

1999 HOUSE EDUCATION

HB 1199

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1199

House Education Committee

Conference Committee

Hearing Date 2-1-99

Tape Number	Side A	Side B	Meter #
Tape #1	x		0.1 to 24.1
Committee Clerk Signature <i>Joan Davis</i>			

Minutes:

Those present: Chairman R. Kelsch , Vice-Chair Drovdal , Rep Brandenburg , Rep Brusegaard , Rep. Haas , Rep. Johnson , Rep. Nelson , Rep. Nottestad , Rep. L. Thoreson , Rep. Grumbo , Rep. Hanson , Rep. Lundgren , Rep. Mueller , Rep. Nowatzki , Rep. Solberg .

Chairman R. Kelsch : Call the committee to order and have the clerk read the title of HB 1199.

Vice-Chair Drovdal : Sponsor of HB 1199. District 39. (see written attached).

Rep. Nowatzki: The initial investment, the seed money, would be money already appropriated.

Vice-Chair Drovdal : The money that is already being appropriated.

Rep. Nowatzki : That would be the additional appropriations would go into operating or tuition assistance or additional monies that they didn't have before.

Vice-Chair Drovdal : The idea was to freeze higher education funding and anything above would go into that amount, they would have the flexibility as they needed it.

Rep. L. Thoreson : Where does this fit into the financial aid package?

Vice-Chair Drovdal : This is above the current package.

Rep. L. Thoreson : Each student would get two hundred and fifty dollars, that goes to college in this state?

Vice-Chair Drovdal : Each North Dakota student, could ask for the money.

Rep. Brusegaard : Do you know how much of the total cost of educating each student is covered by tuition?

Vice-Chair Drovdal : I do not.

Rep. Brusegaard : About eight years ago it was about twenty two to thirty five per cent. The end result of this legislation is to get that higher?

Vice-Chair Drovdal : It would result covering the increase of the cost of education.

Rep. Nelson : This would be the distribution formula, that the colleges in the state would have to compete for in resident students. Do you see this as a competitive advantage or disadvantage for any schools.

Vice-Chair Drovdal : I don't see it, maybe just a little.

Rep. Nottestad : The extra twenty million dollars that is being appropriated in higher education, there must have been a need for that money. If that money is going to be diverted to this, how would you account for the need?

Vice-Chair Drovdal : They will be getting this money in the end anyway, because they would get it from the students instead of directly from the state.

Rep. Hanson : You have listed both public and private institutions, would it be better to have accredited private, you might have something that is not accredited?

Vice-Chair Drovdal : I didn't foresee that as a problem, but I was thinking of accredited colleges.

Rep. Nottestad : The executive budget has a proposal of increased tuition money if colleges increase their enrollment, there is some recommendation that that could use tuition income as they wanted in their institution.

Vice-Chair Drovdal : Yes, they have some options.

Joy Johnson: Executive Director of DNDA and the Economic Development Association of North Dakota_ HB 1199 is a tool for students to stay and earn an education in North Dakota. They would have a student loan and possibility of a grant. Also an incentive for students to stay in North Dakota.

Rep. Nottestad : There aren't enough jobs in North Dakota for all the students who attend colleges. The result of the bill would be tuition will go up over a four year period. Does this penalize them?

Johnson: We look at this bill as a work force tool. I was not aware the increase in tuition would come, I thought this money would come from the Bank of North Dakota.

Julie Kubisiak: Director of Student Loans of North Dakota at the Bank of North Dakota. Here in opposition. (see written attached).

Vice-Chair Drovdal : The idea was not to interfere with the existing loan program, it was new money. Do you have a problem with it that way?

Kubisiak: No, I would not.

Rep. Nowatzki : What is the current interest rate for a student loan?

Kubisiak: The rate is variable, that changes July 1. Lower rate while student is in school and changes when they go into repayment.

Rep. Nowatzki : Regardless of when the loans were started?

Kubisiak: It is a variable rate now.

Laura Glot: North Dakota University System. I am here to clarify something, there is a presumption that funds are included in the North Dakota University Budget, it is not. The Governor's budget does include new money into the University system, but there are no uncommitted funds.

Rep Brusegaard : State board have the power to raise tuition rates now?

Glot: Currently the board sets the rates. The only rates they don't have authority to set are nonresident rates. There is a bill introduced this session that would eliminate that statute.

Rep Brusegaard : Would you see this bill affecting the reciprocity agreements?

Glot: As I look at the original bill, loan given to residents, and the loan would be forgiven if they stay in the state to practice. I don't see that it would have any impact on our nonresident population. Governor's budget does include a tuition increase.

Chairman R. Kelsch : Anyone else who wishes to appear on HB 1199? We will close the hearing on HB 1199.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1199-2-12-99

House Education Committee

Conference Committee

Hearing Date 2-2-99

Tape Number	Side A	Side B	Meter #
Tape #3	x		23.7 to 26.8
Committee Clerk Signature <i>Joan Davis</i>			

Minutes:

COMMITTEE ACTION

Chairman R. Kelsch , Vice-Chair Drovdal , Rep Brandenburg , Rep Brusegaard , Rep. Haas ,
Rep. Johnson , Rep. Nelson , Rep. Nottestad , Rep. L. Thoreson , Rep. Grumbo , Rep. Hanson ,
Rep. Lundgren , Rep. Mueller , Rep. Nowatzki , Rep. Solberg .

Chairman R. Kelsch : We will take up HB 1199. What are the wishes of the committee?

Rep Brusegaard :I move a DO NOT PASS.

Rep. Haas : Second.

