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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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.

Committee Minutes

Senator Fraser, Chairman
Senator Fernald, V. Chairman
Senator Disnard
Senator Klemm
Senator Krueger
Senator Trombly
Senator Wheeler

SENATE

CALENDAR

Date: 12/29/99

HEARINGS

Wednesday	January 26, 2000
(Day)	(Date)

Banks	Room 103, LOB	(See Below)
(Name of Committee	(Place)	(Time)

8:30 a.m. SB310 - relative to New Hampshire state-chartered banks.

9:00 a.m. SB425-FN - relative to the private activity bond limit.

Sponsors:

SB 310 – Senators Fraser, Wheeler
Representaives K. Herman, T. Readon

SB 425-FN – Sen. D'Allesandro

Sen. Leo W. Fraser,. Jr.
Chairman

cc: Senate Research

Date: February 2, 2000
Time: 9:29 a.m.
Room: 103 LOB

The Senate Committee on Banks held a hearing on the following:

SB 425-FN relative to the private activity bond limit.

Members of Committee present:
Senator Fraser
Senator Fernald
Senator Klemm
Senator Krueger
Senator Wheeler

The Chair, Senator Leo W. Fraser, Jr., opened the hearing.

Senator Leo W. Fraser, Jr., D. 4: Good morning, I am Senator Fraser and this is Senate Banks. I will open the public hearing on SB 425-FN relative to the private activity bond limit.

Sen. Squires, are you going to be the spokesman?

Senator James W. Squires, D. 12: I have volunteered my services, Mr. Chairman.

Senator Leo W. Fraser, Jr., D. 4: The Chair recognizes Senator Squires.

Senator James W. Squires, D. 12: Thank you. My name is James Squires. I represent District 12 in the Senate. I am branching out here slightly, but, the reason this bill interests me and some of you too, is that I met with the chairman of the UNH Board of Trustees who painted for us a most sobering picture

about the future of higher education in New Hampshire, to be specific, and in the United States in a wider perspective.

The problem is costs. The cost for higher education will continue to go up. The maintenance requirements at the State University at the present budget level will be complete in about 150 years or something like that. There is not enough money coming in to maintain the system as it now exists. Nor is it possible to keep raising tuitions. And thus in a certain sense higher education faces many of the problems that health care faces. How are we going to make it possible for people to get an education without going bankrupt? This bill addresses one small aspect of that problem by making available to New Hampshire students low interest loans. How low we do not know. We might know more at the end of the day once the new interest rate is set, but the fact is it is a lot lower than you are going to get from a bank.

The details of this bill, I must admit, are somewhat arcane and intricate. But the basic problem, the basic issue, is not intricate. The bill does make available more low interest funds to students seeking higher education. For that reason I think it is worthy of our attention and our support. I ask you if you might be willing to direct the more specific questions to people who are more knowledgeable about intricacies of the wording than am I.

Senator Leo W. Fraser, Jr., D. 4: Thank you Senator Squires. Any questions for Senator Squires? Thank you again.

Senator James W. Squires, D. 12: I do have to excuse myself Mr. Chairman. You in fact have a majority of the committee that I am supposed to be chairing, so, thank you.

Senator Leo W. Fraser, Jr., D. 4: The chair now recognizes the State Treasurer, Georgie Thomas who will be speaking in opposition to the bill.

Georgie Thomas: Thank you Mr. Chairman. I probably really should defer to some of the other people speaking.

Senator Leo W. Fraser, Jr., D. 4: Would you rather wait?

Georgie Thomas: I think it would be better if Mr. Donovan spoke first and give you a little more background as to the..... And then I will sum up.

Senator Leo W. Fraser, Jr., D. 4: Thank you. Then I am going to recognize Peter Imse from the New Hampshire Higher Education Health Authority. Good morning, Peter.

Peter Imse: Good morning Mr. Chairman, members of the Committee. Thank you very much for hearing this bill today. I see some familiar faces from yesterday at the polls. As the Chair mentioned I am the Chair of the Board of the Higher Education... I am still using our name from last year. The Health and Education Facilities Authority.

We have drafted this bill and filed it and I am speaking in support of it today, obviously. Before I proceed with my more detailed remarks I would like to highlight the main points that I want to make in my testimony. What we are asking for in this legislation is to have a portion of new State Cap or Tax exempt bond ceiling allocated to the Health and Education Facilities Authority for student loan bond purposes.

