

2009 SENATE EDUCATION

SB 2296

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2296

Senate Education Committee

Check here for Conference Committee

Hearing Date: February 2, 2009

Recorder Job Number: 8295

Committee Clerk Signature

Minutes:

Chairman Freborg opened the hearing on SB 2296. All members were present except Senator Taylor who was snowed in and couldn't reach Bismarck.

Senator Fiebiger introduced the bill. See written testimony.

Senator Flakoll asked if a candidate for this grant program originally had student loans of \$25,000 but had paid them for a while so the outstanding balance was \$10,000, what amount would they qualify for under the grant.

Senator Fiebiger said if the outstanding amount of the loan was \$10,000, they would qualify for 25% if they served for 3 years and an additional 25% for an additional 3 years.

JoAnn Brager, Vice President of Public Policy for the North Dakota Association for the Education of Young Children, testified in favor of the bill. See written testimony.

Senator Flakoll asked the average length of service of those eligible for this grant or for workers in the industry.

JoAnn Brager said she doesn't know, although she knows turnover is very high. If they keep a teacher for 3 years, they think that is excellent. The low pay contributes to high turnover.

They would rather teach in the public schools where pay is better. She will find the answer and report back to the committee.

Linda Reinicke, Child Care Resource and Referral Program Director in western North Dakota testified in favor of the bill. See written testimony. 6 of the 9 closed centers last year were in the Fargo area, most due to the difficulty in hiring staff.

Senator Flakoll said philosophically, what is the best thing to do, reduce the amount of money up front for educational expenses or do it through loan forgiveness.

Linda Reinicke said she is not sure she can answer. She does not have enough experience with Higher Education and student loans. It would make sense to align the program with other loan forgiveness programs. It would make these workers feel valued if they were on the same level as students in science, biology and energy.

Senator Flakoll asked if it's better to pay, say \$10,000 up front so a student has no loans.

Linda Reinicke said she thinks it is better to do loan forgiveness, although the workers need higher salaries. It is easier to send a message that their education is valued.

Senator Bakke asked what percentage of their workers are female.

Linda Reinicke said she didn't know.

Jessica Woodbury, a paraprofessional employed with Head Start in Carson and a farmer, testified in favor of the bill. See written testimony.

Kim Ell, an employee at West River Head Start in Mandan, testified in favor of the bill. See written testimony.

Julie Kubisiak, Senior Vice President and Director of Student Loan Services, Bank of North Dakota, testified against the bill. See written testimony.

Senator Bakke asked how many people would qualify for the grant.

Julie Kubisiak said the fiscal note says 1148.

Senator Bakke asked what interest rate is paid now on student loans.

Julie Kubisiak said 6.8% on subsidized loans, 6% on unsubsidized.

Senator Flakoll asked if the federal government regulates the rates.

Julie Kubisiak said all interest rates on federal Stafford loans are set by Congress. She distributed a chart showing interest rates and what portion of interest received by the Bank of North Dakota is required to be sent to the federal government. (attached)

Senator Flakoll asked if a student attends school for 4 years and takes out \$5000 in loans per year, who pays the interest that accrues while the student is in college.

Julie Kubisiak said there are 2 programs with Stafford loans. In the subsidized loans, the government pays the interest while the student is in school. In the other program, the Bank of North Dakota bills the student for interest quarterly, the student doesn't have to pay the interest until they finish school but it is added to the balance of the loan.

Senator Flakoll asked what is the annual income derived by Bank of North Dakota for student loans for one year.

Julie Kubisiak said \$12 million.

Chairman Freborg closed the hearing on SB 2296.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2296

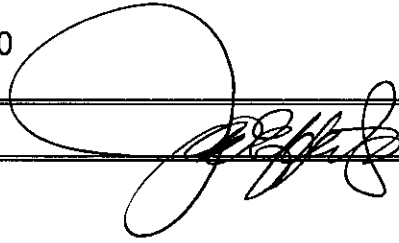
Senate Education Committee

Check here for Conference Committee

Hearing Date: February 3, 2009

Recorder Job Number: 8480

Committee Clerk Signature



Minutes:

Chairman Freborg opened the discussion on SB 2296. All members were present.

Senator Bakke moved a Do Pass on SB 2296, seconded by Senator Taylor. The motion failed 2 – 3.

