Bill as Introduced

SB 425-FN – AS INTRODUCED

2000 SESSION

00-2682
03/10

SENATE BILL ***425-FN***

AN ACT relative to the private activity bond limit.

SPONSORS: Sen. D'Allesandro, Dist 20

COMMITTEE: Banks

ANALYSIS

This bill permits the New Hampshire Health and Education Facilities Authority to allocate a portion of state ceiling to bonds if the amount of state ceiling available exceeds $150,000,000.

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

00-2682
03/10

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand

AN ACT relative to the private activity bond limit.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 New Paragraphs; Public Safety and Welfare; Private Activity Bond Limit; Definitions; Health and Education Facilities Authority and Student Loan Bond Added. Amend RSA 162-M:1 by inserting after paragraph VII the following new paragraphs:

VIII. "Health and education facilities authority" means the New Hampshire Health and Education Facilities Authority created by RSA 195-D:4, with the power to issue student loan bonds pursuant to RSA 195-E.

IX. "Student loan bond" means "qualified student loan bond" as defined and described in section 144(b) of the code.

2 Public Safety and Welfare; Private Activity Bond Limit; Allocation, Policy, Cooperation. Amend RSA 162-M:2-4 to read as follows:

162-M:2 Allocation Formula. Pursuant to section 146 of the code, the state hereby establishes for calendar year [~~1988~~] ***2000*** and each calendar year thereafter its formula for allocating the state ceiling among issuers as follows:

I. All of the state ceiling on private activity bonds which may be issued in any calendar year is hereby allocated to the state.

II. The housing finance authority may from time to time assign up to 1/2 of the state ceiling in any calendar year to and among issuers, including itself, for the purpose of (a) allocating such state ceiling to housing bonds or (b) electing under section 25(c)(2)(A)(ii) of the code not to issue a specified amount of qualified mortgage bonds in order to issue, or reserve the right to issue, mortgage credit certificates pursuant to section 25 of the code. The housing finance authority may also from time to time transfer any portion of the state ceiling within its control pursuant to this section to the business finance authority, which may assign any state ceiling so transferred in addition to and as if it were state ceiling described in RSA 162-M:2, III.

III. ***Except as provided in paragraph VII,*** the business finance authority may from time to time assign up to 1/2 of the state ceiling in any calendar year to and among issuers, including itself, for the purpose of allocating such state ceiling to (a) private activity bonds other than housing bonds and (b) bonds which would be private activity bonds unless an allocation of state ceiling is made to them. The business finance authority may also from time to time transfer any portion of the state ceiling within its control pursuant to this section to the housing finance authority, which may assign any state ceiling so transferred in addition to and as if it were state ceiling described in RSA 162-M:2, II.

III-a. The housing finance authority, [~~and~~] the business finance authority, ***and, to the extent it has received any state ceiling pursuant to paragraph VII, the health and education facilities authority,*** prior to assigning the state ceiling in any calendar year, shall consider the relative needs and priorities of the agencies and, by mutual consent, may set aside the proportionate allocation specified in paragraphs II, [~~and~~] III, ***and VII***.

IV. Pursuant to section 146(f) of the code, each of the housing finance authority, [~~and~~] the business finance authority, ***and, to the extent it has received any state ceiling pursuant to paragraph VII, the health and education facilities authority,*** may carry forward any unused portion of the state ceiling within its control pursuant to this section for any carryforward purpose. Any state ceiling so carried forward shall be assigned or transferred by the authority making the carryforward election in addition to and as if it were state ceiling under the control of such authority pursuant to RSA 162-M:2, II, [~~or~~] III, ***or VII***, as the case may be.

V. Each assignment of state ceiling made by the housing finance authority, [~~or~~] the business finance authority, ***and, to the extent it has received any state ceiling pursuant to paragraph VII, the health and education facilities authority,*** shall be in writing, shall be made for a specific bond issue, and shall specify the date on or before which the bonds must be issued in order for the assignment to be effective. No assignment of state ceiling shall become final until the bonds for which the assignment was made are issued, and the amount of final assignment shall be limited to the aggregate face amount of the bonds issued. Transfers of state ceiling between the housing finance authority, [~~and~~] the business finance authority, ***and, to the extent it has received any state ceiling pursuant to paragraph VII, the health and education facilities authority,*** shall be in writing, but need not be for a specific bond issue. An election to carry forward state ceiling need not be for a specific bond issue.

VI. Notwithstanding anything in this chapter to the contrary, in the event the code no longer authorizes the issuance thereunder of mortgage credit certificates or of any one or more particular types of bonds requiring state ceiling under section 146 of the code as in effect on January 1, 1987, or in the event the code as in effect on such date is amended to permit the issuance of additional types of bonds or other obligations or certificates requiring state ceiling, the governor may by executive order adjust the distribution of state ceiling between the housing finance authority, [~~and~~] the business finance, ***and, to the extent it has received any state ceiling pursuant to paragraph VII, the health and education facilities authority,*** authority as set forth in RSA 162-M:2, II, [~~and~~] III, ***and VII,*** provided that no such adjustment shall affect any assignment, allocation, transfer or carryforward made by [~~either~~] ***any*** such authority prior to the date of such executive order.

VII. Notwithstanding anything in this chapter to the contrary, in the event that in the year 2000 or in any year thereafter the amount of state ceiling available to the state exceeds $150,000,000, then the excess above such amount shall be allocated equally between

the housing finance authority and the health and education facilities authority. In such event, the health and education facilities authority may from time to time assign its portion of the state ceiling in any calendar year to and among issuers, including itself, for the purpose of allocating such state ceiling to student loan bonds and, to the extent not so allocated, to bonds which would be private activity bonds unless an allocation of state ceiling is made to them. The health and education facilities authority may also from time to time transfer any portion of the state ceiling subject to its control to the housing finance authority or the business finance authority, each of which may assign any ceiling so transferred in addition to and as if it were state ceiling described in paragraphs II and III. The health and education facilities authority also may receive from the housing finance authority or the business finance authority any portion of the state ceiling subject to their control, and, in such event, the health and education facilities authority shall assign any state ceiling so transferred in addition to and as if it were state ceiling described in this paragraph.

162-M:3 Policy. In making assignments of state ceiling under this chapter, the housing finance authority, [~~and~~] the business finance authority, ***and, to the extent it has received any state ceiling pursuant to RSA 162-M:2, VII, the health and education facilities authority,*** shall seek to distribute state ceiling as fairly as practicable among state and local issuers and shall take into consideration state and local development plans and policies.

162-M:4 Cooperation. The housing finance authority, [~~and~~] the business finance authority, ***and, to the extent it has received any state ceiling pursuant to RSA 162-M:2, VII, the health and education facilities authority,*** shall cooperate to carry out the purposes of this chapter and to ensure that the state ceiling is utilized to the fullest extent possible.

3 Effective Date. This act shall take effect 60 days after its passage.

LBAO
00-2682
12/17/99

SB 425-FN - FISCAL NOTE

AN ACT relative to the private activity bond limit.

FISCAL IMPACT:

The Office of Legislative Budget Assistant is unable to complete a fiscal note for this bill as it is awaiting information from an agency.

LBAO
00-2682
Revised 12/29/99

SB 425 FISCAL NOTE

AN ACT relative to the private activity bond limit.

FISCAL IMPACT:

The Legislative Budget Assistant has determined that this bill will have no fiscal impact on state, county, and local revenues or expenditures.

METHODOLOGY:

Under the current provisions of RSA 162-M:2, the Business Finance Authority and the Housing Finance Authority each receive 50% of the "state ceiling" for private activity bonds. The ceiling is imposed by the Internal Revenue Service through the provisions of section 146(d)(2) of the code, and is currently capped at $150,000,000. The activities of private activity bonds do not directly effect "state" revenues or expenditures.

Beginning in the year 2000 and any year thereafter, this bill would allow the amount of state ceiling made available to the State of New Hampshire, over the current $150,000,000 cap, to be allocated equally between the Housing Finance Authority and the Health and Education Facilities Authority. The Business Finance Authority would not receive any of the additional allocation, but would continue to receive its current share of the state ceiling.

There is no projected increase of private activity bond authority beyond the current cap of $150,000,000 authorized prior to 2003. However, as of 2003, the cap would be increased by 10%, or $15,000,000 until the year 2007.

The Business Finance Authority has stated that this bill would decrease their annual revenues by $56,250 in FY 2003, and an additional $56,250 annually until 2007. Total lost revenue in 2007, and annually thereafter, would be $281,250. The Authority's estimates were based upon a bond issuance fee of ¾% on $7,500,000 of ceiling, which would be received under the current structure. The Authority has stated that it depends upon its bond issuance fees to service its outstanding state guaranteed debt and to support its business loan practices. The Authority believes that this bill would reduce the Authority's revenue and negatively impact its ability to both service debt and operate its programs.

The Business Finance Authority is an "off-budget" authority, and does not receive state funding. Therefore, there would be no direct fiscal impact on state expenditures or revenues as

a result of this bill. There is a slight possibility that this bill would have an indirect impact on state expenditures if the Authority defaulted on state guaranteed debt.

Speakers

SIGN UP SHEET

To Register Opinion If Not Speaking

Bill # SB 425-FN Date 4-18-00

Committee Commerce

**** Please Print All Information ****

Name	Address	Phone	Representing	(check one) Pro	Con
ERIC ANDERSON	BOW	228-0143	NORP	✓	
BRAD Cook	1000 Elm St Manch.	668-8300	N.H.N.G FA	✓	
Stephen Weyl	1000 Elm St. Manchester	627-8219		X	
DAVID BLISS	210 Hopkinton	Concord	NH HRA	X	
SEN SYLVIA LARSEN	SH, RM 302	271-2106	DIST. 15	X	

Hearing Minutes

HOUSE COMMITTEE ON COMMERCE

PUBLIC HEARING ON SB 425-FN

BILL TITLE: relative to the private activity bond limit.

DATE: April 18, 2000

LOB ROOM: 302 **Time Public Hearing Called to Order:** 10:00 AM

Time Adjourned: 11:32 AM

(please circle if present)

Committee Members: Reps. Hunt, Francoeur, Herman, Tsiros, Belanger, McGough, Kenney, Langley, Pappas, Avery, Dalianis, DiFruscia, Marshall, M. Clark, Crosby, R. Russell, T. Reardon, Vachon, Taylor, Curran, Garrish and Keye.

Bill Sponsors: Sen. D'Allesandro

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

Sen. D'Allesandro - Sponsor. Participated in college loan program. Any money over the cap, 50% would go to NH Health and Education Facilities Authority for student loans. No adverse effect on the BFA. Not enough money for student loans.

Sen. Squires – Supports the bill.

***Peter Imse, NHHEFA** – Supports the bill. The ???? drafted and submitted this bill. Not intended to harm business finance. Established 1969. Issued 2.6 billion in bonds since inception. State is not liable for any bonds. Never been a default. IRS code state care allocation 150 million. Cap could increase 25 million. Federal level. The only agency in the state that can issue student loan funds. Other northeastern states are allocated more money to student loans than New Hampshire. Will not harm the BFA. Does not effect the 75 million cap of the BFA. BFA 45 million down to 25 million this year. Biggest problem is educated work force. Some companies do not come to NH because we don't have the educated work force. Paying the BFA 1.1 million dollars for available fee. Tried to work this ??? BFA needs income. Last year the BFA wanted to issue student loan bonds. The more cap that became available the more flexibility we have. Compromise was that.

