

2019 HOUSE EDUCATION

HB 1092

2019 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

HB 1092
1/7/2019
30494

- Subcommittee
 Conference Committee

Committee Clerk: Bev Monroe

Explanation or reason for introduction of bill/resolution:

relating to the North Dakota higher education savings plan, the federal student loan program, and the state guarantee loan program and eligibility for participation in the federal student loan program; and to declare an emergency.

Minutes:

Attachment 1

Chairman Owens: Opened the meeting, with roll call taken.

Tom Ternes, BND Ed. Market Manager: Presented Attachment #1.

Chairman Owens: Any questions to the committee?

Rep. Heinert: Question on College Save Program regarding Grades K-12.

Tom Ternes: The federal level made the changes.

Rep. Guggisberg: What is the educational mission of BND?

Tom Ternes: Education commission talks about informing the public with information encompassed from cradle to career and the options they will have.

Rep. Guggisberg: Will funds be separated to help the students and educate the public or is this the educational mission?

Tom Ternes: The mission is to run the programs and to communicate with the public to play a role if needed.

Chairman Owens: If someone opens a new 529 Plan, do you still employ a cost share promotion where you still contribute?

Tom Ternes: There is something called the New Baby Match where if that newborn born in ND the parents deposit \$200 within the first 12 months is matched. We also have a BND match up to \$300 for anyone under 15 years of age with some income parameters.

Chairman Owens: No further questions and the hearing was closed.

2019 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

HB 1092
1/9/2019
30620 (8:50)

- Subcommittee
 Conference Committee

Committee Clerk: Bev Monroe

Explanation or reason for introduction of bill/resolution:

relating to the North Dakota higher education savings plan, the federal student loan program, and the state guarantee loan program and eligibility for participation in the federal student loan program; and to declare an emergency.

Minutes:

Attachment

Chairman Mark S. Owens: Opened the hearing for discussion on HB 1092.

Rep M. Johnson: In testimony from Mr. Ternes, it provides that BND's educational mission, which is to provide quality resources and financial services that promote....., is that the extent of that educational mission, do you know?

Chairman Mark S. Owens: Thank you for the reminder. We will double check with Mr. Ternes. If you want to talk to him again, please do so and we will take care of it the first thing next week. Closed the hearing on HB 1092.

2019 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

HB 1092
1/23/2019
31308

- Subcommittee
 Conference Committee

Committee Clerk: Bev Monroe by Donna Whetham
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Explanation or reason for introduction of bill/resolution:

Relating to the North Dakota higher education savings plan, the federal student loan program, and the state guarantee loan program and eligibility for participation in the federal student loan program; and to declare an emergency.

Minutes:

Attachment 1

Chairman Mark S. Owens: Opened the hearing for discussion on HB 1092.

Representative LaurieBeth Hager: I have more clarification for the Bank of North Dakotas mission to deliver sound financial services that promotes industry in North Dakota. (See Attachment 1) 00:50- 3:00

Chairman Owens: Banks rarely do financial education. Because it is a state owned bank it does provide financial education, when you have so many people in college that don't know how to balance a check book. I am not aware of banks for profit having the same education. If you want a motion for an amendment go ahead.

Representative Longmuir: I move a Do Pass on HB 1092.

Representative Pyle: Seconded.

Chairman Mark S. Owens: Any further discussion?

Vice Chairman- Cynthia Schreiber-Representative Rick Becker: In regards to where education is at in the state to Higher Education or post -secondary training, the post-secondary training definitely defines everything. In my mind we don't want to put different pedestals out for different types of education.

Chairman Owens: Any further discussion? Seeing none. The clerk will call the roll.

Roll Call Vote: Yes 13. No 0. Absent 1.

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Motion carried on Do Pass on HB 1092.

Representative Longmuir: Will carry the bill.

Hearing closed on HB 1092.