Senator Flakoll moved a Do Not Pass on SB 2296, seconded by Senator Lee.

Senator Bakke asked Senator Flakoll for an explanation as to why he doesn't like this bill.

Senator Flakoll said he is not convinced it is the best use of our dollars for Higher Education related funding.

Senator Taylor said having missed the hearing yesterday and going through testimony, he did not see any testimony in opposition. It looked like a fair bit of testimony in support. The fiscal note shows \$224,000 in lost revenue to the bank. Early childhood educators is an area that the Governor's address indicated will be more in demand in the future. This is one way to shore up the supply.

The motion passed 3 – 2. Senator Flakoll will carry the bill.

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
Revenues			\$0	(\$224,322)	\$0	(\$195,681)
Expenditures			\$0	\$50,000	\$0	\$50,000
Appropriations			\$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.

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

Date: 2/3/09 :
Roll Call Vote #: 1 :

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2296

Senate Education Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No Pass

Motion Made By Sen. Bakke Seconded By Sen. Taylor

Senators	Yes	No	Senators	Yes	No
Senator Freborg		✓	Senator Taylor	✓	
Senator Gary Lee		✓	Senator Bakke		
Senator Flakoll		✓			

Total (Yes) 2 No 3

Absent _____

Floor Assignment _____

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

failed

Date: 2/3/09
Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2296

Senate Education Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Sen. Flakoll Seconded By Sen. Lee

Senators	Yes	No	Senators	Yes	No
Senator Freborg	✓		Senator Taylor		✓
Senator Gary Lee	✓		Senator Bakke		✓
Senator Flakoll	✓				

Total (Yes) 3 No 2

Absent 0

Floor Assignment Sen. Flakoll

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

REPORT OF STANDING COMMITTEE (410)
February 4, 2009 11:36 a.m.

Module No: SR-22-1601
Carrier: Flakoll
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2296: Education Committee (Sen. Freborg, Chairman) recommends DO NOT PASS
(3 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2296 was placed on the
Eleventh order on the calendar.

2009 TESTIMONY

SB 2296

SB 2296

Chairman Freborg, members of the Senate Education Committee, for the record, my name is Tom Fiebiger, Senator, District 45 – Fargo. I am pleased to appear today in support of SB 2296.

Most North Dakota children ages 0 to 5 have a parent in the labor force, regardless of their living arrangement. Child care is a critical concern for a large part of the state labor force. We have had several childcare closures in Fargo in the past year.

The fact of the matter is, our early childhood educators struggle with wages that are low compared to the other workers in our state. The average annual wage for child care workers in North Dakota (2007) was \$16,420. Preschool teachers average annual wage was \$23,000. Preschool and child care educational administrators had an annual average annual wage of \$32,420. This compares with an average annual wage of \$33,650 for all occupations.

One of the critical problems facing early childhood educators is that the low wages we pay the professionals that care for and educate our youngest children is that there is a high worker turnover rate. This is more than a financial problem to those trying to make a living caring for and educating our youngest children, our future. It causes emotional and stresses for parents whose most precious children find themselves in changing care and learning environments.

SB 2296 was brought to provide an opportunity for those dedicated North Dakota residents who spend their days working with our future – our children. The bill provides an opportunity for those working in early childhood education and development to get some assistance with student loan forgiveness. We want our early childhood education professionals to be able to afford to work in this most important profession. Our state's future depends on how we care for and educate our children. This is tied to how we compensate the professionals who do the heavy lifting. It is my understanding that the Head Start teachers in North Dakota are paid at a wage that makes their children eligible for low income Head Start services.

SB 2296 allows early childhood educators to be able to afford their rent and car payment and not be forced to leave the state for a job so they can pay their basic monthly bills. SB 2296 is an investment in our state's future. It requires those that benefit from the loan forgiveness to reside in North Dakota for several years to benefit, with a maximum loan forgiveness of \$20,000. This is not unreasonable.

While the fiscal note suggests a modest cost to implement this program, it is difficult to measure the long term cost to our children and families if we continue to ignore low wages and heavy turnover among our child care professionals. The cost of doing nothing is higher.

Others will provide more information on the practical problems encountered daily and how this modest program can be of help.

I urge the Education Committee to give SB 2296 a DO PASS.