***Jack Donovan, NH Business Finance Authority** – Opposes the bill. $287,000 per year would be the revenue loss to the BFA if this passes. Feels that this legislation is not necessary. 70% of income comes from bonding. Bill does not make more student loan funds available. Bill will not result in real savings. Need savings up front. 40% of the loans to non-residents. Also anti-competitive. Very complicated issue. They haven't paid any fees as yet.

***George Hagerty, Franklin Pierce College** – Supports the bill. FPC set aside 11 million for grants in aid, provides only a portion. NH institutions must have other sources of income. 84% come

from outside the state. Strongly supports SB 425. Also includes adult learners who are trying to support families. SB 425 will insure the necessary kind of support and be locally administered.

***Mike Norris, for State Treasurer Georgie Thomas** – Opposes the bill. Representing State Treasurer Georgie Thomas who has concerns about the bill. Written testimony.

Daniel Dubreiul, NHHELCO – Supports the bill. Representing the board – Greg Hanson Inc. in 1983. Eligible lender on federal student loans. Loan servicing is local – right here in Concord. Cost of the money will be lower, not necessarily more loans.

***Tom Horgan, NH College & University Council** – Supports the bill. The more cap money availability the better the loan rate.

Tom Horgan, NH College & University Council – On behalf of the college presidents support SB 425. Costs are too high for many students to attend college in New Hampshire. Insure availability of low cost loans to make college education more affordable. Specific target amount will set aside which is very important.

Respectfully Submitted:

Stephen G. Avery, Clerk

Sub-Committee Minutes

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE WORK SESSION ON SB 425-FN

BILL TITLE: relative to the private activity bond limit.

DATE: April 26, 2000

Subcommittee Members: Reps. Curran, Marshall and Keye

Comments and Recommendations: Discussed problem; have an outline for an agreement.

Amendments:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote:

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote:

Respectfully submitted,

Rep. John B. Hunt
Subcommittee Chairman/Clerk

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE WORK SESSION ON SB 425-FN

BILL TITLE: **relative to the private activity bond limit.**

DATE: ~~{Type DATE here}~~ April 26, 2000

Subcommittee Members: Reps. _____

Comments and Recommendations:

Discussed problem, have a outline for an agreement.

Amendments:

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep. _____

Seconded by Rep. _____

Vote: _____

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep. _____

Seconded by Rep. _____

Vote: _____

Respectfully submitted,

Rep. _____
Subcommittee Chairman/Clerk

150 → + 75 = 225

↓ 50% 37½

Housing

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE WORK SESSION ON SB 425-FN

BILL TITLE: relative to the private activity bond limit.

DATE: May 3, 2000

Subcommittee Members: Reps. McGough, Keye, Marshall, Hunt (Curran absent)

Comments and Recommendations: BFA, HEFA and NHELCO. BFA commitsd to HEFA, NHELCO minimum of $25 million annually plus 1/3 of additional money received – fees remain. ??? predictable floor. Recessed until 5-9-00 @ 9:30 AM.

Amendments:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote:

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote:

Respectfully submitted,

Rep. Tim S, McGough
Subcommittee Chairman/Clerk

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE WORK SESSION ON SB 425-FN

BILL TITLE: **relative to the private activity bond limit.**

OPEN CLOSE

DATE: **May 3, 2000** 0949 1005

Subcommittee Members: Reps. McDonough, Kreye, Marshall, Hunt

Curran - absent

Comments and Recommendations:

BFA, HEFA, NHEZCO

- BFA commits to HEFA, NHEZCO min of $25M annually plus 1/3 of addtl money recv'd. - fees remain
- grandfathers predictable floor

Amendments: - recessed until 5/9/00 0930

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep. _____

Seconded by Rep. _____

Vote: _____

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep. _____

Seconded by Rep. _____

Vote: _____

Respectfully submitted,

Rep. _____
Subcommittee Chairman/Clerk

Testimony

Georgie A. Thomas
STATE TREASURER

THE STATE OF NEW HAMPSHIRE
TREASURY DEPARTMENT
ROOM 121, STATE HOUSE ANNEX
CONCORD, N.H. 03301
603 271-2621
FAX 603-271-3922
HELPLINE TDD RELAY
225-4033

April 11, 2000

Honorable John Hunt
Chairman, Commerce, Small Business,
and Consumer Affairs
Legislative Office Building
Concord NH 03301

Re: SB 425

Dear Chairman Hunt:

I regret that I will be out of town on Tuesday, April 18 and unable to appear before your Committee regarding the above referenced Senate Bill.

As you know, last year I spoke to the Committee on the subject of the state guarantee which backs the Business Finance Authority's outstanding publicly issued debt and its various guarantee programs. At that time I stressed the importance of the Authority's income stream in making sure that the state does not have to step up to a potential $137 million in principal and the interest thereon. I continue to express that concern and with the current demands on the state my concerns have only increased.

All states feel constrained by limitations imposed by the tax reform act of 1986 on their ability to issue tax exempt debt for purposes which have a private component. With potential relief through Congressional action to raise the minimum amount on the horizon, there obviously will be competition for any increased capacity. At this time it would be premature to allocate by statute any increase in capacity without regard to the next business cycle and what economic and fiscal impact the state may suffer.

I will of course be happy to answer any questions and meet with the Committee or a subcommittee at your request.

Very truly yours,

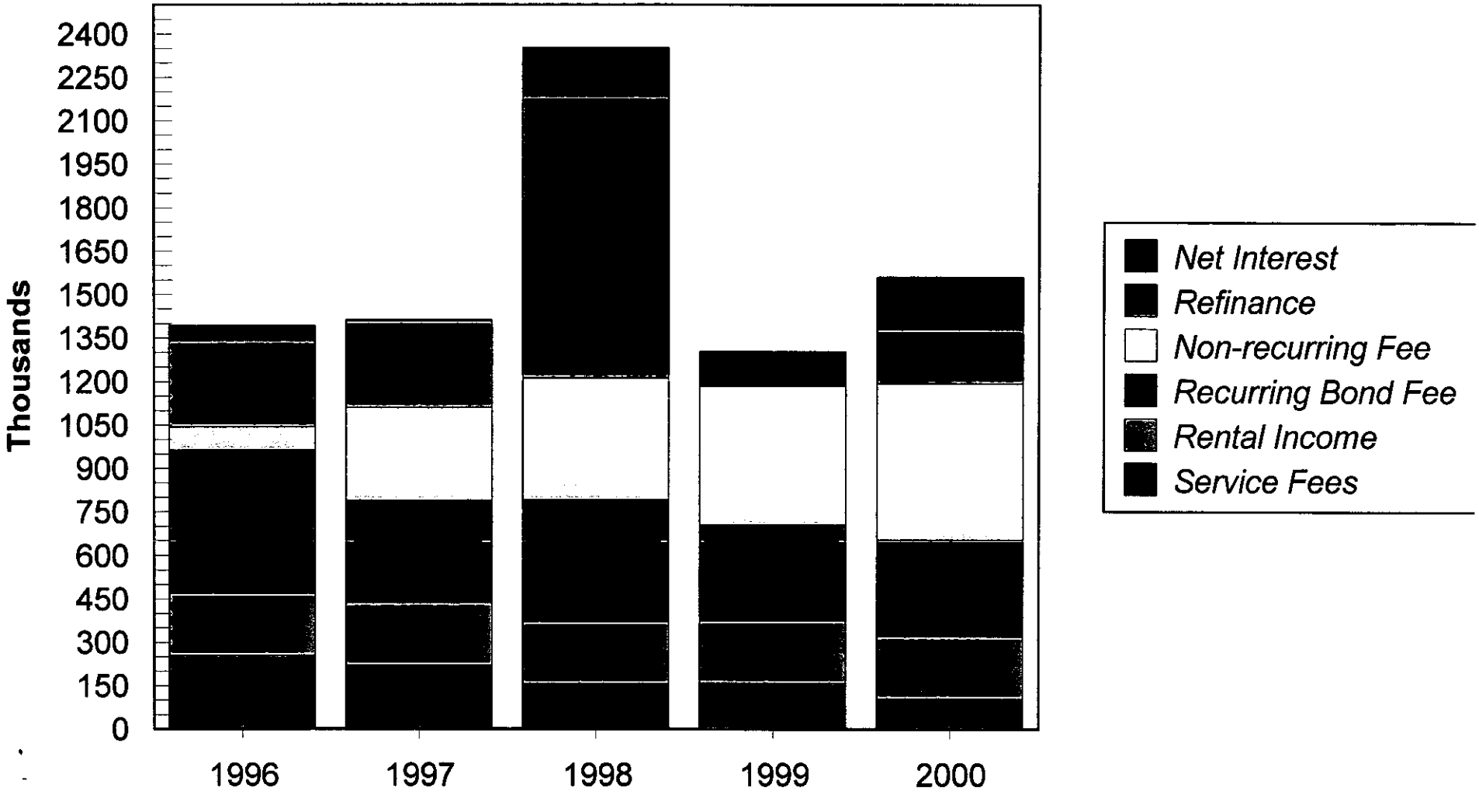
Georgie A. Thomas

Georgie A. Thomas
State Treasurer

Business Finance Authority

Fiscal Year Ending June 30

Revenue Comparison



FRANKLIN PIERCE COLLEGE

College Road
P.O.Box 60
Ridge, New Hampshire 03461-0060
603-899-4000

facsimile #: 603-899-6448

DATE SENT: 4/18/00

TIME SENT: _____

NUMBER OF PAGES (INCLUDING THIS PAGE) 2

ADDRESSED TO:

NAME: Rep. Stephen Avery

COMPANY: _____

ADDRESS: _____

_____

PHONE: _____

FAX: 271 - 6689

FROM: FRANKLIN PIERCE COLLEGE

NAME: George Hagerty

DEPARTMENT: President

ADDRESS: PO BOX 60, COLLEGE ROAD
RINDGE, NEW HAMPSHIRE 03461-0060

PHONE: 603-899- 4129

FAX: 603-899-6448

SPECIAL INSTRUCTIONS: As you requested my remarks from this mornings' hearing for SB 425

NOTE: IF ANY PART OF THIS FAX IS MISSING OR UNREADABLE, PLEASE CALL 603-899-

APR 19 00 01:02a OFFICE OF THE PRESIDENT 603-899-6448 p.1

My name is George Hagerty and I am president of Franklin Pierce College. I represent the colleges and universities of New Hampshire, a $2 billion, very competitive industry. Franklin Pierce College has a $48 million economic impact on the Monadnock region.

Issues such as those raised in Senate Bill 425 are of immediate and long term importance. Ninety percent of our students require financial aid. Franklin Pierce alone grants $11 million in aid from a $42 million operating budget. As with other private and public institutions in the state, this covers only a portion of student and family financial need. To remain competitive, New Hampshire institutions must have available other sources of support in grants and loans to make a quality undergraduate education possible.

