time teacher in the state during nine of the preceding twelve months; and
 - d. Is employed as a full-time teacher in this state.
2. The Bank may assess a service fee for administering this section and may establish terms and conditions necessary to effect this section."

Renumber accordingly

Date: 2-3-09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1357

House	Education	Committee
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☐ Check here for Conference Committee

Legislative Council Amendment Number 90665.0101

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Rep. Wall Seconded By Rep. D. Johnson

[illegible]

Total (Yes) _____ No *motion car*

Absent _____

Floor Assignment _____

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

Date: 2-3-09
Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1357

House Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90665.0101

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended

Motion Made By Rep Wall Seconded By Rep. Mock

Representatives	Yes	No	Representatives	Yes	No
Chairman RaeAnn Kelsch	✓		Rep. Lyle Hanson	✓	
Vice Chairman Lisa Meier	✓		Rep. Bob Hunsakor	✓	
Rep. Brenda Heller	✓		Rep. Jerry Kelsh		
Rep. Dennis Johnson	✓		Rep. Corey Mock	✓	
Rep. Karen Karls	✓		Rep. Phillip Mueller	✓	
Rep. Mike Schatz	✓		Rep. Lee Myxter	✓	
Rep. John D. Wall	✓				
Rep. David Rust		✓			

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep Wall

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

Refer to appropriations

REPORT OF STANDING COMMITTEE

HB 1357: Education Committee (Rep. R. Kelsch, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1357 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "low" and replace "loans" with "rate buydowns"

Page 1, replace lines 6 through 17 with:

"Interest rate buydowns - Teachers."

1. Each year, the Bank shall buy down to four percent the interest rate on any student loan held by an eligible individual. For purposes of this section, an eligible individual is one who:
 - a. Is a resident of this state;
 - b. Is licensed to teach by the education standards and practices board;
 - c. Was employed as a full-time teacher in the state during nine of the preceding twelve months; and
 - d. Is employed as a full-time teacher in this state.
2. The Bank may assess a service fee for administering this section and may establish terms and conditions necessary to effect this section."

Renumber accordingly

2009 HOUSE APPROPRIATIONS

HB 1357

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1357

House Appropriations Committee
Education and Environment Division

☐ Check here for Conference Committee

Hearing Date: February 10, 2009

Recorder Job Number: 9057

Committee Clerk Signature	<i>Shirley Branning</i>
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Minutes:

Chairman Skarphol: Called the Committee to discuss Engrossed HB 1357, the appropriation to provide a Teacher Loan drawdown by calling on **Eric Hardmeyer, President and CEO at the Bank of North Dakota (BND).**

Mr. Hardmeyer: Provided testimony in opposition to Engrossed HB 1357, see attachment # 1. He reviewed the Engrossed bill.

Rep. Klein: You're looking at BND buy down would be 1.6%. Do you have any idea what it would be on any of these others? I suppose it would be considerably higher.

Hardmeyer: We don't know what they charge. We know that for the Federal programs, everybody is charging the same rate. The rate is mandated by the Department of Education. This includes any student loans. Sallie Mae alternative rates are closer to 9-10%. This fiscal impact could be higher but we've lumped it all together.

Rep. Wald: The bill says that they have to be teaching for 9 months and remain in North Dakota. How do you monitor teachers coming and going?

Hardmeyer: With a change of address.

Rep. Wald: Then readjust?

Hardmeyer: We have an archaic program that needs readjusting, pending the approval of our appropriation bill. It would be hard to program this, convert to another system and reprogram. In response to questions about student loans and the rates a brochure was developed, see attachment # 2.

Chairman Skarphol: Are there any others besides the technology and the teachers that you do have a program for, other occupations that are in high demand.

Hardmeyer: There are things for veterinarians, etc. We were dealing with another bill, 1547, that created a massive buy down program for all student loan borrowers in the state. That carried a fiscal impact of about \$22.5M. Continuing with attachment # 2, explaining rates for loans. Student loan interest rate on the federal program is 6.8% if it is an unsubsidized loan. BND does not get all of the 6.8%, only about half. At the end of last quarter, we earned about 3.92%. That commercial paper rate has dropped and will continue to drop this quarter, so that our share will be about 2.5-3.0%. About 4% goes back to the Federal Government. We are barely breaking even.

Rep. Kroeber: The total profits for BND last session was a little over 40% from student loans. Is that still the case?

Hardmeyer. That has changed dramatically with the federal government's because of interest rate cuts, fee cuts. It is probably 20% or less of our total profits. We made \$57M last year in 2008. Estimates are that about \$12M of that came from student loans.

Rep. Kroeber: Is there anything that students that still have the loans that are in the 9% area can do to get that lowered? We did the bond so that we could pay a lower rate. Can students do anything to get that lower rate?

Hardmeyer: The consolidation program is available

Rep. Kroeber: What was the rate on that?

Hardmeyer: That was an amalgamation of their combined interest rates. Whatever their rates were when they took out the loan, we weighted it and said this is your rate. Some could be ten years old. Borrowers are seeing a benefit in this historic low. Our total average is 5.6%. The alternative loan program is adjusted every quarter and we provide both a variable rate and fixed rate options. Student picks. The variable rate is 2.960%. The fixed rate is 5.99%.

Rep. Onstad: If they were at an 8%, can they refinance to get to a lower interest rate?

Hardmeyer: If you're variable, you can choose a fixed rate when they go into repayment. We go out and lock in a margin on the fixed rate plans. There is no opportunity to prepay that debt without a penalty. For that reason, students aren't allowed to go from fixed to variable.