The allocation of cap to the Authority will create certainty and consistency in the availability of cap for our tax-exempt student loan borrowers. It will facilitate low cost student loans as was mentioned by Senator Squires, so that we support higher education in the state. It will help by helping our students.

Our proposal will help us create a more educated work force here in New Hampshire which has been identified as one of the most pressing needs of business in New Hampshire right now.

Finally and probably most importantly our bill as proposed will have no negative impact on the Business Finance Authority and its ability to issue bonds in the business and industrial area.

Standing back a little bit, I think it bares giving a little bit of history, where we come from. You are receiving copies of some prepared remarks that I have. I was looking at them this morning and realized I'd be talking forever here if I said everything on this page, so I might skip some of these paragraphs in a more summary fashion.

(See attachment #1, Testimony of Peter Imse)

(See also attachment #1- a., Letter from Edwin Johnson of Dartmouth College)

Senator Leo W. Fraser, Jr., D. 4: Thank you, Peter. Senator Krueger for a question.

Senator Patricia Krueger, D. 16: Thank you, Mr. Chairman. Peter, a couple of quick questions. Because you are targeting proposed Federal Legislation if I understood you correctly, for $37.5 million, if in fact that hasn't increased, my first question to you will be how certain is it that it will pass? Second of all, if in fact the BFA has not used its allocations as you have indicated to date, has there been previous to this legislation, any legislation trying to go in under the current ceiling to make an appropriation to your authority.

Peter Imse: To answer the question, the second question first. No we've never gone in to try to change the existing legislation. If it had been suggested to me I would have said, "I don't want to be leading that charge." To try to take CAP away, I don't know. Maybe it is appropriate at some point in time. Maybe it is appropriate now, but it hasn't happened before.

The second is the status of the Federal legislation. I think that Dean Christon from the Housing finance may be able to shed a

little more light on that. It was part of the large tax bill that was working its way through Congress. I think it is best to be described as the large tax bill, that got caught up in the year end politics and never got anywhere, got canned.

I know as Washington works there are several versions of it you know, where people are trying to attach it on to several different bills and bring it forward and move it forward. As I understand it there is no absolute certainty that it will happen this year. There is no absolute certainty what it will look like. One form would have it all being kicked in in 2000. Another form had it incrementally increasing over a period of 4 or 5 years up to the $75 figure. But again some other speakers may be well versed in that.

Senator Leo W. Fraser, Jr., D. 4: Further questions? Senator Fernald for a question.

Senator Mark Fernald, D. 11: Am I correct in understanding that bonds that your authority issues for schools and hospitals let us say are not private activity bonds and so are not part of the CAP?

Peter Imse: That's correct. As only the Internal Revenue can do it creates these distinctions that make no sense to us real people. But all of our other bonds are exempt so the issue goes without having to worry about CAP. Only student loans are effected.

Senator Leo W. Fraser, Jr., D. 4: Thank you.

We will now hear from Jack Donovan

Jack Donovan: As Senator Fraser said, my name is Jack Donovan. I am the Executive Director of the Business Finance Authority here in Concord. I guess today I am cast in the awkward role of opposing education. But I feel I have to in defense of the Business Finance Authority and their activities.

I think there is some history that is useful here. The idea of the private activity limit on these bonds goes back to '86 and Regan's efforts to try to lower tax rates and cut loopholes. As part of that they put a limit on the so-called "private" activity. Private individuals benefit from these bonds.

At that time the state originally starting with Governor Sununu, but the legislature chose to allocate 2/3 of the CAP or whatever was available to the state on that basis; our predecessor the Industrial Development Authority, 1/3 to the Housing Finance Authority. That was changed in the early nineties through mutual agreement with the Housing Finance Authority because there was a big demand for financing at that time and lesser demand on the other side. So we split 50-50.

In 92 the legislature, when they reconfigured the IDA as the Business Finance Authority, reaffirmed that availability and kept us with one half of the bond CAP.

The idea was, there are a number of eligible uses but basically New Hampshire Housing does housing and all the other uses which include things that are eligible including industrial users, manufacturers that want to expand in the state, utilities, gas and other type utilities; pollution control projects for a lot of our large plants like the paper mill in Berlin; solid waste activities and utilities as well.

