

FISCAL NOTE
Requested by Legislative Council
01/16/2015

Revised

Bill/Resolution No.: HB 1369

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$(90,282,301)	\$0	\$(90,282,301)
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

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

HB1369 will require BND to reduce the interest rate to zero percent on student loans to ND resident's. To qualify the individual must be a resident of the state, employed on a full-time basis, hold a certificate or degree from an accredited institution and not have defaulted on a student 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 North Dakota residents have approximately \$1.68 billion in student loan debt based on information received from a credit reporting agency. Approximately \$1.16 billion is in repayment status. This balance is reduced to approximately \$752,352,510 when considering criteria noted in the bill, such as percentage of customers working full-time in North Dakota and percentage of customers who hold a degree or certificate. BND estimates the average interest rate on these loans is 6 percent, which was gathered from loans consolidated (67% are federal loans with a majority of loans from external lenders) into the DEAL One Program in 2014. The cost of this program may increase as interest rates increase.

BND estimates approximately \$752,352,510 in student loans may be eligible for the interest rate reduction to 0 percent resulting in a fiscal impact to North Dakota at \$90.28 million per biennium. The calculation used to arrive at this amount for each biennium is as follows: \$752,352,510 x 6% x 2 = \$90,282,301.

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.*

HB1369 would result in lost revenues for BND by reducing the interest rate to zero on the existing BND student loan portfolio and to other student loan providers.

- 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.*

BND estimates approximately \$752,352,510 in student loans may be eligible for the interest rate reduction to 0 percent resulting in a fiscal impact to North Dakota at \$90.28 million per biennium. The calculation used to arrive at this amount for each biennium is as follows: $\$752,352,510 \times 6\% \times 2 = \$90,282,301$. In addition to lost revenues to BND, there will be costs to create and implement this program along with advertising and counseling borrowers. BND also estimates this program could result in 3 additional FTEs depending on the response from customers. These FTEs cost approximately \$180 thousand annually and are not included in the fiscal effect section of this note.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

HB1369 does not specify an appropriation.

Name: Robert A Humann

Agency: Bank of North Dakota

Telephone: 328-5703

Date Prepared: 01/27/2015