Rep. Onstad: You're estimating that 3400 teachers would have access to this program. If BND

Has 60% of all student loans, are we assuming that if we dealt with teachers that have loans with BND, can we say that 60% or about 2000 teachers?

Hardmeyer: Teachers will say it is unfair to give this only to those borrowing from BND.

Rep. Onstad: If that was 60%, then that \$1.3M we're looking at 60%, so it is more like \$600,000.

Rep. Wald: Is there a discrimination issue here?

Hardmeyer: Just using our portfolio? It could be a fairness issue.

Chairman Skarphol: What is the utilization on the loan forgiveness program? Is it pretty high?

Hardmeyer: 339 teachers benefited from it last year on the shortage loan forgiveness and 291 individuals in the technology occupation student loans.

Chairman Skarphol: About 10% of them qualify? Qualification is based on what?

Hardmeyer: When the teacher shortage?

Julie Kubisiak, SVP – Director of Student Loan Services BND: The forgiveness program is administered by the University system. They set the policy standards. There is a bill in place to increase the dollar amount for eligibility as far as \$1000 to \$2000 and the aggregate for \$5000 to \$10,000.

Chairman Skarphol: So that's in the budget of the Higher Education system?

Kubisiak: Yes, it is.

Chairman Skarphol: It is not a separate bill.

Kubisiak: It is, SB 2226 and is also included in the \$40M appropriation.

Rep. Kroeber: Addressing **Karlene Fine, Executive Director of the Industrial Commission**, who handles the Student Loan Trust Fund. I see there is \$14M, is there any possibility it could be financed out of the Student Loan Trust Fund?

Fine: There is money in the Student Loan Trust and the legislature has the ability to choose what source they could take money from. The amount of profits the student Trust Loan will gain during the biennium has already been allocated in the Governor's executive budget to be going to fund the veterinary students at Kansas State and to provide funding to the board of Higher Education for their computer system. You'd be going to the core of the trust if you were to take funds from this to the Loan Trust.

Rep. Kroeber: We still have the old issue and the new issue and this involved with the Student Loan Trust and the amount of interest dollars that will continue to be available or declining.

Fine: That is correct.

Rep. Kroeber: But we still have \$19M in the student Loan Trust.

Fine: Actually we have \$19M in the second resolution of the Student Loan trust and in the first we have approximately \$20M, so in total there's about \$48M in the Student Loan Trust.

Rep. Onstad: What are those otheryou mentioned the vet students and the higher ed..
What portion is gonna help fund higher eds?

Fine: There's \$1.2M that's being designated for the computer system. That's within the overall university system budget.

Rep. Kroeber: Then its \$190,970 for the vet program. Those are the two that are taken out of that. The first issue is the \$19M that's in my book and the second issue ..that's two different deals.

Fine: There's two resolutions, the 1979 resolution and the 1996 resolution and the total assets that are available at the end of the 2007 biennium, was \$48.5M.

Rep. Kroeber: What was the actual in '90, whatever it was?

Fine: It was just over \$27M.

Chairman Skarphol: We need to take action.

Rep. Wald: I move a **Do Not Pass on HB 1357.**

Rep. Klein: Second.

Rep. Kroeber: I think we should have some discussion on the student loan trust fund and see if there's some other options if we feel that this is a worthy bill or not, there is an option here for funding.

Chairman Skarphol: In my opinion it's a laudable goal but there's potential resources available already, I'm not sure we should adding to it and especially in a fashion that complicates the issue for the BND even further.

Rep. Kroeber: The BND is out of it if we use the Student Loan Trust.

Chairman Skarphol: It still keeps in Wells Fargo, Sallie Mae and all the other entities.

Rep. Klein: I'm looking at the new program coming out in July 1, that income based repayment. That'd be a tremendous boost, cutting their payments by 47%. I don't think we need this one.

Chairman Skarphol: Any further discussion. If not take the roll on a Do Not Pass on HB 1357.

Do Not Pass: Yes 6, No 2, Absent 0. Carrier – Rep. Klein.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No.HB1357

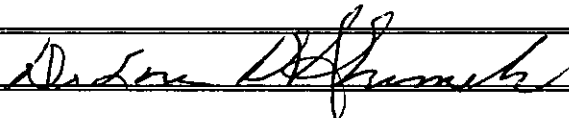
House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 11, 2009

Recorder Job Number: 9288

Committee Clerk Signature



Minutes:

Chairman Svedjan: opened the hearing on HB 1357.

Rep. Klein: bill that has interest rate buy down for teachers. We took testimony from the President of the Bank of North Dakota. He said the average rate right now is 5.6%. This would buy it down to 4%. The buy down from all loans, including loans from other institutions, and some run as high as 9% and 10% so he is looking roughly at \$40 million hit to the bank. There are so many other bills that relate to buy downs and we determine at that time this is not a feasible to do that. **Do Not Pass Motion Made By Rep. Klein; Seconded by Rep. Wald.**

Discussion:

Rep. Ohnstad: If we look at just Bank of North Dakota loans is would include 3400 teachers; 60% of those probably deal with the Bank of North Dakota. If the fiscal note is at \$1.2 million; we could lower that down to about \$600,000. If language is put in place to just deal with loans at the Bank of North Dakota. I think we should just deal with Bank of North Dakota loans only.

Rep. Klein: Now you would create these different groups. You have someone else in the same category that has a 9% loan and he can't get any help but he is a teacher in ND too.

This other one that had his loan though the Bank of North Dakota got it down to 4% you are creating some problems among the system.

Rep. Delzer: Did you ask what it would cost to go to the 4% from anyone that graduates from the ND High School and goes to a ND college? Not just a teacher; just anybody?