There is going to be a huge demand pending. You've probably been reading about the effort to de-regulate the utilities and municipalities that want to acquire facilities. Like Manchester would like to buy the dam, the Amoskeaog Dam. That all takes private bond CAP.

It was left to the BFA or IDA board to measure among in student loan bonds and weigh all these. So although Peter indicated somehow I guess that it was implied that it was unseemly, the effort to try to balance them. I think the board there was there

saying we have all these conflicting demands and we've got to try to figure out how do we balance these, and what's best for the State. That what has always been cast in that role.

It's not easy. I'll be quite honest with you, in terms of doing it. That's the way the system works. It's important to understand how the Business Finance Authority works as well. We don't get any state funding. I think, as far as I know we are the only state entity, we're the finance arm of the state but as far as I know we are the only state one that doesn't get any kind of funding.

We have $95 million of the guarantee authority of the state which we can pledge to back business loans. We also have the half of the bond CAP which is really how we raise our money. We generate about 70% of our revenues currently, which come thru bond issuance fees. We charge... I would describe it as a Robin Hood principle. We charge the rich, and I would include Dartmouth in that. With a $2 billion endowment I have trouble with them arguing about paying $50 thousand to the state. We charge them and we use that money internally to subsidize all our small business loan programs. We run a number of programs and guarantees that last year helped over 400 New Hampshire businesses access capitol. They all worked through private.... go to your private bank and do it.

Just to give you some examples of those, up in the Chairman's district Freudenberg-NOK just finished a new facility or are finishing it, in Laconia, in an industrial park which enabled them to keep in the state and expand. We did that because we were able to issue tax-exempt bonds for them giving them low cost capitol and we also guaranteed part of the debt to make this work. They are there because of the BFA and our programs and the work we did and the help of the legislature.

On Tuesday in the Vice-Chairman's area we agreed to back a loan from Granite Bank to get the F-Lane Hotel project, downtown Keene off the ground. It has been sitting not moving for a couple of years because of some concerns about it. This is an important

part of the downtown revitalization of Keene and it needed a guarantee from the BFA.

Those are the types. We generate revenue from the bond payers and basically use it to subsidize the other programs. We are largely a break-even operation. We showed a $66 thousand profit last year on revenues of about $1.2 million. It's a delicate balance of how we try to operate. I also would note in 92 the legislature took most of our reserve, $7 million to help balance the budget at the time.

We are not a well-endowed organization. Revenue is critical to us in terms of balancing and meeting our public purpose.

Finally, I'd note that our revenue base is deteriorating. We have a lot of outstanding bonds that were related to Seabrook and pollution control facilities, which is part of deregulation. The utilities are all going to get much smaller. They are going to buy back stock and they are also going to pay off debt. So we are looking at probably with the deregulation program goes forward with Public Service they are going to pay off about $300 million in bonds this year. And that would mean a loss of over $100,000 a year really in perpetuity of revenues to the BFA. So our revenue base, we've got to keep growing and expanding. We can't stay still if we are going to continue to operate the programs we do.

I have a handout I would like to provide you which charts the history of the use of the Private Activity Bond CAP in the state. It is quite arcane and it's not the most simple topic to follow, but I think the important thing is it follows it from year to year in terms of the use in millions of dollars. I think there are a couple things that are critical to look at this.

(See attachment 2 – New Hampshire Business Finance Authority, Private Activity Bond Allocation)

In the early '90's there certainly was a problem with the use of the Bond CAP and that was because of a variety of activities and

frankly we did not have a very aggressive or active industrial program. And too much of the Bond CAP was lost in going to Seabrook to help with refinancing debt and trying to get some of the costs down down there. The industrial program was allowed to really whither. I would note if you look under the "uses" columns, it is five or six lines down, the industrial use, and this is manufacturers either relocating to the state, its one of the key inducements we can offer, or to help in the state who want to expand in the state here.

If you look for '94 we're $2.5 million up through '99. This last year we put out $60.92 million industrial revenue bonds. That's virtually the entire $75 million we have available. And the trend you can see; 15, 37, 48 and 61. I mean it's a graph and its going up rapidly. We think we'll be very near that $75 million annual CAP this year.