I come before you to endorse the provisions of Senate Bill 425 recognizing the importance of loans being provided at the lowest possible cost to current and prospective students. At Franklin Pierce College, 1900 students, or close to 90% of our traditional age and adult learners receive funds through the bonds made available by NHHEFA (New Hampshire Health and Education Facilities Authority). I think it important to recognize the fact that these funds touch not only 18-22 year old students, but also working parents and those seeking to advance their lives and careers through continuing education.

This past year, NHHEAF (New Hampshire Higher Education Assistance Foundation) programs guaranteed in excess of $9.5 million of student and parent loans at Franklin Pierce College. The provisions of Senate Bill 425 will insure that the necessary kind of support will be made available and at the lowest possible cost to our students and their families.

The ability to access expanded tax exempt bond cap will help insure both the availability of affordable student loans and the opportunity for the local servicing of those loans.

Dartmouth College HANOVER • NEW HAMPSHIRE • 03755-3529
Office of the Vice President and Treasurer 6008 Parkhurst Hall Room 102
TELEPHONE: (603) 646-2443 • FAX: (603) 646-2035

April 4, 2000

Representative John B. Hunt
Chairman of the House Commerce Committee
State of New Hampshire House of Representatives
107 North State Street
Concord, New Hampshire 03301

Dear Chairman Hunt and members of the House Commerce Committee:

I am writing to convey Dartmouth College's support of SB425 providing for allocation of a share of New Hampshire's private purpose, tax-exempt bonding capacity (the "cap") directly to the New Hampshire Health and Education Facilities Authority (the "Authority") for the purpose of issuing student loan bonds. Past legislative initiative in New Hampshire indicates that support of student loan bonds has been a high priority and passage of this amendment simply reaffirms that priority.

With the Legislature's full knowledge, cooperation and support, in 1981 Dartmouth College established the Dartmouth Educational Loan Corporation ("DELC") to make low-cost loans available to needy students who are unable to finance their education through other sources. Since that time DELC has provided essential assistance to many of Dartmouth's undergraduate and graduate programs, including the Dartmouth Medical School, the only school of medicine in the State. A number of these students remain in New Hampshire to live and work, more than a few of them practicing medicine or starting new businesses. An allocation of state cap for the issuance of tax-exempt student loan bonds has been the primary factor in sustaining DELC's ability to provide student loans at the lowest possible cost. Dartmouth itself makes no financial gain from this service, passing the full advantage on to our students.

While currently the Business Finance Authority ("BFA") must allocate cap for student loan bonds and this allocation has been uncertain at best, passage of SB425 should provide a base level of cap for DELC (although we have no current need) and the New Hampshire Higher Education Loan Corporation ("NHHELCO"). Without this allocation, DELC and NHHELCO may not have available the necessary resources to meet the needs of qualified students. Furthermore, this action would help keep bond issuance fees to a minimum. The BFA has introduced an "availability charge" for allocation of cap to student loan bonds. By directing a portion of the state cap to the Authority – which avoids such unfortunate practices - SB425 would eliminate this charge and reduce the cost and uncertainty involved in seeking approvals from two different agencies.

For these reasons and others, Dartmouth supports this bill.

Respectfully submitted,

Edwin L. Johnson

cc: David C. Bliss

New Hampshire Business Finance Authority

Private Activity Bond Allocation ($1,000,000s)

	Year											
	1989	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	
Allocation	100.00	100.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	**875.00**
net NHHFA Transfers	-29.02	-20.08	-40.00			-17.50		-48.44	-33.57	-1.65	41.00	**-149.26**
NHHEHFA Transfers		-2.53			-15.00					-25.30	-54.66	**-97.49**
Total Available	**70.98**	**77.40**	**35.00**	**75.00**	**60.00**	**57.50**	**75.00**	**26.56**	**41.43**	**48.05**	**61.34**	**628.25**
Use												
Industrial	**12.18**		**3.00**			**2.50**	**10.79**	**15.12**	**37.43**	**48.05**	**60.92**	
Water			1.00						4.00			
Sewer		2.40						3.44				
Solid Waste								8.86	4.93	34.00		
Pollution Control	58.80	74.91		75.00	54.80	10.00	10.00	8.00				
Energy					5.11							
Total Use	**70.98**	**77.31**	**4.00**	**75.00**	**59.91**	**12.50**	**20.79**	**35.42**	**46.36**	**82.05**	**60.92**	**545.24**
Balance	**0**	**0.09**	**31**	**0**	**0**	**45**	**54.21**	**-8.86**	**-4.93**	**-34.00**	**0.41**	**82.92**
Carryforward		0.09	31			45	54.21				0.04	**130.35**

SHEEHAN
PHINNEY
BASS +
GREEN
PROFESSIONAL
ASSOCIATION

SRBG
ATTORNEYS AT LAW

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NEW HAMPSHIRE
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603-668-0300

1 HARBOUR PLACE
SUITE 325
PORTSMOUTH
NEW HAMPSHIRE
03801-3856
FAX 603-433-3126
603-433-2111

Writer's Direct Dial
(603) 627-8219

May 9, 2000

Commerce Committee
House of Representatives
Concord, New Hampshire 03301

Re: SB 425 Agreement

Ladies and Gentlemen:

Enclosed for filing with the Committee is an original agreement between the New Hampshire Health and Education Facilities Authority ("HEFA") and the Business Finance Authority of the State of New Hampshire ("BFA"). This agreement reflects the compromise agreements reached by HEFA and the BFA on which we reported to the Subcommittee last week.

We understand that BFA and New Hampshire Higher Education Loan Corporation have entered into a separate agreement which they may also be filing with you. As we explained last week, HEFA is not a party to that agreement; the agreements which HEFA requires in order to agree that SB 425 may be marked "inexpedient to legislate" are contained solely in the HEFA-BFA Agreement.

On behalf of HEFA, we thank you for your assistance in this matter.

Very truly yours,

Bradford E. Cook

cc: Senate Banks Committee
Business Finance Authority
Peter F. Imse, Chair
Major W. Wheelock, Vice Chair
David C. Bliss, Executive Director

AGREEMENT

This Agreement is made this 8th day of May, 2000, between the Business Finance Authority of the State of New Hampshire ("BFA"), created and existing under RSA 162-A, with offices at 14 Dixon Avenue, Concord, New Hampshire 03301 and the New Hampshire Health and Education Facilities Authority ("HEFA"), created and existing under RSA 195-D, with the power to issue bonds for student loan programs under RSA 195-E, and with offices at 54 South State Street, Concord, New Hampshire 03301.

WHEREAS, under the Internal Revenue Code of 1986, as amended ("Code"), New Hampshire currently receives $150 million per year of state ceiling for private activity bonds ("state cap" or "cap"); and

WHEREAS, such amount of state cap is subject to possible increase in the future, and a specific amendment to the Code has been enacted which provides for an increase in state cap, which would result, no later than 2007, in New Hampshire receiving $225 million per year in state cap; and

WHEREAS, under RSA 162-M:2, the BFA is allocated one-half of the state cap and the New Hampshire Housing Finance Authority ("Housing") is allocated the other one-half; and

WHEREAS, HEFA has caused to be introduced legislation (SB 425) before the New Hampshire General Court which, if enacted, would result in fifty percent of any increases in state cap above the $150 million level being allocated to HEFA for the purpose of issuing bonds on behalf of student loan programs with the other one-half of any future increases being allocated to Housing; and

WHEREAS, BFA and HEFA wish to enter into an agreement between them which will guarantee that certain minimum levels of state cap will be allocated by BFA to student loan programs which issue student loan bonds through HEFA under RSA 195-E;

NOW THEREFORE, for good and valuable consideration, the receipt of which is acknowledged, BFA and HEFA agree as follows:

1. Allocation of State Ceiling for Student Loan Bonds. Beginning in calendar year 2001, and continuing until such time as this Agreement is terminated in accordance with its terms, BFA shall allocate at least one third (1/3) of its annual allocation of state cap (the "minimum allocation") to qualified borrowers under RSA 195-E (each referred to as a "student loan program"). Such allocation(s) shall be made by BFA to HEFA for issuance of student loan bonds on behalf of specific student loan programs for the amount(s) specified in the allocation. Allocations of cap may be comprised of cap from the BFA's annual allocation and/or cap carried forward by the BFA from a prior year. BFA shall make such allocations each year among the student loan programs which have applied to the BFA for such an allocation. The parties expect that, absent unusual circumstances, the minimum allocation shall be made, and reported to HEFA, by BFA no later than the last day of February in each calendar year in which this Agreement is in effect. Such allocation may provide that all, or a portion, of the minimum allocation shall expire if student loan bonds are not issued by the later of: (a) June 30 of such calendar year; or (b) the end of the fourth calendar month following the month in which the minimum allocation is made, and transmitted to, HEFA. Any allocations of state cap in any year in excess of the minimum allocation shall be treated in a similar manner.

2. Issuance of Student Loan Bonds. HEFA shall issue bonds under RSA 195-E (or any successor statute) on behalf of the student loan programs which receive state cap allocations from BFA for student loan bonds. HEFA shall follow its normal procedures for the issuance of such bonds. The parties shall cooperate with each other in making such filings as are required under the Code or other governing law with respect to the issuance of such bonds.

3. Fees. Attached hereto as Schedule 1 is a fee schedule which the BFA has established as the amount(s) it will charge student loan programs ("availability fee") for allocation(s) of state cap for student loan bonds. The BFA agrees that, so long as this Agreement is in effect, it shall not charge in excess of the amounts on Schedule 1 for allocation of state cap to student loan programs. To the extent that the BFA allocates state cap to more than one student loan program in any year in which this Agreement is in effect, the BFA shall allocate, on a pro rata basis among the student loan programs receiving an allocation of cap, the fee which would apply to the aggregate amount of cap allocated by the BFA to student loan bonds in such year and shall not charge any student loan program in excess of its pro rata portion of such fee. The BFA may receive fees for allocation of cap for student loan bonds on either an annual basis or a "present value" basis (i.e., in the form of a one time payment at closing).

4. Term. The initial term of this Agreement shall be from its date of execution through December 31, 2007 and shall provide for the minimum allocation during calendar years 2001 through 2007. Thereafter, this Agreement shall automatically renew for successive one year terms unless either BFA or HEFA shall notify the other party in writing in accordance with Section 9 of this Agreement no later

than June 30 in any year (commencing in calendar year 2007) that it wishes to terminate the Agreement. Such notice shall specify the date of termination, which shall be no earlier than December 31 of such calendar year.

5. Disposition of SB 425. The parties agree that this Agreement makes unnecessary the enactment of SB 425 and that the House Commerce Committee may determine that SB 425 is "inexpedient to legislate". The parties agree that copies of this Agreement shall be filed with: (a) the House Commerce Committee and included in its "inexpedient to legislate" report; and (b) the Senate Banks Committee.

6. Approval of Agreement. The parties agree that they shall present this Agreement to their boards of directors for ratification no later than the next regularly scheduled meeting of their boards, which in the case of HEFA is May 18, 2000 and in the case of BFA is May 15, 2000. The undersigned agree to recommend ratification to their boards at such meetings.

7. Representations. Each of BFA and HEFA represent to the other that: (a) it has the authority to enter into this Agreement and to carry out its obligations hereunder; and (b) upon ratification by its respective board of directors, this Agreement shall constitute a binding and enforceable agreement of such party in accordance with its terms.