Rep. Klein: This is one of the things Bank of ND makes a lot of money off of student loans and I am not sure we should be charging as high an interest rate as we are charging to our ND graduates from ND high schools that go to ND colleges.

Rep. Skarphol: The current situation with student loans with the Bank of ND are paying about 6.8% interest and of that 6.8% they require to give back to the federal government 3.92% of that so they are actually earning 2.8%. There is a teacher shortage loan forgiveness program that provides up to \$1000/annual up to a maximum \$3,000 currently in law; there is additional federal program if the teacher qualifies for it where between \$5,000 and \$17,500 can be forgiven depending on their qualifications. There are programs out there for teachers in critical areas right now. The only other occupation that has that type of program is for technology graduates so there are programs out there already. The Bank of ND did not think it was time for this type of program and thought it was appropriate not to do it.

Rep. Klein: All of the teaching professions are critical except Phy. Ed and another one so it would apply to all teachers, not just the critical ones.

Rep. Berg: On the interest rate; how is it set?

Rep Skarphol: Interest rates on BND loans; they vary substantially from less than 4% for about 23% of the portfolio; from 4-6% for 12% of the portfolio; from 6-7% for 7% of the portfolio; up to as high as 9% and that applies to 7% of the portfolio. Some are variable rates and some are fixed rate. It depends on the credit risk etc.

Rep. Klein: We have federal programs that forgive between \$5,000 and \$17,500 so there are so many variations out there so if we would be duplicating some additional.

Vote: 22 Yes 3 No 0 Absent Carrier: Rep. Klein

Date: Feb. 10
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1357

House House Appropriations Education and Environment Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Rep. Wald Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Bob Skarphol - Chairman	✓		Joe Kroeber		✓
Francis Wald - Vice Chairman	✓		Kenton Onstad		✓
Kathy Hawken	✓		Clark Williams	✓	
Matthew M. Klein	✓				
Bob Martinson	✓				

Total Yes 6 No 2

Absent _____

Bill Carrier Rep. Klein

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

Date: 2/11/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1357

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken do Not Pass

Motion Made By Klein Seconded By Wald

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad		✓
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim	✓	
Rep. Thoreson	✓		Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland	✓				

Total (Yes) 22 No 3

Absent 0

Floor Assignment Rep. Klein

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

REPORT OF STANDING COMMITTEE (410)
February 13, 2009 6:16 p.m.

Module No: HR-27-2802
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1357, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)
recommends **DO NOT PASS** (22 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1357 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

HB 1357

Attachment 1
make 2

My Debt, My Life

NEA members are struggling with student loan debt of unprecedented proportions. Here's why it matters, even if your college days (and bills) are a thing of the past.

By Cynthia Kopkowski

Funny thing about educators, they're good at math. Some of them even teach it. So they know that if they make \$28,000 a year and owe \$15,000 on student loans, they're in big trouble.



I enrolled in grad school to defer my student loans. When you first enroll and fill out the forms, you really just care about getting your tuition and fees paid for. But once you start realizing how much you're going to have to pay back, it doesn't feel the same anymore. There was a time when I thought about changing my major, but I decided to stick it out. Still, when I think about these loans, I think about the burden on my family. I'm borrowing my mother's car; she's sacrificing her vehicle. I'm living somewhere I don't really want to live. There are a lot of things I really want to do but can't. I'd like to travel.

That's the kind of arithmetic that a growing number of them, especially new teachers and current education majors, are agonizing over as college costs balloon and salaries stagnate. Many young people, increasingly savvy about their future income-to-debt ratio, are making decisions about careers based on the reality of having to repay loans. So at a time when there is a great need for qualified teachers, young people are

discouraged from entering the profession.

Today, two-thirds of four-year college graduates leave with student loan debt, compared with less than a third just 10 years ago, according to the State Public Interest Research Group's Higher Education Project. And they carry twice as much debt as they did 10 years ago, too.

"We absolutely see a chilling effect," on public service professions, says Robert Shireman, director of the Project on Student Debt. "Students are setting their sights on the future and saying, 'I can't afford to be a teacher or a social worker.'"

Estimates by the research group found that 23 percent of public college graduates leave school with too much debt to manageably repay their loans on a starting teacher's salary. It jumps even higher for students leaving private colleges. Because of the cost of living and teacher salaries, graduates are in the worst shape with unmanageable debt in New Hampshire, Wisconsin, North Dakota, Vermont, Utah, Maine, South Dakota, Montana, Connecticut, and Minnesota.

Read what our members are saying about this story.

After completing his undergraduate career at Alabama A&M University, Anthony Daniels owed more in loans than he would make as a starting teacher. In part to defer the loans, and hoping to improve his salary prospects, he went to graduate school. Now he's \$58,000 in debt and considering walking away from teaching in favor of law school. "Unfortunately my situation is not unique," says Daniels, the chair of NEA's Student Program. "In fact, it is becoming the norm. We are losing too many qualified teachers because of student loans. It's not just a burden, it's a barrier."

How Did We Get Here?

There is no "in my day, we walked five miles uphill in the snow to get to school" corollary for what's happening to today's college graduates. "Things are different for this generation compared to the last," says Shireman. "People say, 'Oh, I got through college and managed to pay,' but that's just not the case anymore because the costs are growing so significantly."

Since 1994, debt levels for graduating seniors more than doubled to \$19,200, according to the Public Interest Research Group. (For 8 percent of graduates, their loans top a whopping \$40,000.) Factoring in inflation, the average student debt burden in 2004 was almost 60 percent higher than in 1994.