That doesn't include other things like solid waste, pollution control facilities, which are also in many respects industrial. Places like American Tissue up in Berlin, we are working with, Berlin, Gorham - the paper mill. A lot of their facility is really industrial but it qualifies as pollution control so it shows up under a separate category.

We see an impending clash here in terms of the demand and need for this. I would also note that there is legislation pending and we don't know what is going to happen but it currently has support in House Finance that would make a couple changes to industrial program. These regulations, as so often happens, date from the 1970's.

Knowledge-based businesses, which are a growing part of our companies, software, these types of things are not currently eligible in the program. And there are pending changes that would make knowledge-based programs like software eligible, so it means a lot more eligible businesses. They also are proposing to increase the size of businesses that are eligible. They basically would double the size. We would get some much larger companies

that could participate as well. So we see - not only is the demand going up currently, we see the possibility that it could explode with some of theses small changes in the law.

We saw the conflict of these different uses coming last year, and did file a bill in the House that asked for permission to issue student loan bonds. There's a kind of a quirk in the legislation as I said earlier. We're asked to adjudicate among a variety of different eligible users, pollution control, industrial and all the rest. For some reason student loans are the only ones we can't issue. We can issue all the rest of the bonds. So we said, we filed a bill with House Commerce and we asked for permission to issue student loan bonds. We thought that would simplify the process. Now we currently have to allocate CAP to the Higher Education Health Facilities Authority that then issues the bonds. We said we'll simply do it and make the process simpler for the users and that's the way to, frankly, retain the revenue for the BFA.

The bill was ultimately determined to be Inexpedient to Legislate because we negotiated with, we thought, with the consent of the borrowers a deal that we would be paid this availability fee, which kind of solved our problem of getting revenue and their problem of needing CAP. My view is there is no need for the legislation we are talking about here because it seems to be working. There is no assurance. And that adds I might add...the total cost of our availability fee is .0002. It is two hundredth of a percent is what it adds, so in the context of the costs to the students, or to the user, it is negligible.

Finally, I just, because I don't want to take any more of your time, there is something in here that I think is somewhat confusing and this has always been the hard part I think for the BFA board in terms of evaluating these. I don't think what we are talking about here in terms of legislation is really an issue of the availability of capitol. To my knowledge no student in New Hampshire has trouble, or parent getting a loan to send their kids to school. The question is whether we do it through a New Hampshire issuer

versus a national external type. I think it is important that that issue not get confused with it.

I mean there is currently capitol out there. I don't think there is a question about that. It is whether we do it here or we do it elsewhere. And that is what we try to look at in evaluating them. I think the system has worked. Treasurer Thomas is here who is one of the board members of the BFA and maybe would want to speak to that.

I mean I think we have done a good job of trying to balance the relevant uses. Certainly no one's got any guarantees. We've always viewed that the industrial is the priority and I think that has been clear from the legislature from day one in terms of how they do this. I think that is probably what sets us apart from places like Vermont and Maine. I don't think we are similar to them. I never, geographically similar I guess, but we have a very different approach and I think that that's worked well for us.

So our concerns our financially related. The state has at this point $43.86 million in guarantees that the BFA has issued that the state backs, if we can't pay them. We have $20.6 million in outstanding bonds that were issued with state backing. If we tried to be very prudent, make reserves to try to protect the state from a loss but if our revenue stream declines we've got to cut commitments and it increases the possibility of the day when I've go to call Georgie and asked her to potentially pay something. That we can't meet a responsibility.

That's our concern. We're trying to be prudent in how we run this. I mean we are running business within the context of state but we need the revenue and we need the help.

Thank you.

Senator Leo W. Fraser, Jr., D. 4: Jack, I'm going to quote from Peter's testimony on page 3. He says that,

"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."

Jack Donovan: Well I mean if you look at the chart in 1989 and if you go down to total use which is what we issued, we issued $82.05 million in bonds. There's some quirks in the law about how you can move it around and carry forward but I mean we used more that the $75 million allocation. We used nearly $61 million that we closed last year. So we're very close to using the full total and again, Senator if you look at the total, the trend $37to $48 to $61 million that the industrial side is expanding and that's without the rule changes that would make it more available. Plus we've got, I mean Manchester is talking about they want $20 million to buy the Amoskeag Dam. There is a window of opportunity short term for these municipalities to buy hydroelectric facilities. That all takes private activity CAP.

