

## ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2007-09 BIENNIUM

	2007-09 Biennium <sup>1</sup>	
Beginning balance - July 1, 2007		\$21,625,000
Add estimated revenues		
Fund earnings (net)	\$2,100,000 <sup>2</sup>	
Total available		\$23,725,000
Less estimated expenditures and transfers		
Transfer to the general fund (2007 HB 1014)	\$3,100,000 <sup>3</sup>	
Funding for veterinary medicine program (2007 HB 1003)	523,380 <sup>4</sup>	
Total estimated expenditures and transfers		3,623,380
Estimated ending balance - June 30, 2009		\$20,101,620

<sup>1</sup>This analysis reflects the estimated revenues, expenditures, and ending balance for the 1979 bond resolution only.

<sup>2</sup>The projected income is based on interest rates as of May 1, 2008, and a student loan portfolio that is diminishing as loans are repaid.

<sup>3</sup>The 2007 Legislative Assembly provided for a transfer of \$3.1 million from the student loan trust fund to the general fund. The \$3.1 million is the projected income for both the 1979 and the 1996 student loan trust resolutions; however, the transfer to the general fund is only being made from the 1979 resolution.

<sup>4</sup>The 2007 Legislative Assembly provided a \$523,380 appropriation to the North Dakota University System from the student loan trust fund for continuing the Kansas State University veterinary medicine program. The University System is to fund five new students per year for the 2007-09 biennium.

**NOTE:** The estimated June 30, 2009, balance made at the end of the 2007 legislative session was \$20,099,990. The increase in the estimated balance of \$1,630 is due to the actual July 1, 2007, balance of \$21,625,000 being \$198,370 less than the July 1, 2007, balance estimated at the close of the 2007 legislative session of \$21,823,370 and the 2007-09 revised fund earnings of \$2.1 million being \$200,000 more than the previous estimate of \$1.9 million. The 2007-09 revised fund earnings are more than previously estimated due to an adjustment in the length of time a loan is held by the trust.

### FUND HISTORY

The 1971 Legislative Assembly authorized the Industrial Commission to acquire and hold all unpaid government-guaranteed or reinsured student loans and North Dakota student loans belonging to the state or any of its agencies. As a result, the student loan trust fund was created which enabled the state to sell tax-exempt bonds and use the proceeds for purchasing student loans made or acquired by the Bank of North Dakota.

The student loan trust fund does not make loans to students or service loans which it acquires. The Bank of North Dakota continues to service those loans which the student loan trust fund holds.

The student loan trust is comprised of funds held under two general bond resolutions. The first general bond resolution includes funds from bonds issued in 1979, 1988, 1989, 1992, and 2004. The second general bond resolution referred to as the 1996 bond resolution includes funds from bonds issued in 1996, 1997, 1998, and 2000. All issuances prior to 2004 with bonds outstanding are insured by Ambac Assurance Corporation.

Under both of the bond resolutions, assets may only be used for:

- Purchase of student loans.
- Payment of debt service to bondholders.
- Providing financial assistance to the North Dakota Student Loan Guarantee Agency.
- Payment of any rebate liability to the federal government.
- Administration of the student loan trust fund.

After all bonds in the 1979 and 1996 general bond resolutions have matured, been redeemed or defeased, and all expenses paid, any remaining assets held under the general bond resolution would be transferred to the Industrial Commission for use at its discretion. In order to use assets held under the 1979 general bond resolution for a purpose other than those stated in the general bond resolution, the administrators of the student loan trust fund must receive a certification from the trustee of the bond (Bank of North Dakota) that sufficient reserves remain for bond payments and other related program costs. In order to use assets held under the 1996 general bond resolution for a purpose other than those stated in the general bond resolution, the administrator of the student loan trust fund must receive permission from the bond issuer, and the trustee of the bond (Bank of North Dakota) would have to certify that sufficient reserves remain for bond payments and other related program costs.

North Dakota Century Code Section 54-17-25 provides that the Industrial Commission may issue subordinate or residual bonds when the commission determines that it is appropriate or expedient to do so.