Black and Hispanic college



Ashley Davis,
26
Student
Member
University of
Alabama -
Birmingham

\$15,000 in
Student Loan
Debt

*My
education
is
valuable
to me; it
will help*

me become the type of teacher I'd want teaching my daughter. But I'm a single mother and have to finance my education somehow. I started taking out loans about a year and a half ago. Knowing that I'm going into a profession that pays so little is very overwhelming. I want a new home but it doesn't look like it's in my future. The debt is taking away from money I could be spending on my daughter. I need a new car. Mine has 206,000 miles on it and I don't know how much longer it will last. But I have a love for children and education, and I knew from the very beginning I'm not doing this for the pay. At the same time, it's very scary knowing that I'm going to owe a lot more than I can make.

graduates are hit even harder than their White counterparts, according to the Project on Student Debt. Black graduates have a higher amount of student loan debt and more of them have debt than White graduates. The number of Hispanic students with debt is on par with Whites, but they carry more debt.

Among NEA members specifically, a majority of those who have been teaching less than four years have student loan debt, according to a 2006 NEA Member Benefits poll. For half of that group, the bill totals more than \$15,000.

Why did this become, as one author dubbed it, "Generation Debt"?

For starters, tuition costs are rising faster than inflation—they've ballooned 42 percent in the past five years (and inflation is outpacing teacher salaries, too). That's been the trend for nearly two decades. And wages have stalled. In 2006,

the median U.S. household income dropped 2 percent. Consider that families are increasingly squeezed by health care and housing costs. Then factor in that the previous Congress hiked interest rates on student loans and cut \$12 billion from the Federal Student Aid program. At the same time, today's economy dictates that one needs more than a high school diploma to join the middle class. College graduates earn \$1 million more during their lifetime than those without a degree, according to the U.S. Census Bureau. "So it's becoming increasingly important and increasingly expensive," to pursue higher education, says Shireman.

When it's time to find the money, students are more and more often turning to private lenders who loan money freely but often on less-favorable terms than government loans. A decade ago, private lenders

were responsible for only 5 percent of the education loan dollars in use. Now they comprise 20 percent and it's become a \$17.3 billion market. Sallie Mae, the largest private lender in operation, reported \$1 billion in profits last year. At one online retailer, 20 bucks buys a T-shirt that states in bold, black letters, "Property of Sallie Mae."

Two Generations of Debt



Student Loan Debt

My husband and I are both students. He's been taking a loan out every year. He only qualified for financial aid after we got married and had our son. Seventy-five thousand dollars-this is how much we're going to owe. We're hoping that if we suffer a little now, we'll be better off down the line. When we get done with school we want to buy a house, but I think we're going to have problems. With our student loans out and credit card bills, we might not have that chance.

Some households would need two of those T-shirts. As career-changers enter the profession from other fields and current teachers go back to school for master's degrees in the hopes of eking out a better salary, their bills are mounting, too.

Susan Knable, a 46-year-old special education teacher in Collins, Ohio, has \$51,000 in student loan debt. She accrued it between 1990 and 2000 while working to get her undergraduate and

master's degrees. Living in a rental apartment, Knable-a divorced mother of four-says she would probably be able to own a home by now if it weren't for her loans, which she likens to a 20-year mortgage. Each month, one of her paychecks goes to rent and bills. The second paycheck goes to the student loan. "I have a personal goal to get rid of that debt by 50, but I don't know if I'll make it," she says. "I might extend it to 52." Her children have now graduated and they, too, have loans. But, she points out, when her son finished college and went into the Air Force, his starting salary as a second lieutenant was a figure she didn't see until her eighth year of teaching.

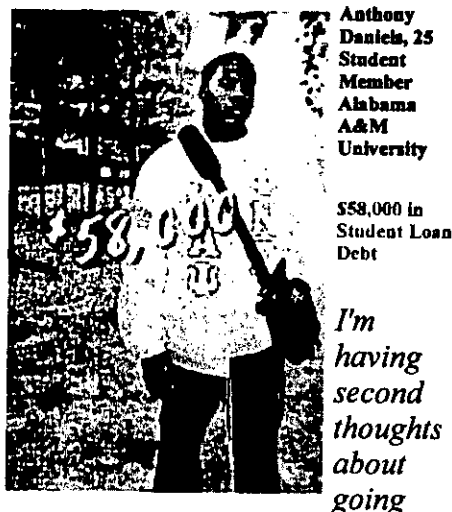
Fellow Ohioan Terri Crothers, a 44-year-old art teacher in Gallipolis, carries \$50,000 in student loan debt, which she started accumulating in 1996 after switching careers. That was the amount that she came up short even after investing \$20,000 of her own savings in her schooling. Like many teachers who have debt but have been working for a number of years, Crothers is left out of legislation that offers

loan forgiveness. Provisions that allow for cancellation of Perkins and Stafford loans for teachers working in low-income schools are limited and available only to those who got the government loans on or after October 1, 1998. Many people don't understand that "a lot of the legislation is focused on people about to come out of school," Crothers says. "But I'm in a situation where my kid has braces, we've got a mortgage, and I've got student loan debt."

On her salary, something has to give, and it's the student loans. Crothers admits that she is six months behind in her payments, a delinquency that keeps her awake some nights, wondering how she will ever catch up. "We're teachers and we're providing a public service," she says. "Since our pay certainly isn't keeping up, we could use help on this."

Even members who aren't personally hampered by student load debt will feel its effects. Lobbying strength at the bargaining table and in legislative halls is sapped when young members aren't involved because they're overwhelmed by student loans. Worse, their debt makes them susceptible to viewing union membership as a non-essential expense. Mike Langyel, a high school teacher in Waukesha, Wisconsin, and a veteran member of the Milwaukee Teachers Education Association bargaining team, sees the corrosive effect on union advocacy in his area.