Date: 1-23-19
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1092**

House Education Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Rep. Longmuir Seconded By Rep. Pyle

Representatives	Yes	No	Representatives	Yes	No
Chairman M. Owens	✓		Rep. Guggisberg	✓	
V. Chair. Schreiber-Beck	✓		Rep. Hager	✓	
Rep. Heinert	✓				
Rep. Hoverson	A				
Rep. D. Johnson	✓				
Rep. M. Johnson	✓				
Rep. Johnston	✓				
Rep. Longmuir	✓				
Rep. Marschall	✓				
Rep. Pyle	✓				
Rep. Strinden	✓				
Rep. Zubke	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. D. Longmuir

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

REPORT OF STANDING COMMITTEE

HB 1092: Education Committee (Rep. Owens, Chairman) recommends **DO PASS**
(13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1092 was placed on the
Eleventh order on the calendar.

2019 SENATE EDUCATION

HB 1092

2019 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

HB 1092
3/5/2019
33186 (7:29)

- Subcommittee
 Conference Committee

Committee Clerk: Lynn Wolf

Explanation or reason for introduction of bill/resolution:

A bill relating to the North Dakota higher education savings plan, the federal student loan program, and the state guarantee loan program; relating to eligibility for participation in the federal student loan program; and to declare an emergency.

Minutes:

Att. #1-Ternes

Tom Ternes, Education Market Manager, Bank of North Dakota: See Att. #1.

Senator Marcellais: In section 3 it mentions the agency shall per rule set minimum qualifications for a person. What are the minimum qualifications for a part time loan?

Tom Ternes: We establish different rules to make sure that someone – are they degree seeking or not, how many credits are they taking and if we allow them to take out the loan. We want to make sure they are persueing some type of training or degree. We don't really get too involved if people just want to take one class unless there is kind of a need for it. That is where we talk about minimum qualifications. We want to make sure that people are trying to better themselves and if they are going to take out debt to do that, that they will hopefully put themselves in a situation where they will be able to pay that back. We want to be mindful that we are not just lending to a bunch of different programs.

Senator Marcellais: Is there anything for vocational school?

Tom Ternes: Vocational schools – a lot of times the community colleges – yes, we do. We lend the community colleges today. Those accredited type programs. When I talk about the certificate type degrees, we are hearing a lot of different potentials about meeting some needs through different types of training and certification programs. If those aren't run through an accredited program – an accredited school – we could be limited with how the language is today, so what we want to make sure the bank can take an approach where we are not just open the doors and we want to make sure to look at it. Does the program have viability, does it make sense, does it a big need for the state? It allows us to meet that need.

Senator Marcellais: What about veterans? What kind of program do you have for veterans?

Tom Ternes: We don't have anything different for veterans. Our programs are really out there for all North Dakotans. We don't do anything different for veterans. What there is for veterans is though for veterans is for payment there are some service type acts that allow us to lower interest rates and do different things based on where that is at. We do follow those rules to make sure we are treating veterans with all the respect they deserve. Through more of the repayment – not so much of the up front.

Chairman Schaible: Other questions. Thank you. Other testimony in favor of the bill. Agency testimony. Any opposition testimony. Seeing none we'll close the hearing on HB 1092.

2019 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

HB 1092
3/6/2019
33267 (8:37)

- Subcommittee
 Conference Committee

Committee Clerk: Lynn Wolf

Explanation or reason for introduction of bill/resolution:

A bill relating to the North Dakota higher education savings plan, the federal student loan program, and the state guarantee loan program; relating to eligibility for participation in the federal student loan program; and to declare an emergency.

Minutes:

Att. #1-Schaible

Chairman Schaible: Committee: We will look at HB 1092. I had our Intern print the eligibility for participation in federal student loan program information. **See Att. #1.**

Senator Rust: One of the questions I had was dealing with section 529 of the IRS code. According to the person that presented the bill, says can be used for K12 tuition. How is that compared to what the state allows? Does it mean that if the federal government allows for something or provides for something that we automatically have to do it? Do other banks do this? In the past when it came to providing for tuition, this looks like it is a little bit butting heads with our current laws – I know we have a bill in Finance and Taxation – that is going to be changing the amount that can be donated toward higher ed. – secondary ed. and primary education and not sure – I've got to look at it again, but someone had stated to me that it changed it from corporate to individual. But I am just wondering is there a conflict here and do we do anything about it?