The deregulation issue, we've had conversations with Senator Below over part of making this whole thing work better for the ratepayer. It is going to take private activity CAP for a significant portion of this. So there's certainly demand out there. We've tried to be responsive. We tried last year. We bent over backwards to... we had some extra CAP and we tried to be helpful to both Dartmouth and the NHHELCO Group (New Hampshire Higher Education Loan Corporation) and protecting our interests.

We deferred the fee. We charged them less money than we would a normal borrower to try to make the thing work.

We're guarded in trying to protect us cause that's our income stream that allows us to do the rest of our activities. Without that we better really seriously re-evaluate it. I mean we're talking about, this is potentially $281 thousand a year in additional revenue to the BFA.

Senator Leo W. Fraser, Jr., D. 4: What is your projection for next year?

Jack Donovan: Bond activity? I think the projections were referred to. I think we carried $70 million current year for industrial use. This is for 2000. We also are working with approximately $15 or $16 million on top of that which is going to go up to the American Tissue, the paper mill in Berlin/Gorham for, it's really industrial, but they call it pollution control. It's related to expansion of their facility. You are talking about in the vicinity of $85 million this year.

Senator Leo W. Fraser, Jr., D. 4: How about the student loan activity?

Jack Donovan: Well, student loan has a request pending. We do have ... the real strange quirks in this law. We do have some extra kind of that we have been able to carry forward through some cooperation with the House Finance Authority. We have some extra CAP this year that we are going to try to accommodate them with. We are going to try to figure out, again, we've got to weigh electric deregulation and ratepayers versus NHHELCO (New Hampshire Higher Education Loan Corporation) versus Manchester wanting to buy a hydroelectric facility. It's always been left to the BFA board to try to adjudicate these things and make a decision. We try to look at what gives the most bang for the buck to the state taxpayers.

My personal feeling is that probably the deregulation thing is probably the most essential. If there is a way to make this whole thing work and make it work better for the ratepayers. That's what check to balance that.

Senator Leo W. Fraser, Jr., D. 4: Sen. Krueger.

Senator Patricia Krueger, D. 16: Thank you very much, Mr. Chairman. Jack, I just have a couple of "would you agree though".

Would you agree though, that part of what you are trying to do with industrial use would be certainly enhanced with a lower New Hampshire rate on, for student borrowers in the state? In other words don't you find that as a first question in conjunction with what you are trying to do? Actually a cheap way, with what you are trying to do?

Jack Donovan: Well I guess there's two questions. Certainly having an educated labor force is essential. I don't think this is an issue really about students having capitol, or money for UNH to expand, or students getting their parents to borrow money to send... I think it's an in-state issuer vs. third party issuer. I think that is really the issue as I see it.

Maybe I'm wrong but I think there are very competitive national programs that do student loans on similar rates. Certainly there are advantages to having it serviced here, etc. But when we, Senator Krueger, go and talk to somebody like a Fruedenberg that wants to expand and they now operate in seven or eight states and numerous countries, there major issue is how much does it cost us to operate a facility in Bristol or Franklin or Laconia. They have a spreadsheet they sit there and they go through. If we can't be competitive with places like Indiana or others, then we're not going to have those jobs.

We'll have educated people and they'll go to Indiana to get a job. We have to work with those people. I also might note that many of those people that we deal with in the industrial side particularly aren't people that are going to go to college. A lot of them are lower skill people. Manufacturing typically has more of a profile like that. I want people running to Bristol to create employment. We have to be able to show them that we can make this state competitive. We don't give away a lot of stuff like many other states. They charge you a lot of taxes and give you the stuff back. Our being able to offer tax exempt debt or guarantees to induce them to expand is essential.

I think that was part of the whole discussion. I think that was a particularly good example of where we are competing. So now when Compaq has an empty facility sitting in Salem or it will be empty shortly, we're trying to induce people to move into the state to fill that.

Labor pool. They'll do an analysis of labor pool but their concern immediately is what is it going to cost us to open that facility and be competitive. If the state can help them finance equipment at 5-1/2% or 6% interest rate rather than 9%, that's germane to them today.

I guess it's the long term versus the short term, Senator.

Senator Leo W. Fraser, Jr., D. 4: Follow up.