8. No Inconsistent Agreements. BFA and HEFA agree that, for so long as this Agreement is in effect, neither party shall enter into any agreements or arrangements with any third parties which are inconsistent with BFA's and HEFA's obligations to each other hereunder.

9. Notices. Any notices given hereunder shall be given to the parties at their addresses set forth above, to the attention of their respective Executive Directors. All notices shall be in writing, shall be hand-delivered, delivered by overnight courier or certified mail and shall be effective upon receipt. The parties agree to notify each other of any changes in their respective addresses by a notice delivered in accordance with this paragraph.

10. Miscellaneous.

10.1 This Agreement has been executed and delivered in, and shall be construed and enforced in accordance with, the laws of the State of New Hampshire.

10.2 This Agreement may be modified only by a writing executed by all of the parties hereto subsequent to the date hereof, with all of the formalities of this Agreement.

10.3 This Agreement expresses the entire agreement of the parties and merges all understandings of the parties as to the matters addressed in this Agreement.

10.4 This Agreement shall be binding upon the parties hereto, and any of their successors in interest.

10.5 The invalidity of any section, paragraph, sentence or clause ("provision") in this Agreement shall not affect the validity of any other provision.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

WITNESS:

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

_____

By:_____
Its:

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

WITNESS:

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

By: Edward D. Cain
Its: Chairman

NEW HAMPSHIRE HEALTH AND
EDUCATION FACILITIES AUTHORITY

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

WITNESS:

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

_____

By:_____
Its:

NEW HAMPSHIRE HEALTH AND
EDUCATION FACILITIES AUTHORITY

By:_____
Its: Chair

Schedule 1

Total Tax Exempt Bond Cap Allocation ($MM)	Annual Fee/$1,000*
25	$0.32
30	$0.345
35	$0.43
40	$0.489
45	$0.56
50 and above	$0.62

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* Annual fee per $1,000 of average outstanding principal of tax-exempt bond (Example = $25,000,000 tax-exempt issue; $25,000 x $.32 = $8,000/year)

425

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding sets forth the agreement reached by representatives of NHHELCO and the BFA at the meeting held on May 1, 2000, at the offices of Orr & Reno, P.A. beginning at 4 p.m. Each party hereto understands that the agreements set forth hereinafter will be set forth in a binding and enforceable contract between the parties. The purpose of this Memorandum of Understanding, however, is to identify the principal points of agreement which shall be reflected in these written contracts.

1. Allocation of Private Activity Cap to Further NHHELCO's Student Loan Programs. The BFA agrees to make at least $25,000,000 in bond cap available annually to the New Hampshire Health and Education Facilities Authority ("HEFA") for the benefit of NHHELCO. $25,000,000 will be the minimum annual allocation. In addition, the BFA Board may, in its sole discretion, allocate additional bond cap to NHHELCO each year based on factors such as changes in the student loan markets, potential additional benefits for student loan program users, demand from other cap users and availability of bond cap. The source for such minimum bond cap allocation by BFA to NHHELCO shall come from either annual or carry forward allocations.

2. Bond Cap Increase. In the event the amount of bond cap allocated to the BFA exceeds $75,000,000 in any single year, as a result of a change in federal or state law, the BFA agrees to make available on an annual basis to NHHEFA for the benefit of NHHELCO an additional amount of bond cap equal to one-third of the increase in excess of $75,000,000. For example, if and when the bond cap allocation awarded to BFA in any year is $90,000,000, then the BFA shall make available to HEFA for the benefit of NHHELCO an additional bond cap amount of $5,000,000 which is the quotient of the additional bond cap amount of $15,000,000 ($90,000,000 less $75,000,000) ÷ 3. This additional allocation of bond cap shall be in excess of the $25,000,000 minimum outlined in paragraph 1.

3. Term. The term of this agreement shall be seven years (the "Initial Term"). After the Initial Term, the agreement shall automatically renew on a year-to-year basis, without any further act of any party hereto, subject to the right of BFA or NHHELCO to terminate the agreement as follows. If either the BFA or NHHELCO elects to terminate the agreement after the Initial Term, then it shall give at least six months written notice to the other prior to July 1 of any year that the agreement will be terminated beginning January 1 of the following calendar year. In no event shall this agreement be terminated prior to the Initial Term; provided, however, that if this agreement is ever determined by a court of appropriate jurisdiction to be unenforceable as to the Initial Term, then the longest enforceable term permitted by such court will be substituted for the Initial Term hereof.

4. Fees. In consideration for this agreement and the receipt of bond cap made available by the BFA to HEFA for the benefit of NHHELCO, NHHELCO agrees to pay an annual availability fee to the BFA. The availability fee will be an annual fee calculated as a percentage of the average principal amount of the tax exempt bonds outstanding with respect to each series of bonds issued by HEFA for the benefit of NHHELCO pursuant hereto. The availability fee will be in the amount as calculated in Paine Webber's "Post July 1, 1998 Loan Financing Analysis" dated March 12, 1999, to which reference is made. The fee shall be calculated in accordance with the customary practice in existence between the BFA and NHHELCO over the past two years.

5. Annual Notification. The BFA will give written notice to NHHELCO no later than the last day of February in each calendar year as the amount of bond cap which it will make available to HEFA for the benefit of NHHELCO for that calendar year; provided, however, that said notice shall not be less than the annual minimum amount of $25,000,000. The BFA will endeavor to provide this notice prior to the end of February if practically possible. Should NHHELCO determine, in its sole discretion, that it is unable to use the annual proposed allocation of bond cap set forth in the notice, it will notify the BFA and decline to take advantage of the bond cap allocation no later than the subsequent June 30, following receipt of the notice by NHHELCO. If NHHELCO does not use bond cap in any calendar year, it shall be returned to the BFA to be used for other BFA program purposes.

6. Amendment. This Memorandum of Understanding may be amended at any time by the consent of the undersigned parties and shall be superseded in its entirety by a more comprehensive written agreement between the parties as is appropriate to effectuate fully the principles of the agreement reached among the parties as set forth above.

7. Approvals of the Boards of Trustees and Directors of the Parties. This agreement is subject to the approval of the Boards of NHHELCO and the BFA; provided, however, that the representatives attending the May 1, 2000 meeting (namely, Messrs. Hanson, Drouin and Castaldo for NHHELCO and Messrs. Caron and Donovan for the BFA) shall endeavor in good faith and with diligence to recommend approval and seek approving votes from their respective Boards with all appropriate speed and diligence.

Dated this 8th day of May, 2000.

NEW HAMPSHIRE HIGHER
EDUCATION LOAN CORPORATION

By _____
Clinton Hanson, Chairman
Board of Trustees

BUSINESS FINANCE AUTHORITY

By _____
Edward Caron, Chairman
Board of Directors

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FILE

SB 425

Testimony of Daniel R Dubreuil before the
House Commerce Committee on SB425
April 18th, 2000

Mr. Chair, Mr. Vice Chair, members of the committee: My name is Daniel Dubreuil, I am executive vice president of Mathes Associates Inc., an insurance brokerage firm located in Manchester NH, and I volunteer my time as a member of the Board of Directors of the New Hampshire Higher Education Loan Corporation. I am here today to testify on behalf of Mr. Clinton Hanson who serves as Chairman of the Board of the NHHELCO. He is unable to attend today because he and representatives of Granite State Management & Resources are in New York finalizing this years Bond issue.

Mr. Hanson has prepared written testimony and has asked me to read his testimony for you:

Read Clint's written testimony

Miscellaneous Information

- **Current # of outstanding loans to NH Students or their Parents:** 80,416 as of 2/20/00
- **Current $ amount outstanding:** $387,970,000.00
- **Granite State Management Resources currently employs :** 105
- **Average Stafford Loan interest rate (in school) :** 6.32%
- **Average Stafford Loan interest rate in repayment:** 6.92%
- **Average Term of loan:** 10 years
- **Amount of Tax Exempt capital received by NHHELCO from HEHFA via the BFA in each of the past three years :** 1998 $25 Million, 1999 $45 Million, 2000 $25 Million
- **HEFA means:** Health and Education Facilities Authority

TESTIMONY OF CLINTON HANSON BEFORE THE SENATE BANKS COMMITTEE ON SB 425

Mr. Chair, Mr. Vice-Chair, members of the committee: My name is Clinton Hanson and I am the Chairman of the Board of the New Hampshire Higher Education Loan Corporation, which I will refer to as "NHHELCO" in my testimony. I am here today to testify in support of the allocation of more tax-exempt bond cap to be used for student loans to New Hampshire students and their parents.

NHHELCO was incorporated in 1983 pursuant to RSA 195-E, entitled "Loan Corporations." In fact, NHHELCO has been designated by the Legislature in RSA 195-E:15-a as an "eligible lender" for federal student loan purposes and was requested, in that statute by the General Court, to acquire student loans for the benefit of New Hampshire students and their parents. NHHELCO has been performing those functions successfully since being activated in 1992.

The public policy which NHHELCO advances has already been declared by the General Court in RSA 195-E: 1. Because this policy is at the heart of what NHHELCO has done and wants to continue to do, I want to take a moment to read two sentences from the statute, which summarize NHHELCO's goals:

"....[I]t is essential that students attending higher educational institutions be given the fullest opportunity to learn and develop their intellectual and mental capacities. It is recognized that the financial costs to obtain an education beyond the high school level are often burdensome or prohibitive, and it is essential that qualified students or their parents be provided with low cost financial assistance in order that the students may attend such schools and to reduce the total amount of loan payments following graduation."

This is what NHHELCO does: it provides low cost financial assistance to New Hampshire students and New Hampshire parents so the students can realize their educational objectives for their own benefit. This also benefits the New Hampshire economy since an educated work force is one of New Hampshire's greatest economic assets.

Here's how NHHELCO does this job. First, it borrows funds each year in the debt markets to provide the capital from which it makes loans to students and their parents. Then it works with virtually all of the institutions of

higher education in New Hampshire and almost all of the New Hampshire banks to originate student loans to eligible New Hampshire borrowers. It provides this service in full compliance with the federal laws and regulations applicable to student loans. Then, in order to provide the quality local service which has become its hallmark, NHHELCO arranges for loan servicing through its affiliate, Granite State Management & Resources so that all loan servicing questions and activities are done right here in New Hampshire and not out of state. We are very proud of the fact that if any student has a question about his or her loan, a telephone call can be made to and handled by a servicing representative right here in Concord. No one has to call Omaha, Nebraska to try to get a loan question answered or a clerical mistake corrected.

This local servicing has had a tangible effect on NHHELCO's business. Because of the quality of the loan servicing along with the quality of the New Hampshire educational institutions and the borrowers themselves, NHHELCO's loan default ratio is one of the lowest in the country. That's something we're very proud of and want to maintain.

But, as any business person will tell you, NHHELCO's ability to provide low cost loans to students is directly dependent on the interest costs NHHELCO has to pay when it borrows the funds it needs each year to fund the loan program. And these borrowings are substantial, amounting to $115,000,000 in 1999 and $100,000,000 in 1998. NHHELCO needs that amount of capital each year to fund its loan activities.

