

FISCAL NOTE
Requested by Legislative Council
02/06/2009

Amendment to: HB 1357

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
Revenues				(\$1,281,808)		(\$1,281,808)
Expenditures				\$100,000		\$50,000
Appropriations				\$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).*

Engrossed HB1357 will require Bank of North Dakota to buy down student loan interest rates to 4% for teachers residing & teaching in North Dakota. The bill permits Bank of North Dakota to assess a service fee for administering the program.

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 that Bank of North Dakota (BND) obtained from the North Dakota Teacher's Fund for Retirement and Student Loans of North Dakota, BND estimates that 3421 teachers with loans totalling \$40,056,500 may be eligible for this Program during the 2009-2011 biennium.

The weighted average interest rate of all loans held by BND is approximately 5.6%. A buy down of interest rates to 4% will reduce BND earnings approximately \$1,281,808 ($\$40,056,500 \times 1.6\% \times 2$) for each of the next two bienniums (2009-2011 & 2011-2013).

The total cost of this program will have a negative fiscal impact to BND earnings in amounts of \$1,381,808 for the 2009-2011 biennium and approximately \$1,331,808 for each subsequent biennium assuming interest rates do not increase. These amounts are calculated by adding the expenditures to the cost of the interest rate buy down.

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.*

This interest buy down program would not generate any revenues for BND.

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 to create and implement this interest buy down program, along with counseling borrowers and servicing loans during the 2009-2011 biennium is estimated at \$100,000, which includes 1 additional FTE.

BND estimates the cost to administer this program in subsequent bienniums is \$50,000.

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.

Bank of North Dakota requests \$1,381,808 be appropriated for the 2009-2011 biennium and \$1,331,808 for each subsequent biennium from the General Fund to administer this interest buy down program.

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