SB 2296: student loan reduction for residents employed in early childhood education or child development

To: Senator Freborg and members of the senate education committee

February 2, 2009

My name is JoAnn Brager and I am the Vice President of Public Policy for the North Dakota Association for the Education of Young Children. The Association represents 400 members who work and on behalf of children ages birth to eight years of age.

The Association strongly supports SB 2296 and considers this bill an opportunity to keep North Dakota's best and brightest college graduates in the state to work with our young children. We know that young children who are taught by teachers with at least a four-year degree have a higher success rate in school.

The Association wants to promote the well being of children while supporting staff in their professional development. Just some of the early care and education employers/employees that will benefit from this bill will be child care center programs, child care home providers, infant development specialists, Head Start teachers, kindergarten teachers, elementary teachers with early childhood education degrees, and public school paraprofessionals.

SB 2296 will assist early care and education programs with recruitment of quality, qualified teachers who will remain employed in North Dakota. Please support SB 2296

SB 2296 Testimony
Senate Education Committee
Monday, February 2, 2009

Good Morning Chairman Freborg and Members of the Committee.

My name is Linda Reinicke. I am the Child Care Resource & Referral Program Director in western ND and employed by Lutheran Social Services of North Dakota. Child Care Resource & Referral (CCR&R) was established by the Legislature in 1992 to help parents find child care and provide training and program support to the child care industry. The Department of Human Services (DHS) currently funds two non-profit agencies to deliver CCR&R services—Lakes & Prairies Community Action Partnership (eastern ND) and Lutheran Social Services of ND (western ND).

Because Child Care Resource & Referral regularly relates with licensed child care programs, we have reliable data about the child care workforce that you may find helpful as you deliberate this bill.

Licensed Child Care Supply Data

Number of programs January 2008	1,498
Number of programs closed in 2008	-256 (includes 9 centers)
Number of programs opened in 2008	+243 (no center start-up)
Number of programs December 2008	1,483
Program net gain/loss	-13 (programs lost)
Program turnover	17%
Capacity January 2008	32,378
Capacity December 2008	32,812
Capacity net gain/loss	434 (spaces gained)

Licensed child care employs a workforce of 3,000. ND child care licensing standards do not require staff to have an early childhood degrees or any pre-service training. Staff must attend 9-12 hours of professional development training annually.

Children attending child care on a full-time basis will spend half of their awake hours in the care of an individual other than their parents—half of their awake hours when their brains quite literally will grow in size and weight. After birth, an infant's brains grow another 30% in size and weight. This happens when children feel love and secure, and when they can adventure and safely explore their world. During this time, brain synapses connect and allow brain cells to arrange based on the experiences of the child. (E.g. All children are born with the ability to speak all languages, but, as we hear our native language, the cells align so we can grow up speaking the language of our home. The cells our brains do not need dry up and are cast off. The more rich our language experiences, the more rich our language output and the bigger and heavier our brain). Chemicals released in the brain when children feel stressed, unsafe, not nurtured block the alignment of brain cells also contributing to smaller brains. This growth opportunity ends between ages 3-5.

Research says children can thrive in quality childcare—quality being the key word. Research also says quality early childhood programming correlates directly to staff quality—quality staff will better understand child development and will respond more appropriately to the needs of the very young. Staff qualities, in turn, correlate with the staff's years of formal early childhood education and their specialized training in early childhood education and development. In short, the more the staff learns, the more the children learn.

Recruiting highly trained early childhood individuals into child care and retaining them over a period of time has proven challenging for the child care industry.

Fargo experienced six child care programs closed in Fargo over the past 18 months primarily due to staffing shortages.

The following child care workforce data compiled by CCR&R also reflects that challenge.

Child Care Center Staff Data

Workforce survey results from 56 centers out of 131 licensed child care centers (42% returns) representing 849 center staff (292 teachers, 470 aids, 87 directors)

	Lead Teachers (292)	Aids (470)	Directors (87)
College degree	42%	8%	70%
Average hourly wage	\$8.83	\$6.73	\$11.77
Annual turnover	27%	69%	4%
Employed 3-5 years	20%	14%	15%
Employed 5-10 years	23%	7%	22%

From the 2006 Center Staff Salary and Working Conditions Survey
Conducted by North Dakota Child Care Resource & Referral

In-home Child Care Programs Data (represents 1,237 programs)