Chairman Schaible: First of all, the Bank of North Dakota (BND) this is set up for self-paid – not government money that goes into the savings plan for education. There is some tax advantages to that. What this says on this is take advantage of that tax incentives they can use this for tuition of K12. The differences of the two is there is no government money involved in this. We are not contributing to that savings plan. I think that is the distinction of where it would be different. This is a federal plan that BND is duplicating for a savings plan that is –

Senator Rust: So what we have here is an educational savings plan that most people don't know about.

Chairman Schaible: It has been around for a long time.

Senator Rust: Has it been able to be used for – I thought he said it was just lately it could be used for K12.

Chairman Schaible: Yes, that part I am not sure, but the Higher Ed. part has been around for a long time and remember it was about the same time that the state used to take care of student loans and then the federal took that away from us and substantially charged higher rates and we could do nothing about that and quite frankly, that's we have a bill on the floor today I think that addresses some of that about this one too. It even talks about they keep the portfolio open even though they sold the loans but that is incase that something ever happens and they let the states manage it. That is why they want to keep it open so if they go back that they can manage it and have that portfolio open. I don't think currently we have any loans in the books anymore because I think they sold them two years ago. We can get someone in to explain that if you want.

Senator Rust: Well, it says the bank, as trustee of the ND Higher Education Savings Plan may impose an annual fee to cover – OK – and then talks about – I should have looked this up a little quicker – I started and yesterday and got sidetracked. That section 2529 – I didn't realize it – was it Secretary DeVos - probably that would have done that or – I'm not sure. Basically extends it to K12. In other words, we don't need an educational savings plan in ND if that is the case because we already got one.

Chairman Schaible: The question always is – where does the money come from. Currently, our stance is we are not spending public money on private savings plans.

Senator Rust: I am guessing that is true here, right?

Chairman Schaible: I wouldn't say that this savings plan it is irrelevant where the money comes from – it is just that the bank manages them. If you open an educational plan for newborn child, I think – what do they kick in \$250 or \$500? Something like that?

Senator Rust: It is pretty minor.

Chairman Schaible: It was an incentive to get people to thinking about it and start doing it. And then, it is tax free also.

Senator Oban: That is sort of the ticket – the tax free part. Further down in this section – lines 21, 22, 23 specifically says contributions made during the taxable year to a higher ed. savings plan administered by the bank are eligible for a income tax deduction.

Senator Rust: Different than a credit – thank you.

Senator Oban: Yes, it is. The credit is the other bill we were talking about.

Chairman Schaible: So the question is do we have a problem with this bill and do you need further information? I think mostly what they are trying to do is align with the federal standards that have changed and to make it again. I really don't see this as an issue. It is just so that they are in line with the federal changes have been made and some of the language is in there – I know they have kept the portfolio open for the student loan part, but right now there

is no chance of the state managing that, but they kept it open as long – if something would change that they would be in a position to do that. Do we need someone from BND to come down and talk about it or not?

Senator Davison: Motion to Do Pass on HB 1092.

Senator Fors: Second.

Roll Call Vote: 7 Yeas; 0 Nays; 0 Absent.

Motion Carries. Senator Davison will carry the bill.

REPORT OF STANDING COMMITTEE

HB 1092: Education Committee (Sen. Schaible, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1092 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

HB 1092

TESTIMONY TO THE HOUSE EDUCATION COMMITTEE
JANUARY 7, 2019
TOM TERNES – EDUCATION MARKET MANAGER
BANK OF NORTH DAKOTA

Chairman Owens and Education Committee members, my name is Tom Ternes, Education Market Manager, at Bank of North Dakota (BND). I am here today to support passage of House Bill 1092, and to ask for your support of the bill to amend language in the following sections to allow BND to continue to meet the everchanging needs in education and workforce development.

Throughout this bill, BND recommends removing the terms “institution of higher education and higher education,” which in most cases are associated with traditional institutions such as colleges and universities. We want to replace these terms with “postsecondary education” which still includes colleges and universities but will accommodate training for trade and other needed careers in North Dakota’s workforce.

