

**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
<b>Revenues</b>				\$801,130		\$44,880
<b>Expenditures</b>				\$100,000		\$25,000
<b>Appropriations</b>						

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 \$5,500 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 admininster 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.*

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