NHHELCO borrows this money in two ways. First, it uses as much tax-exempt borrowing capacity as is available to it, as a first priority, for the simple reason that tax exempt borrowing costs NHHELCO much less than taxable borrowing. Second, it fills in whatever else it needs to borrow with taxable debt so as to have enough total money each year to meet loan demand.

Last year, NHHELCO borrowed $45,000,000 in the tax-exempt market and $70,000,000 in the taxable arena. NHHELCO received bond cap from the BFA to fund its 1999 tax-exempt debt. Because NHHELCO was able to lower its cost of money by borrowing this amount of money tax-exempt, it was able to introduce a borrower' benefit program to reduce interest costs to New Hampshire students and parents.

Here's how that program works: for Stafford loan borrowers who make their first 36 monthly payments on time, their loan interest rate is reduced by 2%. Also, loans using an automated payment plan receive an additional ¼% interest rate reduction. This creates a real savings opportunity for

the borrower. Over the life of a $10,000 loan, the total estimated savings amounts to $993. For a $20,000 loan, the savings increase to $1,988. In fact, these savings opportunities are so good that we think NHHELCO's borrower benefit program is one of the most generous programs in the country, and we're very proud of that. NHHELCO's investment banker, Paine Webber, has calculated that the borrower benefit program for 1999 has an estimated present value of $7,900,000 in interest rate savings. New Hampshire parents and students will enjoy those savings.

Here's our situation: the more tax exempt cap NHHELCO obtains, from whatever source, SB 425 or an allocation from the BFA to HEHFA as occurred last year, the better able NHHELCO will be to sustain and possibly improve the borrower benefit program it currently offers New Hampshire students and their parents. Said another way, if NHHELCO is unable to access tax-exempt capital, the current borrower benefit program will ultimately need to be curtailed at the least and, at worse, potentially eliminated. This is because the costs associated with financing loans with taxable funds provides a limited spread for NHHELCO, within which it must handle its loan servicing and program administration costs. Tax-exempt funds, on the other hand, provide NHHELCO with an increased spread, which, in turn, enables NHHELCO to both handle its program costs and its borrower benefit program. To the extent possible, NHHELCO has always used the proceeds of its tax-exempt financing for the benefit of students.

Based on this, it's easy to conclude that tax-exempt cap is extremely important to NHHELCO and its current borrower benefit programs. SB 425 is one way, a very important way, to help NHHELCO get access to tax-exempt cap. And since NHHELCO is in favor of getting as much tax-exempt cap as it can get, NHHELCO supports the adoption of this bill.

I'll be happy to answer any questions you might have about my testimony or NHHELCO's loan programs. Thank you very much for your attention today.

SB 425 – RELATIVE TO THE PRIVATE ACTIVITY BOND CAP

SUMMARY OF TESTIMONY OF JACK DONOVAN, BFA EXECUTIVE DIRECTOR, TO THE HOUSE COMMERCE COMMITTEE

Before I start, I would like to take this opportunity to apologize to the Committee for being back before you on this issue again this year. If the topic and players look familiar, they are - this is HB 372 from 1999 all over again. As you may remember, a Commerce subcommittee persuaded the players – the Business Finance Authority, Education and Health Facilities Authority and NH Higher Education Loan Corporation (NHHELCO), to compromise on the issue of student loan bonds or face a Commerce Committee imposed solution. The compromise was that the Education and Health Facilities Authority would continue to exclusively issue student loan bonds but the Business Finance Authority would charge NHHELCO an "availability fee" for the bond cap to help offset lost revenue. We thought that was the end of the issue .....until we were notified in December of SB 425 which circumvents and effectively nullifies last year's agreement.

Background

The Business Finance Authority is the "finance arm" of the State. We are a self-supporting State entity which since 1992 has helped nearly 2400 New Hampshire businesses to access credit. **The Business Finance Authority receives no State appropriation.** We derive all our income from service fees paid by our clients..

The BFA is governed by a 14 member board of directors, 9 members appointed by the Governor and Council, the State Treasurer, and 4 ex-officio members, 2 from the House and 2 from the Senate.

The BFA has $95,000,000 of the full faith and credit of the State to pledge to back loans to businesses. Guarantees in force at the end of last fiscal year totaled $43.86 million. We have since committed to $14 million in additional guarantees for State supported projects – $9 million to support the renovation of the Wentworth Hotel in Newcastle and nearly

$5 million to support the construction by Freudenberg-NOK of new plants in Franklin, Laconia and Northfield.

The BFA is also empowered to issue bonds. The BFA controls one-half of the State's annual $150 million of tax-exempt bond capacity. The other half goes to the NH Housing Finance Authority. The BFA simply serves as an issuer for the bonds, enabling the bond recipient to receive lower cost financing, and neither it nor the State accepts any credit risk. The lack of credit risk makes the bonds a very attractive income source because there is no offsetting liability or loan loss requirement. The BFA derived 70% of its income last year from bond fees.

Absent State funding, the BFA uses the bond fees to subsidize its business loan programs. Last year, $ 636,993 was provided to cover losses and fund reserves for programs that assisted 400 NH small businesses.

This internal subsidization has to date enabled the BFA to run its programs and protect the State's financial interest while generating modest net income ($66,250 in FY 1999). However, our revenue base is deteriorating. We are facing the impending loss of over $100,000 annually from just utilities paying off Seabrook debt. We need to grow and expand our revenue sources to just continue our present operations. This is one of the reasons we need to retain the expanded bond cap.

Tax-exempt Industrial Bond Program

The BFA's tax-exempt industrial bond program is an essential tool to attract businesses to the State and enable existing businesses to expand. The low cost tax-exempt financing is one of the few incentives we can offer to businesses.

New Hampshire has one of the most active industrial bond programs in the country. Total IRBs issued by the BFA were $37 million, $48 million and $61 million in 1997, 1998 and 1999, respectively. With several impending changes in Congress that would expand the size (from $10 to $20 million) and type (add knowledge based businesses) of

businesses eligible for the program, we foresee a significant increase in the demand for bond funding.

SB 425

As outlined above, **we oppose SB 425 because it would have both a negative financial and programmatic impact on the BFA**. With SB 425, we will be faced with either scaling back our small business loan programs or reducing our reserves, thereby forcing the State to accept more risk.

I think there are several other things about SB 425 that need to be clarified:

SB 425 will not make more student loans available. A recent study by the Maine legislature (excerpts attached) found that there are "substantial loan funds available to Maine students". SB 425 will simply replace capital from national organizations such as SallieMae not add new capital.

SB 425 will not result in real savings. Again, the Maine study found that "loan rates for loans offered by lenders with access to tax exempt funds are not significantly lower than those lenders that are using other sources of funding". The rates charged are determined by Federal guidelines and the savings, if any, are at the end of the loan, not "up-front" when the student can really use them.

NHELCO and its affiliates had $45 million of tax exempt bond cap and a "profit" of $7,202,648 last year yet billed students based upon an 8.25% interest rate, which is the standard repayment rate and same one that is charged by SallieMae. The on-time payment savings, which are estimated to accrue to only 20 % of borrowers, are not realized to the final year of the 10 year loan term.

SB 425 does not insure NH residents will benefit. Fully 40% of NHHELCO's loans go to non-residents. There is no "means testing" to insure loans go to those students with the most need. Given the scarcity of bond cap, perhaps the eligibility for the program should be limited.

SB 425 is anti-competitive. NHHELCO controls fully 85% of the NH student loan market. While we think it is important to have a local lender, we think the public would benefit through a more competitive situation. SB 425 effectively anoints NHHELCO as NH's lender.

SB 425 is not necessary. The compromise arrangement developed last year with the Commerce Committee's assistance is working, enabling NHHELCO to fully operate its program. The "cost" to the student of the BFA's availability fee is just $2/year for a student with a $10,000 loan.

SB 425 is premature and inflexible. The future bond cap that is allocated by the bill does not begin phasing in until 2003. It is unclear how the student loan programs will change between now and then. It is only in the last 3 years that there has been substantial demand from student loan organizations for bond cap. Why limit flexibility by allocating the bond cap in this manner?

SB 425 does not provide adequate oversight. There are only 2 organizations that can use the bond cap reserved under this bill, NHHELCO and the Dartmouth Education Loan Corporation. While both organizations are non-profits, neither is a public organization such as the BFA or NH Housing Finance Authority, fully accountable to the Legislature. Do we want to reserve 1/6 of the State's bond cap for 2 private, non-profit entities?

Conclusion

SB 425 is "feel good" legislation. It does not address the real issues of the high and rapidly increasing cost of higher education but simply replaces existing student loan capital with other similar capital.

SB 425 is also exclusionary legislation. By reserving 1/3 of the State's total bond cap for all non-housing uses for just 2 student loan groups, it will severely impact NH's industrial, pollution control, solid waste and utility municipalization efforts. In addition, the bill will undermine the BFA's financial structure, requiring reductions in our small business loan programs.

We respectfully request that the Commerce Committee either kill this bill or refer it to a study committee for additional review.

FINALREPORT
TO
THEJOINTSTANDINGCOMMITTEEON
BUSINESSANDECONOMICDEVELOPMENT

ASSUBMITTEDBY:

THECOMMISSIONONTHECEILINGONTAX-EXEMPTBONDS

Members:

SandraFeatherman,Chairperson
PeterBlyberg
JohnMurphy
BrianThibeau
GeorgeSingal,Esquire
RosalyneBernstein
MichaelMcNeil

Staff:

DonaldDeMatteis
CathrynRobinson

February10,2000

out in statute, and should include substantial background in the educational loan field, secondary market operations and outreach programs.

1.I. The benefits of the secondary market operations of the authority should be available to all student loan originators operating in Maine.

1.J. The authority meet regularly to provide adequate oversight of programs, institute procedures for administration and report fully to the Legislature regarding its programs.

We have inherited a system of student loan administration that was born out of the necessities of the past. Currently, 47 states operate with a single student loan authority, many with larger and more complex programs than Maine. Consolidating the functions into a single agency will fix responsibility and give the state better control over the process. All dealings with vendors should be arms length transactions. Vendor contracts should be awarded on a competitive basis, and they should be reviewed and evaluated on a regular schedule. Professional oversight of programs and vendor relations should be available through an executive director of the authority.

The draft legislation provided with this report merges MELA directly into the proposed student loan authority. Since MELA is an existing state authority, it is clear that this can be accomplished by legislative action. The proposed legislation also would permit the merger of MELMAC into the new student loan authority; however, the feasibility of this action was not clear to the Commission. If the Committee wishes to proceed in this direction, they should seek counsel from the Attorney General regarding this course of action. MELMAC is a Not-for Profit Corporation, formed pursuant to IRS regulations; it was established by an Executive Order of the Governor and also has a foundation in Maine law.

In Maine, the coordination of the public outreach efforts regarding higher education and student loans seems fragmented. The Commission believes that FAME as the state designated guarantee agency, is best suited to provide this coordination. FAME should also attempt to partner with private lenders to coordinate the full scope of outreach efforts.

2. FUNDING OF STUDENT LOANS WITH TAX-EXEMPT BONDS

There are substantial loan funds available to Maine students. Given the prevailing interest rate scenario, loan rates for loans offered by lenders with access to tax exempt funds are not significantly lower than those lenders that are using other sources of funding. Base rates are determined by Federal guidelines, but lenders offer a wide range of discounts and incentives to attract students. The competitiveness of the market is driven by desire of private sector lenders to begin relationships with these potentially valuable future customers.

