

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

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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
Revenues						
Expenditures			\$2,740,000		\$5,892,000	
Appropriations			\$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: foregone 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.

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

FISCAL NOTE

Requested by Legislative Council
01/23/2001

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Amendment to:

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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?

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Phone Number:	328-5742	Date Prepared:	01/26/2001

REPORT OF STANDING COMMITTEE

SB 2333: Education Committee (Sen. Freborg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2333 was placed on the Sixth order on the calendar.

Page 1, line 12, after "district" insert "or an approved nonpublic school"

Page 1, line 19, after "district" insert "or an approved nonpublic school"

Page 1, line 21, after "district" insert "or an approved nonpublic school"

Page 2, line 1, after "district" insert "or an approved nonpublic school"

Renumber accordingly

2001 TESTIMONY

SB 2333

Testimony on SB 2333

Chairman Freeborg, committee members, I am Jack Adkins Supt of TLM schools and have watched the legislative sessions in ND for the past fourteen years. The difficulty in hiring qualified people in certain areas for our schools in N.D. has never been more severe than it is right now. I also have noticed fewer teachers yet wanting to come to our rural areas to teach in. I also have noticed over time the number of graduates coming out of our colleges with huge student loans which are practically impossible to repay owing to the teacher salaries they receive here in ND. In my estimation I have never seen a bill that addresses so many needs as this bill being discussed at this time. I believe this bill or any which concerns the problems outlined in it (repayment of college loans for students) is as important a piece of legislation as any regarding the incentive for keeping young teachers in ND. We cannot expect schools to raise the salaries to be commensurate with the Minnesotas in the nation as there is just too much difference to make up in any one biennium, but the loan reduction may well be a better bargaining position for us in hiring young people into our systems than the salary. Oftentimes they don't realize the consequence of their borrowing money for college until they are faced with paying the money back and that is when the benefits expressed in this bill would be come important to young graduates. I urge you to recommend passage of this bill for it is certainly a step in the right direction as far as I am concerned, and would help me greatly in interviewing and hiring young teachers, I believe. Thank you.

**TESTIMONY TO THE
HOUSE EDUCATION COMMITTEE**

JANUARY 31, 2001

SENATE BILL 2333

JULIE KUBISIAK, DIRECTOR - STUDENT LOANS OF NORTH DAKOTA

Chairman and members of the committee, my name is Julie Kubisiak, Director of Student Loans of North Dakota, which is administered by the Bank of North Dakota. Student Loans of North Dakota guarantees, originates, and services student loans that the Federal government reinsures in case of death or default.

BND understands the important role that educators have in the development of our youth and the future of our state. We also understand the financial difficulties an individual may face if they pursue a career in education.

This bill does not ensure benefits will go to individuals pursuing a career as a teacher. Any person starting college could list their major as being education in order to take advantage of a "zero percent" loan. They could continue taking advantage of interest free loans while they worked towards completing all of the basic courses that are needed in any post-secondary degree. The initial and ongoing benefit of a "zero percent" loan could be given to many individuals, while only a small percentage of those individuals would achieve an education major and an even smaller percentage would actually pursue a position with a school district in the state of North Dakota.

The costs associated with this bill are significant.

There were 3,092 undergraduates enrolled in the NDUS Institutions in 2000:

541	Freshmen
694	Sophomores
615	Juniors
1,242	Seniors

Estimates are that an education major will complete their studies in 4.5 to 5.5 years.

Based upon current interest rates of 7.59% and an increase in the number of individuals pursuing an education major, we project that the cost of providing interest free loans for a 4-year period (2001-2005) would be \$4,577,226.

Principal reductions for that same time period are projected to cost \$3,501,628.

BND does not have any funds allocated to administer this program. Additional staff will be needed to complete the daily administration of this program. This includes determining eligibility, processing loan requests, deferments of payments and posting loan balance reductions. In addition, significant programming changes and enhancements would be required in order to accommodate additional data fields not currently being tracked, and to comply with the required IRS reporting. The cost to provide the administration of this program is projected to be approximately \$550,000 for 2001-2005.

The cost of this program for each individual that qualifies for the zero percent interest rate and also qualifies for total repayment of their loan would be \$36,633.29. This is based on the student attending school for five years and an interest rate of 7.59% with no government subsidy.

BND has been and continues to be supportive of continuing education. BND does not have any funds allocated to do any additional research in this area; however, we would support a study to find ways to provide benefits to individuals who major in education and teach in the state of North Dakota.

I would be happy to respond to any questions you may have.

Thank you.