"These young people are really getting killed on student loans," says Langyel, who points out that many of his young colleagues work second jobs to stay afloat. "To try to get them involved in union activities when they are struggling with student loan debt isn't going to work." Teachers are also pressured to go back to school for advanced degrees to get more money, Langyel says, meaning higher turnover on school staffs and deepening debt for them. Everyone wants their schools packed with highly qualified teachers, but when it



Anthony Daniels, 25
Student Member
Alabama A&M University

\$58,000 in
Student Loan
Debt

*I'm
having
second
thoughts
about
going*

into teaching. How am I going to afford to have a family? Buy a house? My federal loan payment is \$326 a month. My private loan payment, after I consolidated, is \$300. Had I not consolidated, it would have been \$600 or \$700 a month. That's on a \$34,000 salary. I would be living on the street at that amount. Along with my car payment and auto insurance, I was dropped from my parents' health insurance. It all adds up. It's forcing me to want to go to law school more and more.

comes to financing those advanced degrees, educators are on their own.

Observing the bind his younger colleagues are in, he thinks, "this is going to be a tough life for them."

Fighting on the Hill to Lower the Bill



I was lucky to get some scholarships, but I've still got a little more than \$30,000 in debt. I'm responsible for \$17,088 and my parents are covering the remaining \$13,000. I'm growing concerned about next semester. I'll be student teaching, which means I can't hold another job and I have bills to cover and car payments to make. Books alone are expensive. So I'll probably have to take out another loan to cover me while I'm student teaching. I miss being able to go out to eat or go to a movie, the simple things that add up each week. But I have such a deep passion for teaching kids and seeing their faces light up when they learn something new. I will love being a part of that. My dad is a teacher and hearing his stories is a big part of why I want to teach.

Assistance for future students came this past summer with the passage of legislation providing \$20 billion to increase grant aid for low-income students and cut subsidies to student loan companies. The new law increases the Pell Grant program to \$4,800 next year (and \$5,400 by 2012) by replacing the \$12 billion cut previously. Also, it slashes in half the interest rates on subsidized student loans.

This College Cost Reduction and Access Act is a sweeping piece of legislation being compared to the G.I. Bill. Student lenders fought the reform

vehemently. Left out of the final law-thanks in part to pressure on legislators by NEA members mobilized by the Association's "College Affordability Concerns Me" campaign-was a troubling amendment that would have given student loan companies more than \$4 billion at the expense of the grant aid to students.

But the work isn't over. NEA is redoubling its efforts to push for a \$40,000 starting salary for all teachers, says Bill Raabe, director of NEA Collective Bargaining and Member Advocacy. "We have a real opportunity to help engage younger members," he says. "We can show them that involvement with the Association will help them help

themselves to improve salaries to, in turn, pay off those loans."

And NEA continues to advocate for legislation that will make it easier to consolidate loans. Daniels, a leader in the affordability campaign, also calls on educators to be careful observers of what candidates in the 2008 races have to say about making college more affordable. If they say nothing, or give unsatisfactory answers, they must be pushed by grassroots activism, Daniels says. "We must hold these people accountable." He'll be visiting college campuses this year, urging students to register to vote and to cast their vote based on their education priorities. "We're going to make this a turnout issue," vows Daniels.

THE BOTTOM LINE



Kristi Uzzo, 23
Second-Grade
Teacher
Oswego, Illinois

\$15,000 in Student
Loan Debt

My
grandparents
set up a
college fund
for me. I

thought that was going to be enough, but because of the tuition increase it ended up not even being enough for four years. Everyone wants good teachers to educate youth and yet we're leaving educators with so much debt. I'm seeing people who could be really great teachers, but because of the debt they've left the field. Now that I'm officially on my own, I'm living paycheck to paycheck. I wouldn't be able to afford a mortgage. With groceries and all of my bills and insurance it's kind of scary. And not even supporting a family. My district is really encouraging us to go back for our master's because first-year teacher pay isn't all that great. A lot of people have expressed concerns about getting through it financially.

Despite all the financial obstacles facing those with student loans, they are optimistic about their work. "I see in our young teachers a real goodness," says Milwaukee's Langyel. "They are really committed and they're really caring. The big challenge for us is to help them survive."

A little help is all Kristi Uzzo, an earnest suburban Chicago teacher, is asking for as she begins her career with a \$37,000 salary and a \$15,000 student-loan debt. "If you really love the profession, you'll find a way to make it work," says Uzzo, who has wanted to teach since second grade—the very grade she teaches now. "I'm committed to budgeting my money and making it work."

Wouldn't it be nice if she didn't have to "make it work" just to be able to do her work?

Your Debt, Your Life

The Conversation Doesn't End

Here Almost immediately after we posted a query seeking teachers' student loan debt horror stories in our online forum, members began posting their amounts. \$8,500

here, \$169,000 there.

The amounts are staggering. A few examples:

*"Finally, someone that's in the same boat....I currently owe \$90,000+ in student loans. I went back to school when I suddenly found myself without a spouse and three children to support. Because I didn't have a way of paying for the education I so desperately wanted, I had to apply for student loans." - **Lois Johnson***

*"I'm a junior in college majoring in elementary education. My current student loan debt is about \$20K, and will be higher by the time I graduate. I'm terrified at the thought that when I start my new teaching career I won't be able to afford the payments on my student loans. I will not have the comforts that most college graduates can afford. - **Karen Mcleroy***

Send your comments on this story to ckopkowski@nea.org.

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Fiscal Impact to the State of North Dakota specific to HB 1547 and HB 1357 assuming an interest subsidy is provided only to students that meet the criteria identified in these bills.

Request from Rep Mock

The following information is based on loan balances and interest rates as of December 31, 2008.