The Commission members believe that a well educated population and workforce is a public policy priority for the State. Consequently, making tax-exempt dollars available for student loans recognizes and reaffirms this commitment. While there appears to be an abundance of loan programs available at the current time, we have past experience that demonstrates that shifts in interest rates and changing credit priorities of private lenders could negatively affect the flow of student loan funds. For the purposes of continuity of programs, it is important to continue these programs in times of abundance. However, the annual studies (previously recommended) during the allocation process can recognize and adjust the amount of dollars available to the programs based upon outstanding needs and marketplace alternatives.

There are two additional considerations that are related to this recommendation. Loans funded with tax-exempt dollars are made available to virtually all students without regard to need. However, tax-exempt funds used for other purposes such as housing loans and loans made for economic development purposes utilize means tests to be certain the individuals and businesses with the greatest need receive the funds. Also, student loans funded with tax-exempt dollars are made available to out-of-state students who attend colleges in Maine. In times of scarcity of resources, there may be consideration given to means testing these loan programs or limiting them to state residents. However, this is not a current concern and is beyond the scope of the Commission. We therefore suggest that this matter be studied by the Department of Education, or other appropriate state agency, at a future date.

Based upon the observations made above the Commission recommends:

2.A. Tax-exempt bond cap continue to be available for allocation to fund student loan programs. However, the amount made available for these programs should reflect the economic, interest rate and public policy studies conducted by the State Planning Office during the initial allocation process. Priority should be given to discount programs that provide "up-front" benefits to students.

3. DISCOUNT LOAN PROGRAMS AND DISCLOSURE ISSUES

Discount loan programs for students provide a reduction in interest rate for the loan, in some cases in exchange for the student's performance in a specified area. For example, if the student is willing to have payments deducted automatically from their bank account, some incentive may be offered. Discounts are also offered for on time loan repayment. Discounts are attractive marketing devices used to differentiate one lender's program from another's. It is difficult to ascertain the true benefit of the discount, because they are often conditioned upon the students' performance over a long period of time.

The marketplace for student loans is very competitive; and it is likely that more varied discount programs will continue to be introduced. It would seem that students are going to be the best judges in determining which particular discount program is of real benefit to them. The key to a student making the best possible selection will be the quality of the

	Standard Repayment 8.25% for 120 months	Sallie Mae's Incentives Use same payment amount as the standard repayment for full term of loan, amortize @8.00 through first *48 months* and @ 6.00% for remainder of term	NHHELCO's Incentives Use same payment amount as the standard repayment for full term of loan, amortize @8.00 through first *36 months* and @ 6.00% for remainder of term
$25,000	Payment = $ 306.63/month Interest Cost = $ 11,795.79 Effective Interest Rate = 8.25% Total Term=120 months	Payment = $ 306.63/month (same as standard repayment) Interest Cost = $ 9833.54 Effective Interest Rate = 7.39% Total Term =114 months	Payment = $ 306.63/month (same as standard repayment) Interest Cost = $ 9311.41 Effective Interest Rate = 7.14% Total Term =112 months
$53,000	Payment = $ 650.06/month Interest Cost = $ 25,007.07 Total Term=120 months	Payment = $ 650.06/month Interest Cost = $ 20,847.10 Total Term = 114 months	Payment = $ 650.06/month Interest Cost = $ 19,740.19 Total Term = 112 months

ANALYSIS OF UNRESTRICTED NET ASSETS AND INCOME

	Beginning Assets	1997	1998	1999	Ending Net Assets
NHHELCO	$1,525,301	$1,387,275	$2,128,195	$4,943,572	$9,984,343
NHHEAF	$5,141,022	$1,466,376	$1,541,148	$1,148,050	$9,296,596
GSM&R	$7,985,162	$804,678	$871,880	$1,111,026	$10,772,746
TOTALS	**$14,651,485**	**$3,658,329**	**$4,541,223**	**$7,202,648**	**$30,053,685**
Interest on Student Loans		$11,608,885	$16,788,968	$25,266,412	**28.51%**
Interest Expense		$8,682,031	$12,769,732	$16,887,796	
Difference		**$2,926,854**	**$4,019,236**	**$8,378,616**	

TESTIMONY BEFORE THE HOUSE COMMERCE COMMITTEE ON SB425

Mr. Chairman, members of the committee, I am Tom Horgan, Executive Director of the New Hampshire College & University Council, a consortium of the state's public and private four year higher education institutions. I appear in support of SB425.

With the high cost of college today, and in a state that provides the lowest level of support to its higher education sector in the nation, the need for a consistent and stable source of tax-exempt student loans is abundantly apparent. The sad truth is that most of the students in New Hampshire simply cannot afford to attend college in the Granite State without assuming some debt, and having access to low cost student loans often determines if a student can continue their studies at a New Hampshire institution.

Higher education is facing some dramatic market forces, which will likely change the face of postsecondary education in the next few years. Historically, New England has been seen as the premier destination for pursuing higher education opportunities. However, recently the Boston Globe reported that New England, as a region, may be losing its college edge to states in the South and West. They cite the main reason being the growing number of choices and lower costs that are now available to students elsewhere. They also cited the historic low public support that results in the nation's most costly tuition rates, being a major and growing deterrent to prospective students.

SB425 will establish an important stream of state cap for student loan bonds and ensure the availability of low cost student loans. Currently, New Hampshire is the forth-highest exporter of students who go on to college. This exodus of our best and brightest has major implications for the states future work force and our ability to compete in the new economy. Making college more affordable is an important tool in changing this disturbing trend and SB425 will help to make New Hampshire colleges more affordable and accessible to our students.

I encourage your support of SB425 and would be happy to answer any questions.

Not Scribbles — Lower a Viability of Institutions

Sets aside a continuing stream

Jack suggests

Make a small program means no loans for out of State —

Important: Low cost loans do provide benefit, helps to keep the loan bucks in NH

Alaska, Vt, Conn, NJ

SB 425—RELATIVE TO THE PRIVATE ACTIVITY BOND CAP
RESPONSE BY RENE DROUIN, PRESIDENT AND CEO OF NHHELCO, TO
TESTIMONY OF JACK DONOVAN, EXECUTIVE DIRECTOR OF THE BFA

Mr. Donovan's opening testimony

This is not the same issue as last year (HB 372 from 1999). SB 425 is directed to new private activity cap and not existing private activity cap. The compromise on HB 372 which Mr. Donovan references in his opening testimony, has been implemented, both for the BFA's allocation of $45,000,000 in cap to NHHELCO in 1999 and its recent allocation of $25,000,000 in cap to NHHELCO in 2000. A reasonable fee schedule was successfully negotiated by NHHELCO and the BFA last year. Applying this fee schedule to the $45,000,000 private cap allocation results in an annual fee paid by NHHELCO to the BFA of $25,300. For the 2000 allocation of $25,000,000, the annual fee is $8,000.

Mr. Donovan's specific testimony on SB 425, beginning on page 3

1. SB 425 would not have a negative financial impact on the BFA for two reasons. First, current law has for many years allocated $75,000,000 in bond cap to the BFA. This law will not be amended and the current allocation will continue. SB 425 only addresses new cap and, therefore, is neutral with respect to the BFA's current financial situation. Second, because of the fee schedule agreed to last year by NHHELCO and the BFA relative to existing cap allocated by the BFA to NHHELCO, fees of almost $1,000,000 will be paid by NHHELCO to the BFA over the 30 year life of the tax exempt bonds. Here is the calculation: For the 1999 bonds of $45,000,000, the annual fee of $25,300 will be paid for 30 years equaling an aggregate fee of $759,000. For the 2000 bonds of $25,000,000, the annual fee of $8,000 will be paid for 30 years resulting in an aggregate fee of $240,000. The sum of these two aggregate fees, $759,000 and $240,000, equals $999,000.

2. Mr. Donovan testified that SB 425 will not make more student loans available. NHHELCO disagrees. Because NHHELCO has been able to secure from the BFA a total of $70,000,000 in private activity cap over the last two years, NHHELCO was able to initiate a new program giving unsecured low interest rate student loans to borrowers who would not otherwise qualify for the Title IV federal need based loan programs. This new alternative program initiated by NHHELCO is called TREE (The Resource for Education Expenses). Last year, NHHELCO lent approximately $4,000,000 to over 1,000 students in this non-federal student loan program. The rate on this loan is a T-Bill rate plus 3.50. This is an excellent rate for an unsecured loan to a non-qualifying borrower. The TREE program is made possible because of the blend of taxable and tax exempt financing NHHELCO has issued over the past two years. We believe this alternative loan program is one of the most

competitive in the country. Without it, 1,000 existing loans would have been jeopardized. With it, NHHELCO expects to be able to lend money under the TREE program to an additional 4,300 students at an average loan amount of $4,000. Therefore, private activity cap allocated over the past two years by the BFA to NHHELCO has had a very positive impact on making more student loans available.

3. Mr. Donovan testified that SB 425 will not result in real savings. Again, NHHELCO disagrees. Perhaps the most significant conclusion to be drawn from the main study to which Mr. Donovan refers appears at page 9 in section 2-a, where the Maine Commission in fact voted to continue to make student loans on the basis of good public policy. Here are some ways that NHHELCO has created real savings for its borrowers:

(a) Last year, the NHHEAF network waived $1,430,000 in fees and anticipates doing the same this year. Therefore, over a two year period, NHHELCO's borrowers have been granted a waiver of over $2,800,000 in fees.

(b) Contrary to Mr. Donovan's assertion, the real savings take place earlier than the tenth year. For example, the .25% savings begins as soon as the borrower commences payments through ACH. The 2% interest rate discount begins as soon as the borrower has made 36 consecutive timely payments within 30 days of the payment due date. Obviously this interest rate savings could begin with the first payment of the fourth year. [Interestingly, NHHELCO's competitor in the market, Sallie Mae, does not give this kind of benefit to a borrower until the borrower makes 48 monthly payments on or before the due date of the payment.]

(c) Mr. Donovan states that "only 20% of the borrowers" are estimated to receive this 2% interest rate reduction. This 20% figure was derived by the bond rating agencies in New York when they reviewed the cash flows for the program. In fact, New Hampshire students are very good payers compared to all national averages and may very well exceed this 20% estimate.

(d) NHHELCO is a tax exempt institution and had revenues which exceeded expenses last year by $4,943,572. Of that amount, $4,365,058 are earnings restricted in the trust fund account which, according to the bond documents, cannot be used for NHHELCO's general operating purposes. They are required to be held by the trustee and used in accordance with the bond documents to sustain the loan program. The operating margin earned by NHHELCO last year was $578,514 which, based on the revenues and expenditures of the corporation, is reasonable under all Internal Revenue Code tests.

(e) Mr. Donovan testified that SB 425 does not ensure New Hampshire residents will benefit. The first response is that NHHELCO's authorizing statute, RSA 195-E, allows NHHELCO to make student loans to any "eligible student." "Eligible student" is defined as any student attending a New Hampshire qualified

educational institution and any New Hampshire resident attending an educational institution out of state. Obviously, the General Court has already determined that the State of New Hampshire benefits when a non-resident attends an educational institution in New Hampshire. As the General Court fully knows as a result of its oversight over the UNH System, out of state students who pay higher tuition in the University System help keep in state tuition lower for New Hampshire residents. Second, the non-resident students attending New Hampshire educational institutions are critically important to the success of those institutions. If unnecessary impediments were created limiting access by non-residents to New Hampshire educational institutions, those institutions would be jeopardized.