Also mentioned is BND’s educational mission, which is to provide quality resources and financial services that promote education in North Dakota to help provide a well-skilled workforce. We do this through our involvement in Student Loans, College SAVE, North Dakota Dollars for Scholars, College Application Month, Financial Literacy and several other education resources and tools.

SECTION 1. AMENDMENT – Section 6-09-38

While higher education continues to be a viable option for postsecondary education that allows residents to obtain training for skills needed for numerous careers in North Dakota, this is only one avenue for residents to be successful in our state. Workforce needs in our state extend outside of higher education, and by changing the language from “institution of higher education,” to BND’s educational mission, it allows BND to focus efforts on all postsecondary education opportunities in North Dakota.

In addition, we recommend inserting language to defray the expenses of education as defined by section 529 of the Internal Revenue Code of 1986 [26 U.S.C § 529]. This would allow North Dakota’s 529 Plan (College SAVE) to follow changes at the federal level that allows College SAVE funds to be used for K-12 tuition.

SECTION 2. AMENDMENT – Subsection 2 of section 6-09-48

As stated above, language changes moving from using “higher education” to BND’s educational mission, allows us to focus our efforts to best meet education and workforce needs.

SECTION 3. AMENDMENT – Subsection 1 of section 15-62.1-02

The addition of “in postsecondary training” clarifies BND’s ability to use its state-sponsored student loan program to help educate residents with skills to meet workforce needs in North Dakota outside of traditional higher education, while keeping our commitment to help fund residents who choose to attend an institution of higher education.

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Testimony to the House Education Committee
January 7, 2019
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SECTION 4. AMENDMENT – Section 15-62.1-04

Language changes to clarify the repayment rules of student loans made without federal government coinsurance do not need to follow the Higher Education Act of 1965. BND's repayment rules continue to support customers, while holding them accountable, for successful repayment of their student loan debt.

SECTION 5. ADMENDMENT – Section 15-62.1-10

In 2010 through federal legislation, the U.S. Department of Education was given the exclusive responsibility to deliver the federal student loan program. As a result, BND ceased to originate any new federal student loans, but continued to service the existing federal portfolio. With the growth BND has seen in its state-sponsored student loan and refinance program, and the decrease in the federal portfolio since 2010, BND sold the remaining federal student loan portfolio in early 2018.

By repealing section 15-62.1-10. Eligibility for participating in the federal student loan program, we are removing obsolete language, as BND no longer originates or services federal student loans.

Thank you for your time and consideration of House Bill 1092. I am available for questions.

Tom Ternes
Education Market Manager
Bank of North Dakota

HB 1092
1-23-19
#1

Hager, LaurieBeth

From: Ternes, Tom S.
Sent: Wednesday, January 16, 2019 5:02 PM
To: Hager, LaurieBeth
Cc: Hardmeyer, Eric A.; Steinwand, Todd J.
Subject: Bank of North Dakota - Education Market Background
Attachments: 2017 BND Financing Higher Education Report.pdf

Good Afternoon Representative Hager,

Thank you for the conversation this morning. I did get your voicemail about getting clarification on Bank of North Dakota's (BND's) Education Mission. I am attaching the 2017 BND Financing Higher Education Report that should help paint a picture of the important role BND plays in terms of postsecondary education. The 2018 report should be ready within the next few weeks.

Below is additional information that should help:

- BND's Mission: *"To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota."*
- BND's Business Development area has three main markets:
 - Financial Institutions Market
 - Education Market
 - Economic Development and Government Program Market
- BND's Education Market Charter and Vision:
 - Education Market Charter – *"To provide quality resources and financial services that promote education."*
 - Education Market Vision – *"The Vision of the Education Market is to be the most preferred and trusted resource customers choose for general knowledge, planning and financing education because of the high quality information, tools, services and service we provide."*

I hope this gives you a better understanding of BND's mission in terms of education. Our goal is to ensure BND can be agile to continue to help North Dakota have a well educated workforce, which in turn helps meet the overall mission of the Bank. *I can tell you have a strong passion for education, we would be happy to discuss things in more detail.* If this is something you are interested in, we could grab lunch or find a different time that works with your busy schedule.