Scenario for HB 1547:

This scenario assumes that the State of North Dakota would subsidize all student loans obtained by students who have graduated within the last 10 years and have resided in North Dakota the past 12 months as described in HB 1547. The estimates provided below are based only on loan volume owned or serviced by Bank of North Dakota which represents approximately 50% of the loan volume in the State. The fiscal impact to the State is estimated at:

- \$9,667,542 per year assuming full subsidy paid by the State (calculated using the weighted average interest rate of 5.6%).
- \$6,214,848 per year assuming partial subsidy paid by the State down to 2%. This calculation assumes the student would be responsible to pay interest at 2% and the State would subsidize 3.6% based on a weighted average interest rate of 5.6%.
- \$2,762,155 per year assuming partial subsidy paid by the State down to 4%. This calculation assumes the student would be responsible to pay interest at 4% and the State would subsidize 1.6% based on a weighted average interest rate of 5.6%.

Assuming that HB 1547 would apply to all students who meet the criteria in that bill, which would then include loans held by other lenders in the State (50% of loan volume), the amounts listed in the bullets above would need to be doubled to determine the full annual fiscal impact to the State of North Dakota.

Scenario for HB 1357:

This scenario assumes that the State of North Dakota would subsidize all student loans obtained by students who are a full-time teacher in the State and are a resident of North Dakota. The estimates provided below are based on loan volume regardless of the bank holding the loan. The fiscal impact to the State is estimated at:

- \$2,243,164 per year assuming full subsidy paid by the State (calculated using the weighted average interest rate of 5.6%).
- \$1,442,034 per year assuming partial subsidy paid by the State down to 2%. This calculation assumes the student would be responsible to pay interest at 2% and the State would subsidize 3.6% based on a weighted average interest rate of 5.6%.
- \$640,904 per year assuming partial subsidy paid by the State down to 4%. This calculation assumes the student would be responsible to pay interest at 2% and the State would subsidize 3.6% based on a weighted average interest rate of 5.6%.

Note to reader:

The amounts listed under the bullets of HB 1357 only apply to teachers to who meet the criteria described in HB 1357. These amounts are also included in the amounts listed under HB 1547 because those teachers should also meet the eligibility criteria of that bill. However, teachers who move to North Dakota from another state may also be eligible for the benefit described in HB 1357, but those loan amounts are unknown and were not calculated in the fiscal impact noted above.

**TESTIMONY TO THE
HOUSE EDUCATION COMMITTEE**

JANUARY 20, 2009

HOUSE BILL 1357

Good Morning Madam Chair and members of the Education Committee. My name is Julie Kubisiak and I am the Senior Vice President and Director of Student Loan Services at Bank of North Dakota (BND).

I am appearing today in opposition of House Bill 1357 which provides low interest loans for teachers that reside and teach on a full-time basis in the state of North Dakota. It is difficult to speak in opposition of a bill that, on the surface, appears to provide a benefit to teachers in this state. After careful consideration of the long-term impact of this bill, I feel the bill could have unintended consequences which will result in negative costs and penalties to participants and to the State. Some of the items I believe this Committee should consider include:

- Over 23% of BND's current student loan portfolio already has interest rates that are less than 4%, thereby making this loan program/benefit immaterial for those customers.
- Federal Loan Forgiveness Programs are currently available for teachers which forgive \$5,000 - \$17,500, depending upon academic qualifications, to individuals that teach in certain fields and/or certain locations. Customers are just starting to meet the qualifications necessary to apply for forgiveness (first loan after a specific date and five years of teaching). Early indicators point to a successful program which has offered forgiveness to a number of BND customers. If teachers were to refinance their existing federally insured student loans under this new state program, they will forfeit their opportunity to participate in any current or future Federal Loan Forgiveness Program.
- Eligibility for this loan is based on meeting qualifications at one specific point in time. There is no guarantee that participants will continue to reside in the state or even continue teaching.

- There are certain fees that are required to be paid when a federally insured student loan is made. Some of the fees must be paid by the lender, while other fees can be paid by the lender or the borrower. Based on the combined fees required today, on \$50,000 worth of federal Stafford loan debt, the fees are 3% and would be \$1,500. BND currently pays the entire amount as a benefit to North Dakota students. During 2008, payment of these fees cost BND over \$3.2 million. If this bill passes, BND would be unable to fund these loans without assessing a servicing fee to participants equal to a minimum amount of 2%. Keep in mind many of the loans BND would be paying off under this program have already had the fees paid by BND when they were originally funded and financial benchmarks encourage a reserve amount that is equal to the lenders historical default rate. BND's overall historical rate is 5%.
- The extended repayment period allowed in this bill, in addition to the 2% servicing fee that would be assessed, actually increases the overall cost to participants. For example: Using an average indebtedness amount of \$22,000 being repaid at a 6% interest rate over a 10-year period would result in a total repayment amount of \$29,308.80. Under the program created by this bill using the same initial loan amount of \$22,000, and adding in the servicing fee of 2%, takes the financed amount to \$22,440. This loan amount, at a 4% interest rate over a 15-year period, results in a total repayment amount of \$29,876.40. This is \$567.60 more than they would have paid under a standard student loan repayment plan. If we used the \$50,000 loan amount allowed under the bill, participants will pay an additional \$1,289.40.
- Over 50% of the Stafford loans held by BND are subsidized. This means that anytime the borrower is in-school, grace, or deferment status, the Department of Education pays the interest that accrues on the loan. This is another benefit that participants would sacrifice in order to take part in this program. Teachers that are on an economic hardship due to low wages or those that use an unemployment deferment over summer months will no longer qualify for this interest subsidy.