(f) Mr. Donovan testified that SB 425 is anti-competitive. NHHELCO disagrees. NHHELCO has active competition in the state, Nellie Mae and Sallie Mae among them. NHHELCO believes that by offering local servicing in the State of New Hampshire and dedicated, competent local service to New Hampshire lenders and students alike, it offers a superior loan product and related services to interested borrowers. The marketplace agrees. By offering in-state loan servicing to its borrowers, NHHELCO believes that it has positively impacted the default rate. Prior to 1992, student loans in New Hampshire were made by lenders and secondary markets, such as Sallie Mae and Nellie Mae. Once these loans were made, loan servicing was performed at various locations around the country. In 1992, New Hampshire student loans experienced an annual default rate of 9.1%. Contrast that with the default rate experienced by NHHELCO in 1999 of approximately 6%. This is a result of good local service, an experience which is borne out in the interstate banking arena as well. Lastly, any non-profit student loan agency is eligible under SB 425 to seek allocation of private activity cap. NHHELCO is neither mentioned in SB 425 nor does it expect to be the only applicant for this cap.

(g) Mr. Donovan testified that SB 425 is not necessary. NHHELCO agrees with Mr. Donovan that the compromise arrangement developed last year involving the payment of fees by NHHELCO to the BFA is working. NHHELCO hopes and expects that this fee arrangement will be perpetuated with the BFA in whatever allocations of private activity cap the BFA decides on its own and in comparison with all other needs with which it deals to make to NHHELCO. SB 425 does not touch upon that issue at all. Rather, it provides a pool of private activity that will, by legislative directive, be made available for student loans. This will help NHHELCO in its planning process of anticipating how much cap will actually be available from year to year for student loans. Lastly, it should be noted again that NHHELCO's need for private activity cap exceed $100,000,000 on an annual basis. Given the demands of private activity cap by other agencies and uses, NHHELCO does not expect it will be able to fund its annual financing requirements solely with tax exempt bonds. Having a more predictable amount from year to year, however, will be of great advantage to NHHELCO and its borrowers.

(h) Mr. Donovan testified that SB 425 is premature. NHHELCO again disagrees. NHHELCO has not always been successful in receiving private activity cap from the BFA. Prior to 1998, NHHELCO's application for private activity cap allocation to the BFA was rejected. In 1998, NHHELCO asked the BFA for $25,000,000 in private activity cap and was very grateful to receive it. In 1999, NHHELCO again asked the BFA for $25,000,000 in private activity cap and was extremely grateful to receive $45,000,000 from the BFA in consideration for NHHELCO's agreement to pay a fee. In 2000, NHHELCO asked for $50,000,000 in private activity cap and was very grateful to receive $25,000,000 from the BFA given all of the BFA's other demands for cap. NHHELCO's need for private activity cap has existed for years, currently exists and will continue to exist for years. Hence, NHHELCO supports SB 425 as a way of making cap allocation to NHHELCO more predictable than it has been in the past.

(i) Mr. Donovan testified that SB 425 does not provide adequate oversight. Clinton Hanson, Chairman of the NHHELCO Board, and Dan Dubreuil, a member of the NHHELCO Board, believe that NHHELCO's Board provides extremely competent and dedicated oversight to an organization which, on its own, is very well run. On this point, Mr. Hanson and Mr. Dubreuil would be happy to answer the subcommittee's questions about the quality of the Board's oversight of NHHELCO.

Conclusion

Obviously, NHHELCO disagrees with Mr. Donovan' s conclusion, but then reasonable people can disagree on various points. NHHELCO believes that SB 425 is very positive legislation, does not take any existing right or benefit away from the BFA and will help New Hampshire students in New Hampshire educational institutions by providing a more predictable source of private activity cap on which NHHELCO can sustain its borrower benefits programs and alternative loans, such as the TREE program.

For the past three years, NHHELCO has received the cooperation of both the BFA and NHEHFA in converting an aggregate total of $95,000,000 of private activity cap into educational loans for New Hampshire students and their families. NHHELCO is very grateful for the support of these two state agencies and very much hopes to continue to work positively and successfully with them to address the financing needs of this important student population.

233335_1.DOC

420-J:5-c Expedited External Review. Expedited external review shall be conducted as follows:

I. Expedited external review shall be available when the covered person's treating health care provider certifies to the commissioner that adherence to the time frames specified in RSA 420-J:5-b would seriously jeopardize the life or health of the covered person or would jeopardize the covered person's ability to regain maximum function.

II. Except to the extent that it is inconsistent with the provisions of this paragraph, all requirements for the conduct of standard external review specified in RSA 420-J:5-b shall apply to expedited external review.

III. At the time the commissioner receives a request for an expedited external review, the commissioner shall immediately make a determination whether the request meets the standard set forth in paragraph I for expedited external review, as well as the reviewability requirements set forth in RSA 420-J:5-b, I. If these conditions are met, the commissioner shall immediately notify the health carrier. If the request is not complete, the commissioner shall immediately contact the covered person or the covered person's authorized representative and attempt to obtain the information or documents that are needed to make the request complete.

TESTIMONY OF PETER IMSE BEFORE THE HOUSE
COMMERCE COMMITTEE ON SB 425

INTRODUCTION:

Mr. Chair, Mr. Vice-Chair, members of the committee, my name is Peter Imse and I am the Chairman of the Board of the New Hampshire Health and Education Facilities Authority. I appear in support of SB 425. The Authority has, in fact, drafted and requested this Bill.

Before I proceed, I would like to highlight the main points that I wish to make today. We are seeking to have a portion of new state cap or tax-exempt bond ceiling allocated to the New Hampshire Health and Education Facilities Authority for student loan purposes. The allocation of cap to the Authority will create certainty and consistency in the availability of cap for our tax-exempt student loan bond borrowers. This will facilitate lower cost student loans for our students and it will support higher education in New Hampshire. By helping students, our proposal will help assure that we have an educated work force, the most pressing need of our New Hampshire businesses. Finally, our bill will have no negative impact on the Business Finance Authority ("BFA"). The BFA will retain the full $75,000,000 of cap that it now has and all the income that it can earn on that cap.

HISTORY AND MISSION OF AUTHORITY:

The Authority was established in 1969 under RSA 195-D. Since then a variety of specific legislative amendments have added many other types of educational and health care institutions to the list of those that may borrow through the Authority. These institutions have included: hospitals, nursing homes, home health care providers, ambulatory care clinics, health maintenance organizations, secondary schools, child care providers, the Visiting Nurses Association, group homes, and certain facilities for the University System of New Hampshire and student loan programs.

The mission of the Authority has always been, and remains

> "To lower the cost of health and education services in New Hampshire, by providing eligible institutions with access to high quality, readily available, low-cost financing alternatives."

Furthermore, our enabling legislation states that "it is essential that students attending higher educational institutions . . . be provided with low cost financial assistance in order . . . to reduce the total amount of loan payments following graduation." RSA 195-E:1.

As of December 31, 1999, the Authority had issued over $2.6 billion dollars of bonds in 159 transactions for 57 different institutions. These bond issues have ranged in size from $440,000 to $162,500,000. All of our borrowers are qualified tax-exempt institutions under §501(c)(3) of the Internal Revenue Code. While the Authority is the State's largest bond issuer, the State is not liable for any of those bonds. We are very proud of the fact that there has never been a payment default on any of the Authority's bonds.

EXPLANATION OF LEGISLATION:

By Federal law, certain types of tax-exempt bonds, including housing bonds, industrial housing bonds, industrial development bonds and student loan bonds, cannot be issued by the State of New Hampshire or any of its agencies or other political subdivisions without an assignment of a portion of the State's private activity bond limit, commonly referred to as "state ceiling," "state cap," or "cap." Under the Internal Revenue Code, each state is allocated a certain amount of cap each year, based on the state's population. Since 1986, New Hampshire has received the minimum allocation of $150 million per year. However, proposed federal legislation would, if enacted, increase New Hampshire's allocation of cap by $75 million per year, to a total yearly allowance of $225 million beginning in 2000 or 2001.

New Hampshire allocates its state cap pursuant to RSA 162-M, which currently provides that the BFA and the Housing Finance Authority each receive ½ of the cap, or $75 million, per year. The Housing Finance Authority has used all of its cap on an annual basis, but the BFA has not used all of its allocated cap for business and industrial purposes for many years. Consequently, student loan programs that wish to issue student loan bonds through the Authority have sought an allocation of part of the BFA's yearly cap. In other words, although the Authority is the only issuer of student loan bonds in New Hampshire, the Authority currently cannot issue student loan bonds without the assistance of the BFA. However, there is no assurance that such assistance will be provided in any given year. In fact, until recently, the BFA allocated very little cap for student loan purposes.

Unlike New Hampshire, our neighboring states specifically devote a significant portion of their state cap to student loan bonds. For example, Maine has allocated a total of $770 million of its state cap to student loan bonds from 1986 through 1999, an average of $55 million per year. Vermont has allocated between $44 and $115 million of its state cap each year to student loan bonds from 1994 through 1999, an average of $78 million per year. New Hampshire, however, has allocated a total of $207 million of its state cap to student loans from 1986 through 2000, which is an average of only $13.8 million per year. However, even

that number is deceiving because some $105 million of cap has been allocated to student loan bonds in the past three years. The average cap allocation to student loans in the prior 12 years was only $8.5 million per year. Thus, setting aside a minimum of $37.5 million in state cap each year to student loan bonds would make a significant difference in availability of cap for New Hampshire's student loan programs and would substantially aid the legislative purpose of making low cost student loans available to New Hampshire's college and graduate students.

It is clear that there is a need to devote more state cap to student loan programs. The two active student loan programs in New Hampshire have borrowed the aggregate sums of $100,000,000, $95,000,000, and $125,000,000 from all sources (i.e., taxable and tax-exempt) for student loan programs in calendar years 1997, 1998, and 1999. These programs expect to borrow at least $115,000,000 in 2000 to fund student loan programs. To the extent that these programs can receive cap and issue tax-exempt bonds through the Authority, they will be able to lower loan costs to students. As is clear from these figures, there is a great -- and expanding -- demand for cap allocation for student loan bonds.

This proposed legislation will not harm the BFA. Based upon data provided by the BFA, the BFA has not used all of its $75 million per year cap for business or industrial development bonds for many years. In fact, in the last 10 years, the BFA has allowed over $82 million of cap to lapse unused and has transferred a total net amount of $197 million of its cap to the Housing Financing Authority. At last year's legislative hearings, the BFA argued that it needed all of the potential income from its $75 million of cap in order to satisfy its obligations and fund its new programs. This legislation will not take away any of that cap and will not affect the BFA's ability to earn an income from that cap just as it is now doing.

Unlike the BFA, the Housing Finance Authority has used all of its annual cap and has received additional cap transfers from the BFA in excess of its annual cap allocation.[1] The Housing Finance Authority can use, and wishes to receive, a portion of any increases in state cap allocations. Therefore, this proposed legislation will allocate any increases in State cap above the present $150 million per year level ½ to the Housing Finance Authority and ½ to the Authority.