Senator Patricia Krueger, D. 16: My follow up question is that there's no question to parents like myself who have utilized New Hampshire Ed. Assistance Foundation, who doesn't have a relationship between the earned income and the amount borrowed - very different than some of the federal programs, I would add – so that if I would have a child, like I did have at UNH and I will have a child at Dartmouth, I need to let you know how absolutely paramount it is for middle income families to be able to access this money. My question having said that, my question to you is that in fact even at an $85 million projection for next year, would you not then think that the sharing or the guaranteed sharing of $37.5 million allocation to Higher Ed without availability fees still is a smart thing for the BFA to do?

Jack Donovan: Without availability fees.

Senator Patricia Krueger, D. 16: I though I'd throw that in.

Jack Donovan: I'm not sure I understand the question.

Senator Patricia Krueger, D. 16: The question is in other words, given what I have just said to you, Jack, don't you feel, you

just gave us a projection of $85 million in your... correct? All it would seem that the Health and Education Authority is looking to you for is one half of the increase, $37.5 million, would it not then seem that you would like to relinquish the ownership on a projected hopeful allocation from the Federal Government towards such a program such as this? I am not, I don't understand why you need the money. I still don't understand.

Jack Donovan: We need the revenue to support the operation, Senator. We need... the critical part in projecting these programs is to guarantee the availability. If I don't have availability for industrial programs when it comes time to use for people, if we can't accommodate people, then that program is dead and we've spent a number of years building it up.

We're trying to... we have a request pending from them? We are trying to for this year, which frankly this bill doesn't address it. At best this bill addresses 2003 so it may not even help your kids. We are trying to evaluate all...

Senator Patricia Krueger, D. 16: I have so many kids in college.

(laughter)

Jack Donovan: We are trying to evaluate that among, in the context of what is available but the revenue part is essential to us. We get no state funding. We run a business much like your business. We've got to go out and raise money and we've got to do it. This is our major source of income. Seventy percent of our income comes from the bond issuance fees so it is probably good that this is coming to a head now. If that revenue is not there we've got to seriously think about what kinds of programs we're running, the liabilities and other things.

I know where we were back in '92 when the state said in the last recession that we had no programs to help businesses. We're going to loop back in that direction again, because... I mean our most

expensive program and our biggest public benefit program is our small business loan program that helps small and real small starting businesses get going and get bank loans. That costs probably ¾ to a million dollars a year to subsidize.

If we're going to cut it back and cut it back, we'll have to think seriously maybe about getting rid of it or something. I don't know what we are going to do. We've got to keep our liabilities within our revenue stream and I think that... So we thought that charging this .02, two basis points, this two ten thousandth's of a percent or 2 hundredths of a percent was a way to kind of meet everybody's needs. We offered to try to become an issuer of student loans. We took some more costs out of it and simplified the process. We thought we had everybody's consent last year that this was acceptable.

That's why we made, we worked with John Hunt in the Commerce Committee last year. We thought we had a compromise. That this was acceptable. Everybody could live with it and we'd go forward on that basis. They'd get the cap that they needed and we took a reduced income stream but some income stream out of it and we deferred it and everything else, but something to help support the business operations.

Senator Patricia Krueger, D. 16: One last question, please. Thank you very much for your indulgence.

Well then Jack, let me be clear about this. So what you are saying basically is yes that money would be available for student loans, buying student loans, however it's very important to the BFA that you charge the fees associated with it and that they wouldn't have clear access to that money. We're talking about income for BFA. That's really what you've said.

Jack Donovan: That's certainly part of it, yes.

Senator Patricia Krueger, D. 16: Is there anything else that is as important as that part of it or have I misunderstood?

Jack Donovan: Why I think it is a question of priorities here. The system of what you think is the most important thing. You try and evaluate industrial versus the other uses. What I am hearing here is that it sounds like the bill is prompting a thought of should the entire issue be studied? Are the state's priorities wrong?

Have our old system of saying half housing, half industrial, or primary interest on industrial but these are a catchall for the other uses. Do we need to really look at this and make an evaluation of what is really appropriate because what you are talking about is not a one time policy decision. It's a long-term policy decision. Are you going to cast into stone the legislation? The current piece has largely sat the same since 1986 so we've been here almost 15 years with this?