High school education	1073	87%
Some college, child related	314	25%
CDA	34	3%
Associate degree, child related	31	3%
Bachelors degree, child related	112	12%
Bachelors, other	152	12%
CNA-RN-LPN	100	8%
Special Education degree	26	2%
MA degree or higher	13	1%
0-1 year experience	76	6%
1-3 years experience	194	16%
4-9 years experience	289	23%
10-20 years experience	389	31%
21+ years experience	242	20%

In addition to the current limited supply of early childhood workers, the demand for more degreed early childhood professionals will increase as accredited child care centers seek to maintain their accreditation status. New accreditation standards require programs to employ an increased number of early childhood degreed staff. If programs are to meet high-quality standards, they must be able to recruit and hire degreed early childhood professionals.

The child care workforce provides a vital care services for ND's children and families—especially during the most vulnerable infant-toddler years. Children require educated caregivers who have a commitment to remaining in the field.

Thank you for your time. I will stand for questions.

Linda Reinicke, Program Director

Child Care Resource & Referral (western ND)

Lutheran Social Services of ND

530-2501 (work) 250-0630 (cell) lreinicke@lssnd.org

February 2, 2009

To: Members of the Senate Education Committee

RE: SB 2296, Loan forgiveness for early childhood educators



Good morning. My name is Jessica Woodbury and I live in Carson, ND. My husband and I are in the process of purchasing our family farm and we both need to be employed in order to buy it. My husband and I have three children and we plan to spend the rest of our lives in Grant County.

I work for West River Head Start in Carson as a paraprofessional and I have an Associate of Arts degree in Early Childhood Education. I couldn't work anywhere else in Carson and get benefits. I want to go back to work on my four-year degree in Early Childhood Education and it would be much easier to go back to school if there was a program like this. Right now and for a long time to come, any extra money will go into the farming end of things. Money will be tight. I would like to get my four-year degree but where is the money going to come from?

Getting a four-year degree will help broaden my scope of what I could do in Grant County – work in special education, the public school or be eligible for a promotion to a teacher or Family Support Coordinator in Head Start.

Thank you for listening to my story. I hope that you will pass this bill to help me and many others who would love to go back to college but don't have the financial ability to do it.

Jessica Woodbury
5560 66th St SW
Carson, ND 58529
701-622-3320





February 2, 2009

To: Members of the Senate Education Committee

RE: SB 2296, Loan forgiveness for early childhood educators

Good morning. My name is Kim Ell and I have worked at West River Head Start in Mandan for almost 5 years. I have a student loan from obtaining a double major at the University of Mary. I choose to work at West River Head Start because I know the importance of early childhood education and believe in the Head Start program helping low income children and families. I make this choice even knowing that my annual salary pay is around \$11,000 less than teachers in a local public school system.





In addition to already having my bachelor's degree, I have considered going back to college to obtain my Master's Degree in Education; however finances have made me think twice. If this bill were passed, I could seriously consider this again.

I also know co-workers who are struggling to pay bills but cannot afford to go to college and others who have a bachelor's degree but have to look for a second job. If this bill would be passed, my co workers could go back to school to earn a better wage and those who have needed a second job could find time for their families because their \$200.00 monthly student loan payment will have been forgiven.

Thank you for your time and I hope that this bill will be passed so that people like me can continue to extend our talents to early childhood programs such as Head Start.

Kim Ell
936 N 34th St
Bismarck ND 58501
701-426-0391



**TESTIMONY TO THE
SENATE EDUCATION COMMITTEE**

FEBRUARY 2, 2009

SENATE BILL 2296



Good Morning Mr. Chairman and members of the Education Committee. My name is Julie Kubisiak and I am the Senior Vice President and Director of Student Loan Services at Bank of North Dakota (BND).

I am appearing today in opposition of Senate Bill 2296 which provides a loan reduction for North Dakota residents employed in early childhood education or child development. It is difficult to speak in opposition of this bill. Although the bill does have certain requirements and provisions that I will comment on later as areas that could be considered further, the reason for our opposition is that the bill does not provide an appropriation to fund this loan reduction.