The proposed amendment to RSA 162-M would create consistency and certainty for our student loan borrowers. It would assure that a minimum amount of state cap will be available each year for student loan bonds. (To the extent that student loan programs can obtain further state cap allocations from the BFA, or the Housing Finance Authority, the Authority could even issue student loan bonds for

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[1]RSA 162-M allows transfers of cap between BFA and Housing Finance Authority, which allows preservation of the cap. Although these two agencies often re-transferred cap back the following year, when the transfers are netted, the BFA's records show a net transfer of cap from BFA to Housing Finance Authority of $197,750,000 over the period 1989 through 1998.

such further amounts.) I would like to repeat, however, that the proposed amendment does not change any of the existing cap allocations. It does not take any cap away from the BFA. Rather, it recognizes that the BFA does not need further cap.

It is sometimes argued that the allocation of cap to student loans does not support the development of New Hampshire business and industry. I have two responses to this statement. First, as you all know, the #1 problem facing our existing and potential employers in New Hampshire is not access to capital for construction or development, but access to an educated work force. We will soon be experiencing a shortage of educated workers for our new and existing employers if we do not do something quickly. Without an educated work force, our businesses will suffer, or, worse, leave the state. Second, studies have shown that higher education produces a huge economic benefit to our state that is greater than any single business or industry. In short, student loans are good for business no matter how you look at them.

To put our request in context, I remind you that this bill would only allocate to student loans $37.5 million of a potential state cap allocation of $225 million. That is only 1/6th of the total state cap. This bill asks that you make a policy statement that higher education is important enough to us to warrant devoting at least 1/6th of our State's cap resources to student loans.

In addition to assuring that a certain minimum amount of cap is available for student loans, our bill has a second important purpose. It will ensure that a minimum portion of the cap is available to not-for-profit student loan programs without their having to pay a significant fee for the allocation of the cap. Although the BFA has historically not used all of its $75 million per year allocation of state cap for industrial development or other business purposes, in 1999 it adopted a policy of charging an "availability fee" to the Authority's student loan programs for the allocation to the Authority of state cap for student loan bonds. New Hampshire Higher Education Loan Corporation is paying the BFA in excess of $1.1 million for its 1999 and 2000 cap allocations, while Dartmouth Educational Loan Corporation paid the BFA a one-time, up front fee of $50,000 for its cap allocation in 1999. That is over $1 million that will not benefit students. While the Authority cannot control the BFA's decision to charge an "availability fee" for a portion of its present $75 million of state cap, this bill would mean that a base level of student loan bond cap will be available to student loan programs without the payment of such a fee.

As I close, I would like to anticipate one question that I expect to be raised by this Committee. That is " Why can't you agencies work this out?" My short answer is, "We have tried". Our decision to file this legislation actually grew out of discussions that we had with Mr. Donovan of the BFA at this time last year. During one meeting, Mr. Donovan reiterated his need for the income to be derived from the existing $75 million of cap that is now allocated to the BFA, but he stated

that the BFA would have no need for any portion of any new cap that might be allocated to the State. We drafted this bill during the summer and I informed the BFA Chair of our intent to file it last September. We heard nothing. I contacted the Chair again in December after we filed the bill, but before the Legislative hearing process began to see if the BFA wanted to talk to us. Again, we heard nothing. At the Senate Committee hearing on this bill, we were urged to try to work out our differences. We again contacted the BFA, and, again, heard nothing. There is really nothing more that we can do.

I also would like to anticipate a comment from the BFA. At the Senate hearing, Mr. Donovan alluded to what he called a deal or agreement made at this time last year that the Authority's student loan borrowers would pay an "availability fee" for all future cap allocations. To my knowledge, that is not true. The Authority was not a party to those agreements, but it is our understanding that our two student loan borrowers agreed to pay an availability fee last year for last year's cap allocations. There was no agreement with respect to future allocations of cap for student loans, and, especially, no agreement by this Authority as to the allocation of new State cap to this Authority.

CONCLUSION:

In conclusion, I would like to reiterate that the primary purpose of SB 425 is to ensure that the legislative purpose of providing New Hampshire students attending higher educational institutions with lower cost loans is met at a minimum level each year. For those of you who have or will have children in college, you know how expensive college can be. This bill will help to reduce that cost.

Thank you. I would be pleased to answer any questions that you may have.

New Hampshire Business Finance Authority

Private Activity Bond Allocation ($1,000,000s)

	Year												
	1989	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**		
Allocation	100.00	100.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00		**875.00**
net NHHFA Transfers	-29.02	-20.08	-40.00			-17.50		-48.44	-33.57	-1.65	41.00		**-149.26**
NHHEHFA Transfers		-2.53			-15.00					-25.30	-54.66		**-97.49**
Total Available	**70.98**	**77.40**	**35.00**	**75.00**	**60.00**	**57.50**	**75.00**	**26.56**	**41.43**	**48.05**	**61.34**		**628.25**
Use													
Industrial	**12.18**		**3.00**			**2.50**	**10.79**	**15.12**	**37.43**	**48.05**	**60.92**		
Water			1.00						4.00				
Sewer		2.40						3.44					
Solid Waste								8.86	4.93	34.00			
Pollution Control	58.80	74.91		75.00	54.80	10.00	10.00	8.00					
Energy					5.11								
Total Use	**70.98**	**77.31**	**4.00**	**75.00**	**59.91**	**12.50**	**20.79**	**35.42**	**46.36**	**82.05**	**60.92**		**545.24**
Balance	**0**	**0.09**	**31**	**0**	**0**	**45**	**54.21**	**-8.86**	**-4.93**	**-34.00**	**0.41**		**82.92**
Carryforward		0.09	31			45	54.21				0.04		**130.35**

Voting Sheets

HOUSE COMMITTEE ON COMMERCE

EXECUTIVE SESSION on SB 425-FN

BILL TITLE: **relative to the private activity bond limit.**

DATE: March 9, 2000

LOB ROOM: 302

Amendments:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep. McGough

Seconded by Rep. Marshall

Vote: 16-0 (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote: (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE: 16-0/Yes

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Stephen G. Avery, Clerk

Steph G. Avery

HOUSE COMMITTEE ON COMMERCE

EXECUTIVE SESSION on SB 425-FN

BILL TITLE: **relative to the private activity bond limit.**

DATE: 3-9-00

LOB ROOM:

Amendments:

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Sponsor: Rep. _____ OLS Document #: _____ Adopted/Failed

Motions: OTP, OTP/A, (ITL), Re-Refer, Interim Study (Please circle one.)

Moved by Rep. McGough

Seconded by Rep. Marsha C

Vote: 16-0 (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Re-Refer, Interim Study (Please circle one.)

Moved by Rep. _____

Seconded by Rep. _____

Vote: _____ (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE: 16-0

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Stephen G. Avery, Clerk

OFFICE OF THE HOUSE CLERK

2000 SESSION

COMMERCE

Bill #: SB 425 Title: _____

PH Date: ___/___/___ Exec Session Date: 3/9/00

Motion: ITL Amendment #: _____

MEMBER	YEAS	NAYS
Hunt, John B, Chairman		
Francoeur, Sheila T, V Chairman	✓	
Herman, Keith R		
Tsiros, William B		
Belanger, Ronald J		
McGough, Tim S	✓	
Avery, Stephen G, Clerk	✓	
Kenney, Joseph D	✓	
Langley, Jane S		
Pappas, Marc P	✓	
Dalianis, Griffin T	✓	
DiFruscia, Anthony R	✓	
Marshall, Gene B	✓	
Clark, Martha Fuller	✓	
Crosby, Toni M		
Russell, Ronald G	✓	
Reardon, Tara G	✓	
Vachon, Dennis P	✓	
Taylor, Kathleen N	✓	
Curran, James C	✓	
Garrish, Linda L	✓	
Keye, Harvey	✓	
TOTAL VOTE:	16	0

Printed: 12/30/1999

Committee Report

COMMITTEE REPORT

COMMITTEE: **Commerce**

BILL NUMBER: **SB 425-FN**

TITLE: relative to the private activity bond limit.

DATE: May 9, 2000 CONSENT CALENDAR YES ☒ NO ☐

☐ OUGHT TO PASS

☐ OUGHT TO PASS WITH AMENDMENT

☒ INEXPEDIENT TO LEGISLATE

☐ RE-REFER

☐ REFER TO COMMITTEE FOR INTERIM STUDY
(Available only in second year of biennium.)

STATEMENT OF INTENT
(Include Committee Vote)

This bill proposed an ongoing formula for allocating the state ceiling on private activity bond capitalization among users, including provisions for future increases in the ceiling. Establishing a stable, predictable base level of support for higher education loan programs was of particular interest. The committee felt that a statutory allocation was too rigid, and the matter could better be settled by agreements among the parties. The parties succeeded in arriving at written agreements acceptable to all, making this bill unnecessary.

Vote 16-0.

Rep. Gene B. Marshall
FOR THE COMMITTEE

Original: House Clerk
cc: Committee Bill file

USE ANOTHER REPORT FOR MINORITY REPORT

CONSENT CALENDAR

Commerce

SB 425-FN, relative to the private activity bond limit. INEXPEDIENT TO LEGISLATE

Rep. Gene B. Marshall for Commerce: This bill proposed an ongoing formula for allocating the state ceiling on private activity bond capitalization among users, including provisions for future increases in the ceiling. Establishing a stable, predictable base level of support for higher education loan programs was of particular interest. The committee felt that a statutory allocation was too rigid, and the matter could better be settled by agreements among the parties. The parties succeeded in arriving at written agreements acceptable to all, making this bill unnecessary. Vote 16-0.

COPY USED

SB 425, relative to allocation of state ceiling on private activity bond capitalization, INEXPEDIENT TO LEGISLATE. Gene B. Marshall for the Commerce Committee: This bill proposed an ongoing formula for allocating the state ceiling on private activity bond capitalization among users, including provisions for future increases in the ceiling. Establishing a stable, predictable base level of support for higher education loan programs was of particular interest. The committee felt that a statutory allocation was too rigid, and the matter could better be settled by agreements among the parties. The parties succeeded in arriving at written agreements acceptable to all, making this bill unnecessary. Vote 16-0.

Stapler, Carol

TIM'S BLURB NOT USED

From: Tim McGough [Tim@McGough.org]
Sent: Wednesday, May 10, 2000 11:12 AM
To: Stapler, Carol
Subject: Committee reports

Carol:

Here are the blurbs I am responsible for.

✓ 425-FN
SB ~~525~~-FN

After several subcommittee work sessions and consideration of similar legislation last year, the committee has facilitated enhanced dialogue between the concerned agencies, the Business Finance Authority, the New Hampshire Health and Education Facilities Authority, and the Housing Finance Authority. As a result of these meetings, the parties have come to written and signed agreement concerning the allocation of state bond ceiling. The committee has been assured this agreement will endure beyond the one year effect of the previous legislation and absent unforeseen circumstances, the seven year duration of this arrangement will be binding for all parties. With this agreement in place, the agencies and the committee agree this legislation is unnecessary at this time.

Gene Marshall