

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/20/2009

Bill/Resolution No.: SB 2296

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>			\$0	(\$224,322)	\$0	(\$195,681)
<b>Expenditures</b>			\$0	\$50,000	\$0	\$50,000
<b>Appropriations</b>			\$0	\$0	\$0	\$0

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).*

SB 2296 requires Bank of North Dakota (BND) to reduce a portion of student loan debt for borrowers who reside in North Dakota, have at least a 2-year college degree related to child education/development and are employed in the child care profession.

**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.*

Based on data obtained from North Dakota Department of Human Services, BND estimates that 1148 students may be eligible for this program. BND assumes each eligible individual had an original average student loan debt of \$17,500 bringing the cumulative total to \$20,090,000.

BND estimates the initial financial cost of this program to BND at 25% loan reduction is \$5,022,500 (\$20,090,000 \* 25%) assuming 100% eligibility and participation. BND also presumes that 70 new qualifying graduates with student loan debt equal to the maximum permitted in the bill at \$20,000 will enter this field each subsequent year costing BND an additional \$700,000 (\$20,000 \* 70 \* 25% \* 2) per biennium. BND estimates this program will have a negative impact on BND earnings up to \$5,946,822 for the 2009-2011 biennium and up to \$5,187,556 for the 2011-2013 biennium.

\$5,946,822 = (\$5,022,500 + \$700,000 + \$224,322).

\$5,187,556 = (\$5,722,500 \* 75% + \$700,000 + \$195,681).

See section 3A of this bill for explanation of \$224,322 and \$195,681 amounts.

The sequence above will repeat with the liability of the State decreasing significantly as existing loans are no longer eligible after the second payment or reduction. A student is eligible to receive this benefit no more than 2 times or no more than a total of \$20,000 in loan reductions.

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.*

BND estimates loss of interest income at \$224,322 for the 2009-2011 biennium and \$195,681 for the 2011-2013 biennium. The calculations are based on rates of 3.92% (Commercial paper at 2.58% + 1.34%). In addition, these revenue funds would not be available for reinvestment by BND resulting in additional losses estimated at

approximately \$2100 for each of the 2009-2011 and 2011-2013 bienniums at a 1% rate of reinvestment.

Total loss of interest revenue to BND is estimated at  
\$224,322 = (\$5,722,500 \* 3.92%) for the 2009-2011 biennium.

Total loss of interest revenue to BND is estimated at  
\$195,681 = (\$5,722,500 \* 75% \* 3.92%) for the 2011-2013 biennium.

**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 for BND to implement this program is estimated at \$50,000 per biennium which includes .5 FTE staff member.

**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.*

No State general funds have been appropriated in SB 2296; however, BND estimates this program will negatively impact BND earnings up to \$5,946,822 for the 2009-2011 biennium and \$5,187,556 for the 2011-2013 biennium.

<b>Name:</b>	Julie Kubisiak	<b>Agency:</b>	Bank of North Dakota
<b>Phone Number:</b>	701-328-5621	<b>Date Prepared:</b>	01/26/2009