

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2333

2001 SENATE EDUCATION

SB 2333

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2333

Senate Education Committee

Conference Committee

Hearing Date 01-31-01

| Tape Number                                     | Side A | Side B | Meter #  |
|---|--------|--------|----------|
| 1   |        | x      | 0 - 50.0 |
| 2   | x      |        | 0 - 13.5 |
| Committee Clerk Signature <i>Sandra Johnson</i> |        |        |          |

Minutes: CHAIRMAN FREBORG called the hearing on SB 2333 relating to student loan reductions for education majors. There is a fiscal note for \$2.7 million next biennium and \$5.9 million the following biennium.

**Testimony in support of SB 2333:**

SENATOR CHRISTENSON, District 18, stated this bill offers to an education major an opportunity to benefit from what they got as an undergraduate and the contributions they are making to the state as an educator. The implementing would be that the Bank of ND would set up a means whereby a qualified education major at any institution might have the opportunity to apply for and be approved for an interest free undergraduate loan. Upon graduation and certification and signing a contract to teach in ND, the loan, at the rate of 10% per year, would be canceled for their service as an educator. This is one of the viable options to help keep our young education graduates in the state. This is implemented over a period of 10 years, and in that time, it is feasible they would have made a commitment to the state and the educational

system here and would plan to stay here in ND. SENATOR FLAKOLL asked if the interest rate of 0% remains as long as the student is in good standing and remains in the state. She answered yes. If the student would graduate and leave the state, the interest would then have to be paid back as with any other loan.

NANCY SAND, NDEA, supports this bill. She stated a survey was done in the fall of 2000. The top two reasons educators leave the state is 1.) Salary and 2.) Job conditions. There were forty-one (41) districts with seventy-three (73) unfilled positions. Thirty-seven (37) districts had to cover fifty-nine (59) positions by some other means. Eighty-one (81) teachers left teaching for another profession. Eighty-three (83) moved from district to district and forth-eight (48) left the state. NDEA feels this legislation can be another piece in the creative puzzle of trying to solve the teacher shortage and recruitment/retention problem in ND. NDEA feels some sort of loan reduction might be a way to recruit young people into the teaching profession and have them stay in the state. This fall (2001) a survey was conducted on the college campuses of the state and only 27% of those polled indicated they might stay in the state upon graduation.

JANET WELK, ND Standards and Practices Board, spoke in support of the bill. She stated ND has shortages in certain areas; science, music, and special education. Eight hundred (800) new teachers are licensed in ND per year. Two hundred fifty (250) teachers are going under contract per year. In 1999-2000 six hundred forty-four (644) new teachers graduated from ND schools. Since 1995 ND did not qualify for teacher shortage areas. It did not meet the criteria. We are now working with the Congressional delegation to get the paperwork for ND to qualify for areas of shortage. SENATOR COOK asked if incentives should be offered only to those who agree to go to shortage areas, and not open the incentives up to just anyone.

TONY WEILER, ND Nonpublic Schools, asked the committee to include teachers in nonpublic schools in this bill. He further stated that in the specialty areas the nonpublic schools also have shortages. SENATOR FREBORG asked MR. WEILER if he had a comparison on salaries for teachers in public schools and nonpublic schools. He did not.

ROMAN WEILER, Executive Committee for Nonpublic Schools, stated he thought there is about \$4 - 6 thousand salary less per year for nonpublic teachers. SENATOR O'CONNELL asked if many retired teachers go into teaching in the nonpublic sector. MR. WEILER said that is not the trend now.

JACK ADKINS, Supt. Turtle Lake/Mercer School, spoke in support of the bill. (see attached). He hopes the legislators will at least consider the concept of this bill. He feels this bill would put more candidates in the pool for hiring. He further stated that he feels there needs to be an increase in foundation aid and also in teacher salaries. He does not feel it is an either/or situation. He feels it is a must situation. He also feels the incentives should focus on areas of most need.

BEV NIELSON, School Board Assn., would like to pursue the concept of enticing young people go into the education field and stay in the state. SENATOR FREBORG stated that most fiscal notes for education will take money from foundation aid. He asked Ms. NIELSON if it would be better to pass a bonus bill rather than a tuition/loan reduction bill as an incentive to attract teachers to the areas where there is a shortage. She does like the bonus bill also, but feels this bill would have the state make a commitment of funds to get young people to stay in the state. She also stated that she thought in the Governor's budget has some part in it to give some forgiveness of student loans. She feels the concept of trying to keep young people in ND is a

good one. Loan forgiveness may be more important to parents than to some graduating seniors in the education field.

**Testimony in opposition to SB 2333:**

JULIE KUBISIAK, Director, Student Loans of ND, presented testimony in opposition to SB 2333. (see attached). She stated there is no mechanism to stop people from borrowing as much as they want.

**There being no further testimony, the hearing on SB 2333 was closed.**

SENATOR COOK moved a DO NOT PASS. Seconded by SENATOR O'CONNELL.

SENATOR COOK withdrew his motion. SENATOR O'CONNELL withdrew his second.