In addition to the \$60 million provided to the general fund, BND paid more than \$4.4 million in required fees to the Department of Education in 2008. Furthermore, in 2008, BND saved students an additional \$3.3 million. First, BND paid fees that are normally paid by the student when they receive a loan to attend college in North Dakota. Secondly, the amount of interest borrowers paid was reduced, by a quarter of one percent, when in a repayment status and the borrower chose to make their monthly payments via our automated payment option. These benefits are available to every student attending a school in North Dakota, as we do not believe it would be appropriate for BND to target any specific group of individuals.

Items which are noteworthy about this legislation which I indicated I would address include:

- At first glance of the fiscal note, it appears the fiscal impact to the State of North Dakota is approximately \$275,000 for the 2009-2011 biennium and even less for the following biennium. Those amounts only represent the loss of earnings to BND. The full fiscal impact is estimated at more than \$5.9 million for the 2009-2011 biennium and more than \$5.1 million for the following biennium. These amounts reflect the total funds BND would be required to absorb from its earnings to pay for this program.

- 
- We are aware of four bills requiring transfer of funds from BND, two additional bills that would provide loan forgiveness, one more requiring refinancing of student loans to obtain a reduced interest rate, and we are working on a comprehensive buy down of interest for another legislator. All of these bills impact the earnings of BND. It would be advantageous to combine loan benefits or programs with a systematic approach in order to make the best use of state funds and to assist the greatest number of North Dakota residents.
 - We contacted the Department of Human Services to gather information on the number of individuals that could qualify for loan forgiveness. During those discussions it became clear that the provision which requires their degree be specific to early childhood education or child development would limit the number of individuals that could qualify.
 - This bill could encourage borrowers to stop making payments by requesting forbearance (no-payment option) during the 3-year period between the first and second reduction in order to receive the maximum forgiveness benefit.
- 

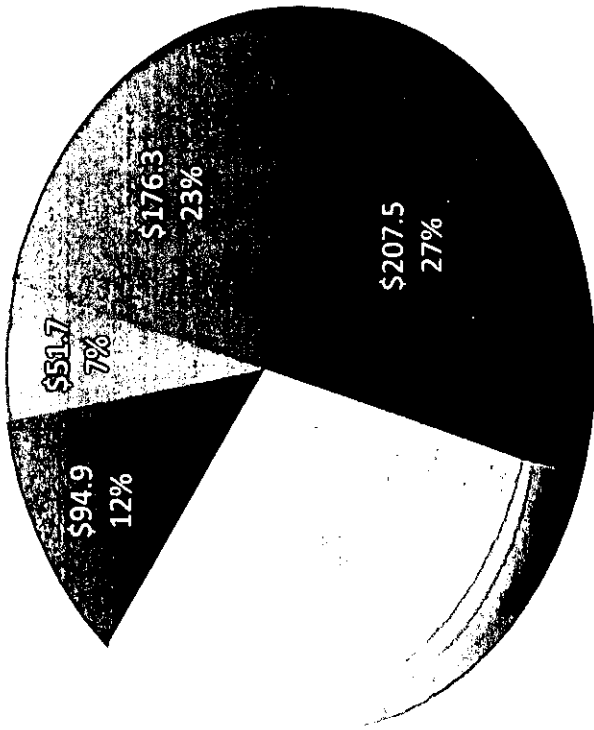
That concludes my testimony and I would be happy to respond to any questions the committee would have at this time.

BND STUDENT LOAN PORTFOLIO

INTEREST RATE ANALYSIS

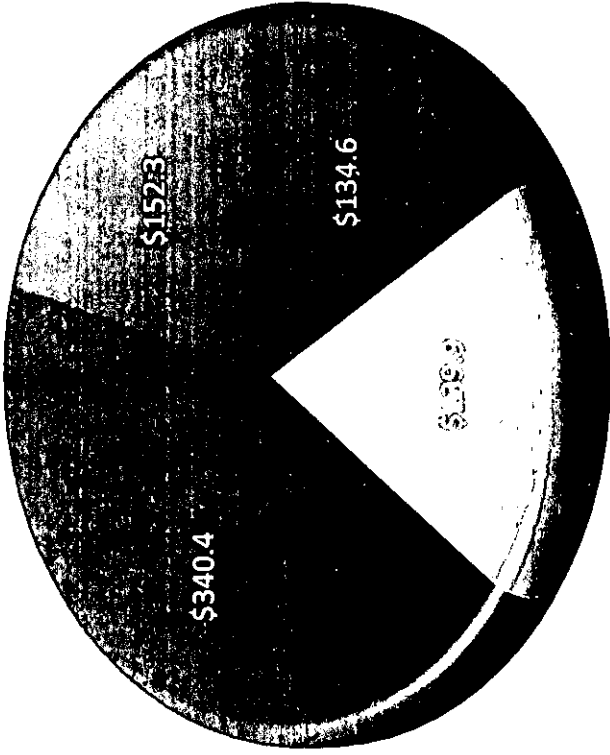
4.01% to 6% 6.01 to 7% 7.01% to 8% 8.01% to 9%