Have a great day,

Tom

Tom Ternes
Education Market Manager

Bank of North Dakota
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3-5-19
AH #1
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TESTIMONY TO THE SENATE EDUCATION COMMITTEE

March 5, 2019

**TOM TERNES – EDUCATION MARKET MANAGER
BANK OF NORTH DAKOTA**

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In addition, we recommend inserting language to defray the expenses of education as defined by section 529 of the Internal Revenue Code of 1986 [26 U.S.C § 529]. This would allow North Dakota’s 529 Plan (College SAVE) to follow changes at the federal level that allows College SAVE funds to be used for K-12 tuition.

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The addition of “in postsecondary training” clarifies BND’s ability to use its state-sponsored student loan program to help educate residents with skills to meet workforce needs in North Dakota outside of traditional higher education, while keeping our commitment to help fund residents who choose to attend an institution of higher education.

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SECTION 4. AMENDMENT – Section 15-62.1-04

Language changes to clarify the repayment rules of student loans made without federal government coinsurance do not need to follow the Higher Education Act of 1965. BND's repayment rules continue to support customers, while holding them accountable, for successful repayment of their student loan debt.

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By repealing section 15-62.1-10. Eligibility for participating in the federal student loan program, we are removing obsolete language, as BND no longer originates or services federal student loans.

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Tom Ternes
Education Market Manager
Bank of North Dakota

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under this chapter whenever the underlying note was executed and subject to the note providing for payments of fees and collections costs.

15-62.1-08. Contract with united student aid funds, incorporated, or similar nonprofit corporation.

The agency is authorized to appoint the united student aid funds, incorporated, or similar nonprofit corporation, as agent of the state, to assist in performing the administrative functions of the state under and subject to the terms and provisions of this chapter and to perform such other duties as may be prescribed by the agency for the proper administration of the guarantee loan program. The agency shall pay fees to the united student aid funds, incorporated, or similar nonprofit corporation, as it may determine necessary for the administration of such program. In the event that the agency has entered into an agreement with united student aid funds, incorporated, or a similar nonprofit corporation and at a later date determines that it can administer the program more economically and efficiently than can such nonprofit corporation, it shall upon proper notice terminate the agreement with such nonprofit corporation.

15-62.1-09. Information system.

The eligible postsecondary educational institutions in the state shall furnish to the agency and other lending institutions such information as may be necessary to properly administer the guarantee loan program and the agency shall furnish information in regard to student loan transactions on a regular basis to such postsecondary educational institutions.

15-62.1-10. Eligibility for participation in federal student loan program.

The agency is directed to comply with such requirements as may be necessary to enter into an agreement with the government of the United States for the purpose of procuring funds and assistance for the administration, development, and operation of a guarantee loan program. No provision of this chapter may be construed or have the effect of preventing the agency from complying with the guarantee loan program requirements of title IV, part B, of the Higher Education Act of 1965, or similar acts of the Congress of the United States or with any amendments thereto relating to the guarantee loan program. In the event that the agency guarantees student loans without federal coinsurance, the agency shall, by rule, establish terms, conditions, and standards governing the operation and administration of the guarantee student loan program. In no case, however, may the agency rules serve to further restrict eligibility requirements or loan limits from those which were applicable as of the date the industrial commission approves the guarantee of loans without federal coinsurance or the date of the termination of federal programs providing coinsurance of student loans.

15-62.1-11. Coordination with federal programs relating to student loans.

Repealed by S.L. 1979, ch. 267, § 6.

15-62.1-12. Assistance to other state agencies - Reports to the board.

Repealed by S.L. 1979, ch. 267, § 6.

15-62.1-13. State scholarship revolving fund - Student loan collections - Uncollectible loans.

The funds in the state scholarship revolving fund, along with the available interest on such moneys and subsequent payments of interest and principal received from students, must be transferred by the Bank of North Dakota to a special fund in the Bank to serve as a reserve fund for a state guarantee loan program. The Bank shall continue to collect all outstanding loans and provide such other services as may be necessary to collect such loans and may cease collection efforts on loans determined uncollectible by action of the industrial commission.

15-62.1-14. Penalty.

Repealed by S.L. 1975, ch. 106, § 673.