Chairman R. Kelsch : Discussion. There is a DO NOT PASS motion, we will ask the clerk to
read the roll. THE DO NOT PASS motion passes with a vote of 14 YES 1 NO 0 Absent Floor
assignment Rep Brusegaard .

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1199 Amendment to: _____

Requested by Legislative Council Date of Request: 1-8-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative: It is estimated that the annual funding for this student loan program will be \$10,000,000 reaching an outstanding portfolio of \$50,000,000. The cost of funds, estimated at 6%, will result in an expense of \$600,000 the first year and increasing each year as student debt increases. An average graduate would borrow approximately \$2,000. Loan forgiveness annually is estimated at \$1,000,000 based upon the current percent of students remaining in the state after graduation of approximately 61%. This number will increase as borrowers continue to remain in the state and enjoy debt forgiveness in subsequent years.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	-0-	-0-	-0-	-0-	-0-	-0-
Expenditures:	-0-	-0-	-0-	1,800,000	-0-	6,700,000

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: -0-
- b. For the 1999-2001 biennium: \$1,800,000 foregone interest and admin. exp. of \$100,000
- c. For the 2001-03 biennium: \$4,200,000 foregone interest, \$2,500,000 loan forgiveness, and admin. exp. of \$200,000

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed Julie Kubisiak

Typed Name Julie Kubisiak

Date Prepared: 1-15-99

Department Bank of North Dakota

Phone Number 328-5621

Date: 2-2-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1199

House Education Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Brusegaard Seconded By Haas

Representatives	Yes	No	Representatives	Yes	No
Rep. ReaAnn Kelsch-Chairperson	✓		Rep. Dorvan Solberg	✓	
Rep. David Drovdal-Vice Chair		✓			
Rep. Michael D. Brandenburg	✓				
Rep. Thomas T. Brusegaard	✓				
Rep. C. B. Haas	✓				
Rep. Dennis E. Johnson	✓				
Rep. Jon O. Nelson	✓				
Rep. Darrell D. Nottestad	✓				
Rep. Laurel Thoreson	✓				
Rep. Howard Grumbo	✓				
Rep. Lyle Hanson	✓				
Rep. Deb Lundgren	✓				
Rep. Phillip Mueller	✓				
Rep. Robert E. Nowatzki	✓				

Total (Yes) 14 No 1

Absent 0

Floor Assignment Brusegaard

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 2, 1999 5:36 p.m.

Module No: HR-21-1733
Carrier: Brusegaard
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1199: Education Committee (Rep. R. Kelsch, Chairman) recommends DO NOT PASS
(14 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1199 was placed on the
Eleventh order on the calendar.

1999 TESTIMONY

HB 1199

TESTIMONY FOR HB 1199

Prepared by Representative David Drovdal

February 1, 1999

Chairman Kelsch and members of the Education Committee. For the record my name is Representative David Drovdal from District 39. HB 1199 is a new direction in how we finance higher education. It has some advantages: the bill will help us as legislators, help students, serve the board of higher education, and help the taxpayers. I have not included in the bill the system by which the student would apply and receive the grant/loan money. I feel there are several avenues that are currently being used that would provide the method to implement the program. The funding for this program would come from increases in general funding to the higher education system. For instance, the Governor has suggested 20 million new dollars this biennium. That money would go into this education program.

The bill established a grant/loan program that would be available to all North Dakota students each semester that they attended a school of higher education. They would be allowed to receive \$250 each semester including the summer, if they attend school. After either completing school or quitting, they would then be required to repay the loan if they had to leave the state to find employment. Hopefully this would help to encourage them to stay within the state by allowing us to forgive two semesters of the loan for each year they stayed in the state.

It will help us as legislators because we would start to fund higher education much like we currently fund K - 12, by per pupil payments. It will help us better understand the cost of higher education and makes the system more accountable to us and to the student.

To the students, they will better understand the cost of education because they will directly receive the grant/loan and even though the school will probably raise tuition the same amount, the student would feel they had more invested and therefore asked for more accountability. The students that were at college for recreational activities would also better understand the cost and maybe go to the Army.

This would also help the colleges because when they raised the tuition for residents, they would also raise the tuition for nonresidents thus bring new money into the system. The loans that would be paid back would be money that could be reinvested for the future needs of tomorrow's youth. As our population and tax bases decline, we need to get a return on our education dollars. Hopefully, we could encourage them to stay in the state, but if they cannot then we would only ask them to contribute back to their home state some of what we first offered to them, and that is an education. My hope is that whenever we invest in higher education for the future, we will do it in this format.

Colleges would gain because they could raise nonresident tuition equally and receive non ^{resident} dollar.

Taxpayers would gain because they to would better understand the funding methods and would also receive relief on tax dollars flowing out-of-state.

I ask for your serious consideration to this idea. May I answer any questions.

Representative David Drovdal

Good Morning! My name is Julie Kubisiak and I am the Director of Student Loans of North Dakota at the Bank of North Dakota. Student Loans of North Dakota guarantees, originates and services state and federal student loans.

The Bank of North Dakota supports providing incentives and options to students working toward a higher education degree. However, we cannot support HB 1199 in its current form due to the cost to the Bank. 71% of incoming first-year students graduate within six years. The average student would borrow \$2,000. We have estimated that the initial funding of this program will be 10 million dollars reaching an outstanding portfolio of 50 million dollars. With 61 percent of the students remaining in the State, we have estimated the cost in the 1999-2001 biennium to be 1.8 million dollars in interest forgiveness and that costs will increase to 6.7 million dollars in the 2001-2003 biennium due to interest and loan principal forgiveness.

Without an amendment to provide for a method to fund an appropriation or to reduce payments the Bank has to pay to the General Fund by a like amount, the Bank of North Dakota cannot support HB 1199.