Interest Rates



BND STUDENT LOAN PORTFOLIO
(\$767.2 MILLION AS OF 12/31/08)

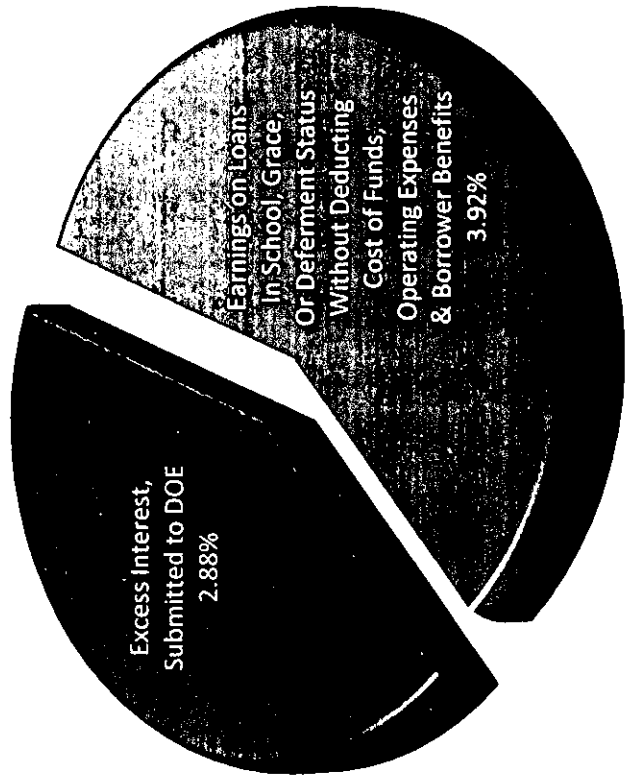
Subsidized Unsubsidized DEAL Consolidation, PLUS, SLS



BND LOANS THAT ACCRUE INTEREST AT 6.8%

10/01/08 - 12/31/08

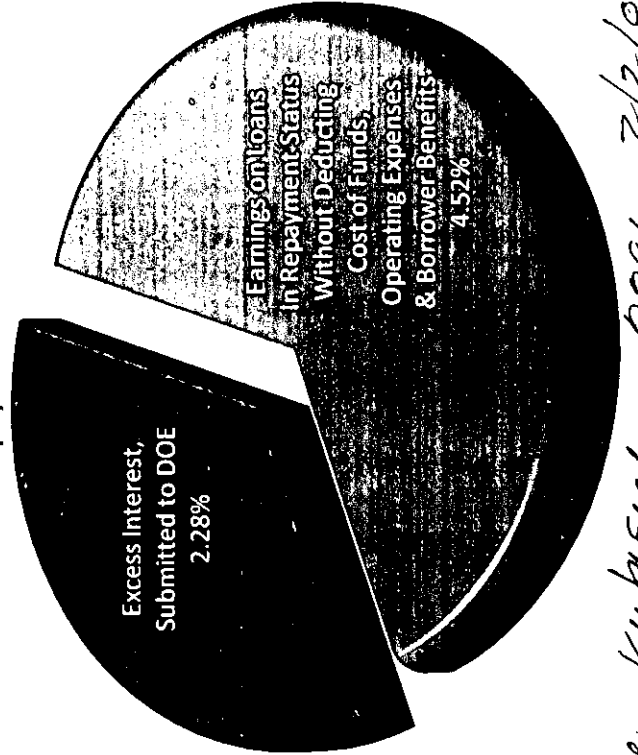
In School Status



BND LOANS THAT ACCRUE INTEREST AT 6.8%

10/01/08 - 12/31/08

Repayment Status



Julie Kubisa 2296 2/2/09