- Borrowers currently have many options available to assist them in repaying their student loans. Those options include lower monthly payments, Extended Repayment Options for customers with high loan balances, and deferment options— some of which have been previously mentioned. A new Income Based Repayment Option becomes available July 1, 2009 which sets payments based on income and family size and allows for forgiveness of loan balances after 25 years. In addition, a new Public Service Loan Forgiveness Program discharges debt after 10 years of qualifying payments while working in a public service profession including education. Borrowers must consolidate their student loans with the William Ford Federal Direct Loan Program in order to be eligible for this program. These options may not be available to borrowers if they refinance their loans into this program.

We encourage any teacher that is having difficulty in repaying their student loan to contact BND to discuss options that are currently available to assist them.

I would be happy to respond to any questions the committee would have at this time.

Wall, John D.

From: Glass, Shirley A.
Sent: Friday, January 23, 2009 4:37 PM
To: Wall, John D.; Rust, David S.; Hunsakor, Bob L.
Cc: Kubisiak, Julie A.; Hardmeyer, Eric A.
Subject: HB 1357 - New information on financial impact of interest buy-down option

As a follow-up on our discussion from Wednesday January 21st we were asked to provide the financial impact of an interest rate buy-down option on HB1357.

If the bill were amended to grant an annual interest rate reduction to 4% for the upcoming year when the borrower satisfied the teaching/residency requirement for the proceeding 12 month period – BND estimates a cost to the State of \$1.1 Million annually or \$2.2 for the 2009-2011 Biennium. This is using a buy down rate of 4% from 6.8%.

Some key factors that could be accomplished with these changes –

- Overall cost/risk to the State is reduced significantly.
- By doing an annual certification – we would only grant the reduction if the teacher continued to teach/reside in ND. This annual certification would add a significant amount of ongoing work for BND staff and would require additional work for participants but it would be consistent with the goal to attract/retain qualified teachers in ND and would eliminate abuse of the program.
- We would not be paying off the existing loans, therefore federal benefits including loan forgiveness would remain in tact on all federally insured student loans.

Shirley Glass
Associate Director of Student Loan Services
Bank of North Dakota
PO Box 5509
Bismarck ND 58506-5509
Phone # 701-328-5792
Toll Free 800-472-2166 ext. 5792
Fax # 701-328-5696
sglass@nd.gov

HB 1357
Attachment # 1
Feb. 10, 2009

**TESTIMONY TO THE
HOUSE APPROPRIATIONS
EDUCATION AND ENVIRONMENT DIVISION**

FEBRUARY 10, 2009

ENGROSSED HOUSE BILL 1357

Good Morning Mr. Chairman and members of the House Appropriations Education and Environment Division. My name is Eric Hardmeyer and I am President and CEO at Bank of North Dakota (BND).

I am appearing today in opposition of Engrossed House Bill 1357 which requires BND to buy down student loan interest rates to 4% for teachers residing and teaching full-time in North Dakota. As is noted in our fiscal note this will impact BND earnings by approximately \$1.3 million for each biennium that this program remains in place. We estimate that about 3400 teachers may qualify for this program with total student loan debt of reaching \$40 million. We have determined that BND's average rate of all student loans that we hold is about 5.6%; using this as a benchmark we determine that we would need to buydown the loans on average 1.6%. If the legislature goes forward with this program it is our recommendation that as with any other buy down program, this program should be funded with a General Fund appropriation.

There are other mechanical issues that will need to be addressed and are a concern for us. This engrossed bill provides that BND will buydown the rate on any loan, regardless of the financial institution that holds it. BND provides approximately 60% of all student loans made in the state, so we could be using our income to reduce the interest rates on loans held by say a Wells Fargo, US Bank, or even a Sallie Mae. This will take significant programming to our system, which as some of you know is scheduled for replacement pending approval of our appropriation bill.

As was noted in conversations with the House Education Committee there are other available student loan forgiveness programs both state and federal for teachers and additional programs administered by BND that benefit all students.

I stand for any questions that the committee may have at this time.

BND SUPPORTS A NUMBER OF EDUCATION INITIATIVES

College SAVE BND administers North Dakota's 529 plan, College SAVE. Participants can grow their contributions tax-free, write off annual contributions and potentially participate in a multi-tiered matching grant program. ND accounts have grown 187% to 2,311 since July 1, 2007. Nationwide assets total \$262 million.

Student Loans of North Dakota administers College Information Service (CIS) which assists residents, high school counselors and financial aid representatives with dissemination of information about financial aid options and education choices.

North Dakota **Dollars for SCHOLARS** BND partners with North Dakota Dollars for Scholars (NDDFS). With BND administering the program and absorbing expenditures, NDDFS can look to add to the 81 ND chapters and disseminate more student scholarships.

BND has played an important part in forming the North Dakota JumpStart Coalition for Personal Financial Literacy. The coalition has focused on raising awareness through workshops, seminars, conferences, media outlets and fundraisers.



Grant funded College Goal Sunday is a program that BND employees assist in administering along with the North Dakota Association of Student Financial Aid Administrators. Once a year North Dakota families can attend one of 11 locations for assistance in filling out financial aid applications. In 2008 over 500 families participated in the event.

Bridges Guidance Central is a software program that BND and SLND provide to all North Dakota public and private middle schools and high schools. The program allows access to career exploration, education planning and ACT test preparation tools. The over \$600,000, three year sponsorship with Xap Corporation and Bridges Transitions, also serves as the soft match for the North Dakota College Access Challenge Grant administered by the ND University System.

