

FISCAL NOTE

Requested by Legislative Council
01/23/2001

Bill/Resolution No.: SB 2292

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$22,000		\$35,000
Expenditures				\$22,000		\$35,000
Appropriations						

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The proposed payment mechanism does not fit readily within the Bank's current student loan servicing operations because: 1) many of the borrowers eligible for these payments are not currently customers of the Bank; 2) Bank systems do not currently track some of the data elements necessary to support the requirements of the proposal; and, 3) Bank systems do not provide the ability to post percentage reductions to account balances.

It appears as if the Bank's role under this program will be to service the loans. The principal and interest reductions, cash flows from the repayment of the loans, etc. impact the North Dakota University System.

Note that the requirement for reduction of the loan balances at one-third per year will not completely reduce the loan balances.

Borrower must establish eligibility annually.

What kind of notice of benefits do we need to provide to the borrower? We have assumed a simple letter.

Do we need to provide IRS 1099C reporting for cancellation of debt? We have assumed so.

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.*

We have assumed revenues from servicing of the loans would offset the costs of servicing.

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.*

Expenditures for the Bank of North Dakota to implement this program in the remainder of the 1999-2001 biennium include salaries and wages for a portion of 2001 to implement the program. These expenditures have not been included in any appropriation for the Bank of North Dakota.

Expenditures for the 2001-2003 biennium include: .1 FTE Account Tech II; lease of personal computer equipment, postage, telephone, etc.

Expenditures for the 2003-2005 biennium include: .2 FTE Account Tech II's; lease of personal computer equipment, postage, telephone, etc. for a mild increase in volume from the previous biennium.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

None of the expenditures for the next biennium have been included in the appropriations request for the Bank of North Dakota; therefore, the funding has been requested under the other funds column. We assume that funding of the actual principal reductions as included under SB 2292 has been included in the appropriation of the North Dakota University System. We have not attempted to estimate those reductions herein.

Expenditures for the 2003-2005 biennium have been treated in the same manner.

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		Prepared:	