

## ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2003-05 BIENNIUM <sup>1</sup>

Beginning balance - July 1, 2003		\$53,240,000
Add estimated revenues		
Net fund earnings	\$3,188,316	
Total available		\$56,428,316
Less estimated expenditures		
Transfers to the general fund	\$26,258,969 <sup>2</sup>	
Transfers to guarantee agency and the Industrial Commission	4,177,000	
Total estimated expenditures		\$30,435,969
Estimated ending balance - June 30, 2005		\$25,992,347

<sup>1</sup>This analysis reflects estimated revenues, expenditures, and ending balance for the **1979 bond resolution only**.

<sup>2</sup>The 2003 Legislative Assembly provided for the following transfers totaling \$26,258,969 from the student loan trust fund to the general fund:

- Section 12 of Senate Bill No. 2015 - \$11,000,000
- Section 19 of House Bill No. 1003 - \$14,258,969
- Section 6 of House Bill No. 1019 - \$1,000,000

**NOTE:** The estimated June 30, 2005, balance made at the end of the 2003 legislative session was \$26,690,000. The decrease in the estimated balance of \$697,653 is the net effect of the 2003-05 revised estimated revenues of \$3,188,316 being \$1,347,684 less than the previous estimate of \$4,536,000, and the 2003-05 revised estimated expenditures of \$30,435,969 being \$803,031 less than the previous estimate of \$31,239,000.

### FUND HISTORY

The 1971 Legislative Assembly authorized the Industrial Commission to acquire and hold all unpaid government-guaranteed or reinsured student loans and North Dakota student loans belonging to the state or any of its agencies. As a result, the student loan trust fund was created, which enabled the state to sell tax-exempt bonds and use the proceeds for purchasing student loans made or acquired by the Bank of North Dakota.

The student loan trust fund is not in the business of making loans to students or servicing loans which it acquires. The Bank of North Dakota continues to service those loans which the student loan trust fund holds.

The student loan trust is comprised of funds held under two general bond resolutions. The first general bond resolution includes funds from bonds issued in 1979, 1988, 1989, and 1992. The second general bond resolution referred to as the 1996 bond resolution includes funds from bonds issued in 1996, 1997, 1998, and 2000. All issuances with bonds outstanding are insured by Ambac Insurance Corporation.

Under both of the bond resolutions, assets may only be used for:

- Purchase of student loans.
- Payment of debt service to bondholders.
- Providing financial assistance to the North Dakota Student Loan Guarantee Agency.
- Payment of any rebate liability to the federal government.
- Administration of the student loan trust fund.

After all bonds in a general bond resolution have matured, been redeemed or defeased, and all expenses paid, any remaining assets held under the general bond resolution would be transferred to the Industrial Commission for use at its discretion. In order to use assets held under the general bond resolution for a purpose other than those stated in the general bond resolution, the administrator of the student loan trust fund must receive permission from the bond insurer, and the trustee of the bond (Bank of North Dakota) would have to certify that sufficient reserves remain for bond payments and other related program costs.

The 2003 Legislative Assembly with the passage of Senate Bill No. 2232 authorized the Industrial Commission to issue subordinate or residual bonds of up to \$23 million. The Industrial Commission is planning on issuing subordinate or residual bonds during calendar year 2004.

The 2003 Legislative Assembly with the passage of Senate Bill No. 2335 allowed the Bank of North Dakota to invest up to \$5 million in North Dakota alternative and venture capital investments and early-stage capital funds. The funds can be invested directly into a project or can be lent to the North Dakota Development Fund for investment in a project. The Legislative Assembly also authorized the Bank of North Dakota to request from the Industrial Commission a transfer from the student loan trust fund to reimburse the Bank for any losses incurred from investments in North Dakota alternative and venture capital and early-stage capital funds. Any gains from investments in North Dakota alternative and venture capital and early-stage capital funds must first be applied to reimburse any losses incurred by the student loan trust fund. Once the student loan trust fund has been made whole, the Bank of North Dakota and the student loan trust fund are to share additional revenue based on a formula determined by the Industrial Commission. As of March 2004, the Bank of North Dakota has committed funding of \$2.5 million for one project.