SENATOR WANZEK moved an amendment; pg. 1, lines 12 and 19, after "district" insert "or an approved nonpublic school", and pg. 2, line 1, after "district" insert "or an approved nonpublic school." Seconded by SENATOR CHRISTENSON.

Roll Call Vote: 7 YES. 0 NO. 0 Absent. Amendment Adopted.

**SENATOR COOK moved a DO NOT PASS as AMENDED. Seconded by SENATOR**

**FLAKOLL. Discussion followed.**

**Roll Call Vote. 4 YES. 3 NO. 0 Absent.**

**Carrier: SENATOR COOK.**

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/30/2001

**REVISION**

Bill/Resolution No.: SB 2333

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 |
| <b>Revenues</b>       |                    |             |                    |             |                    |             |
| <b>Expenditures</b>   |                    |             | \$2,740,000        |             | \$5,892,000        |             |
| <b>Appropriations</b> |                    |             | \$2,740,000        |             | \$5,892,000        |             |

**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 loan program does not fit readily within the Bank's current student loan servicing operations because: 1) Bank systems do not currently track some of the data elements necessary to support the requirements of the proposal; and, 2) the loan systems do not accommodate certain of the processing requirements of this bill, such as zero percent interest rates, provision for new types of forbearances, new limits for forbearance periods and annual reductions in the borrowers' loan balances.

How are borrowers made aware of the program? Is the Bank expected to provide some sort of notice to anyone? We did not allow anything in my calculations for this.

Note that this would require a new loan program, presumably outside the Federal Family Education Loan Program (FFELP) and the Bank's DEAL program.

There is no indication of the terms of the new loan program, other than zero percent interest, waive of repayment terms and the annual loan reduction. Assume all else to be equal (loan limits, etc.) to the FFELP?

What volume should we expect? Would there be more than a handful of unsubsidized students who would not declare an education major for at least part of their years in school in order to take advantage of the zero percent interest?

What happens if a student starts as an education major but changes his major, or graduates as a teacher but never enters the teaching field, or teaches in another state? As presented, they could make the argument that they could retain the zero percent interest rate?

Note that the requirement for reduction of the loan balances at 10% per year will not completely reduce the loan balances.

Can the program be used for graduate degrees also?

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.

Note that as the language is presented, it would be possible for someone who is teaching only part-time to qualify for these benefits.

What happens if there is a temporary cessation of teaching due to medical reasons, military duty or a return to school for continuing education? Does the borrower lose his eligibility for these benefits? Or should we allow for some sort of deferment similar to the FFELP offerings?

Note that the bill applies only to students of public instruction in North Dakota. Education students at private schools would not be covered.

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.*

n/a

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 2001-2003 biennium include: foregone earnings on the loan program of \$2,150,000 due to the zero percent interest rate; loss of principal due to loan forgiveness of \$350,000; 2.25 FTE Account Tech II's; and lease of personal computer equipment, postage, telephone, systems enhancements, etc.

Expenditures for the 2003-2005 biennium include: forgone earnings on the loan program of \$2,450,000 due to the zero percent interest rate; loss of principal due to loan forgiveness of \$3,150,000; 3 FTE Account Tech II's; and lease of personal computer equipment, postage, telephone, systems enhancements, etc.

**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. Net profits of the Bank have already been factored into the revenue projections of the State, without the impact of this bill, therefore the funding for this bill has been requested under the general fund column.

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

|                      |             |                       |                      |
|----------------------|-------------|-----------------------|----------------------|
| <b>Name:</b>         | Al Nosbusch | <b>Agency:</b>        | Bank of North Dakota |
| <b>Phone Number:</b> | 328-5742    | <b>Date Prepared:</b> | 01/26/2001           |

# FISCAL NOTE

Requested by Legislative Council

01/23/2001

Bill/Resolution No.: SB 2333

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 |
| <b>Revenues</b>       |                    |             |                    |             |                    |             |
| <b>Expenditures</b>   |                    |             | \$2,740,000        |             | \$5,892,000        |             |
| <b>Appropriations</b> |                    |             | \$2,740,000        |             | \$5,892,000        |             |

**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 loan program does not fit readily within the Bank's current student loan servicing operations because: 1) Bank systems do not currently track some of the data elements necessary to support the requirements of the proposal; and, 2) the loan systems do not accommodate certain of the processing requirements of this bill, such as zero percent interest rates, provision for new types of forbearances, new limits for forbearance periods and annual reductions in the borrowers' loan balances.

How are borrowers made aware of the program? Is the Bank expected to provide some sort of notice to anyone? We did not allow anything in my calculations for this.

Note that this would require a new loan program, presumably outside the Federal Family Education Loan Program (FFELP) and the Bank's DEAL program.

There is no indication of the terms of the new loan program, other than zero percent interest, waive of repayment terms and the annual loan reduction. Assume all else to be equal (loan limits, etc.) to the FFELP?

What volume should we expect? Would there be more than a handful of unsubsidized students who would not declare an education major for at least part of their years in school in order to take advantage of the zero percent interest?

What happens if a student starts as an education major but changes his major, or graduates as a teacher but

