

## ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual <sup>1</sup>		2009-11 Biennium Estimated <sup>1</sup>	
Beginning balance		\$21,625,000		\$19,272,800
Add revenues				
Fund earnings (net)	\$1,235,000 <sup>2</sup>		\$25,000 <sup>2</sup>	
Total available		\$22,860,000		\$19,297,800
Less expenditures and transfers				
Transfer to the general fund	\$3,100,000 <sup>3</sup>			
Funding for the veterinary medical education program	487,200 <sup>4</sup>		\$990,970 <sup>5</sup>	
Funding for North Dakota University System information technology services			1,020,600 <sup>6</sup>	
Total expenditures and transfers		3,587,200		2,011,570
Ending balance		\$19,272,800		\$17,286,230

<sup>1</sup>This analysis reflects the estimated revenues, expenditures, and ending balance for the 1979 bond resolution only. The estimated June 30, 2011, ending balance for the 1996 bond resolution is \$28.2 million.

<sup>2</sup>The 2007-09 biennium income is the actual amount from the 2008 and 2009 audits of the trust. The projected income for the 2009-11 biennium is based on interest rates as of May 1, 2010.

<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 was the projected income for both the 1979 and the 1996 student loan trust resolutions; however, the transfer to the general fund was only being made from the 1979 resolution.

<sup>4</sup>The 2007 Legislative Assembly provided a \$523,380 appropriation from the student loan trust fund for continuing the Kansas State University veterinary medical education program for the 2007-09 biennium. The actual expenditures for the program for the 2007-09 biennium were \$487,200.

<sup>5</sup>The 2009 Legislative Assembly provided a \$990,970 appropriation from the student loan trust fund for continuing the Kansas State University veterinary medical education program for the 2009-11 biennium.

<sup>6</sup>The 2009 Legislative Assembly provided a \$1,020,600 appropriation from the student loan trust fund to the University System information technology services pool for ConnectND positions within the University System. The positions were previously paid for with funding from the Bank of North Dakota.

**NOTE:** The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$18,376,230. The decrease in the estimated balance of \$1,090,000 is due to a reduction in estimated fund earnings due to a reduction in interest rates on investments and a reduction in interest rate guarantee payments from the federal government.

### 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 taxable and 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 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.