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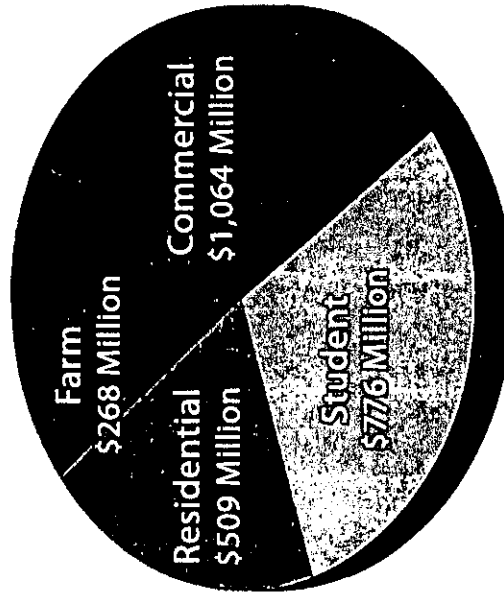
#B1357
BND
Bank of North Dakota

Promoting

Agriculture, Commerce,
& Industry

since 1919.

BND 2008 Loan Portfolio
\$2.6 Billion Total



90 Years
1919 - 2009



Attachment
#2
Feb. 10, 2009

Student Loan Forgiveness Programs

STATE

Teacher Shortage Loan Forgiveness Program

Forgive up to \$1,000 annually up to a maximum of \$3,000. A borrower must teach in a teacher shortage area as identified by the Superintendent of Public Instruction each year. In 2008, 339 teachers benefited from this program.

Technology Occupation Student Loan Program

Forgive up to \$1,000 annually up to a maximum of \$3,000. A borrower must be employed in an approved technology occupation in North Dakota. In 2008, 291 individuals benefited from this program.

FEDERAL

Teacher Loan Forgiveness Program

Between \$5,000 and \$17,500 depending on their qualifications is available to individual teachers; that are teaching in certain locations. In 2008-2009, 241 North Dakota schools qualified.

Income Based Repayment (IBR) Effective July 1, 2009

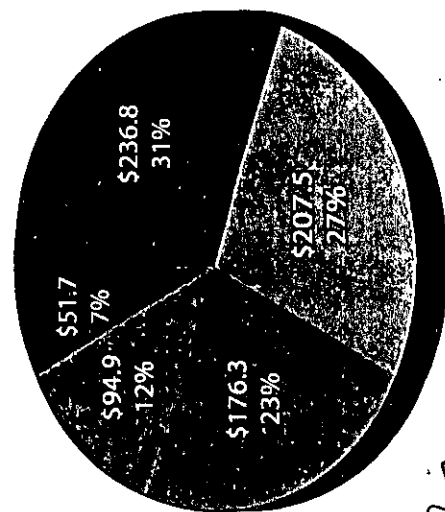
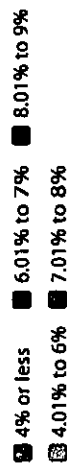
IBR is intended to make repaying education loans easier for students who pursue jobs with lower salaries, such as careers in public service. It does this by capping the monthly payments at a percentage of the borrower's discretionary income. Monthly payment amount is adjusted annually, based on annual income and family size.

For example, a borrower who has a household income at the North Dakota median of \$43,936, and has student loan debt of \$22,500, would reduce their monthly payment by over 47% from \$258.92 to \$136.

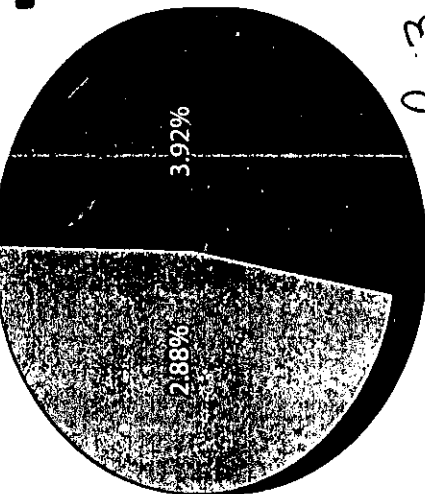
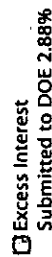
Public Service Forgiveness Program

Student loan debt is forgiven after 10 years of full-time employment in public service and 120 qualified payments. In order to participate, borrowers must consolidate with the William Ford Federal Direct Loan Program.

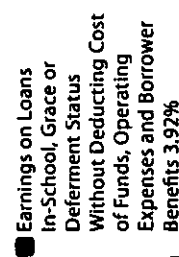
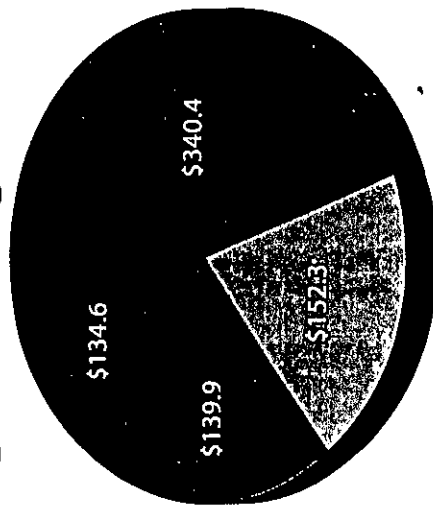
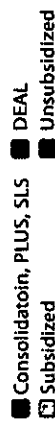
Interest Rate of BND Student Loan Borrowers



BND Loans That Accrue Interest at 6.8% 10/1/08 - 12/31/08 - In School Status



BND Student Loan Portfolio \$767.2 Million as of 12/31/08



BND Borrowers Saved
\$3.3 Million in 2008. In
Addition, BND Paid \$4.4
Million in additional
Fees to the Department
of Education.