Are we going to make a major shift in gears? The way it's set up now it becomes effective, it starts phasing in in 2003 so there's a long way to get there. Maybe there's a period to sit down and look at this and really say what are the state's priorities. We've got a resource here. There's $150 million in bonds now. It's going to go to $225 million. How should we use this in the context of the eligible uses?

Senator Patricia Krueger, D. 16: Thank you.

Senator Leo W. Fraser, Jr., D. 4: Senator Wheeler.

Senator Katherine W. Wheeler, D. 21: Thank you Mr. Chair. Mr. Donovan I'm a little confused by some of the things you've said in that I'm hearing a lot of different messages. It's also concerning me that we have two state authorities that seem to have so little ability to work together. I just have a hard time understanding one authority charging another an availability fee.

It just doesn't seem to make sense. And perhaps you could address that in a minute.

At one point you said that the BFA wants to issue student loan bonds. But a little bit later on you said it was clear that you said that the industrial side is your priority. And the research, there is research that talks about what's happened in the past, what the trends are and what the projections are for the future and there is a strong connection that is made between the importance to our industrial growth of having a well qualified in-state workforce.

I don't think that anyone disputes that. Therefor it seems to me that these authorities ought to be working together. The bill as I read it doesn't take away any CAP that you have now, but it says it is recognizing this need that is clearly defined, we don't need to study it anymore, to make sure that we are able to have the appropriate qualified workforce in New Hampshire. So I don't think it would hurt the BFA. I can't see how it would hurt the BFA to have this.

Excuse me, I'm just going to say one more thing. If the BFA is truly concerned about the big picture of what's happening if not just for what your bottom line is but for what the state's bottom line is.

Jack Donovan: In answer to your question Senator, we did ask for authority last year to issue the bonds because it is the one category which we kind of preside over that we do not have the authority. I'm not sure why it was ever set up that way. We can issue pollution control, industrial, all the other types of bonds but we can't do these. We asked for permission to do that -simplify the process. There would be no availability needed under that. We were told that the Higher Education Health Authority was opposed to that.. We were stepping on their turf largely and the compromise, which John worked out, was the idea of the availability fee. Again, we went ahead. We were under the idea that there was consent for this and people agreed with it which I am hearing something different today.

I agree fully Senator Wheeler. There is a need for an educated workforce. The real question is, I don't think this is a question of availability of capitol. I think this is a difference between national issuers versus in state. Getting your mortgage from Chase Manhattan versus Merrimack County Savings Bank down here.

I think there's capitol available. I've read the reports. I've yet to see anyone tell me that student loan availability is inhibiting people from participating in the programs that are going. I don't see that. Maybe I'm missing something. Maybe I haven't read it correctly. But is it nice to have in service place in the state, that does it? Do they do a good job? Yes they do a good job. I have people working for me who use them as well and NHHELCO and they love the servicing and they love the availability but the question I guess in a policy standpoint is, is that an appropriate use for a large portion of the state's private activity CAP versus what some of the other eligible activities are, deregulation, industrial, housing. Maybe we need to think about that Senator. Maybe it needs to be brought in a broader context that maybe we are off base. Maybe we shouldn't be doing industrial at all. That's what some states do. It varies tremendously. Massachusetts runs a tremendous industrial program, as does New York State. Their kind of premise is you give people a job and that solves lot of problems. You can pay to send your kids to school or get an apartment.

Other states use a different approach and maybe we do need to rethink the whole idea of how we are doing it and look at it. Look at the whole issue. I'm not opposed to that. I'm trying to, and I know I'm put in a difficult position here and I'm sounding like the negative person about education when we're on a band wagon here with this, but I feel it is easy in a good economy to minimize what we do. I think if you went out and talked to some of the businesses that were kept in business and they are here and they've got jobs because of what we did several years ago, and people we've helped. The people are still working up at Fruedenberg because of the efforts of the BFA.

We are glad to do it, we've got a public purpose and we're going to go do it, but we need a solid guaranteed revenue stream to do that. We need to go service our clients. That's why I think it's germane.

I'm certain the treasurer, Ms Thomas could talk a little more about the financial implications for the state and the rest of it but that's what we're trying to do. We're trying to continue to do our public purpose within the context and juggle these. I don't pretend it is easy. There are a lot of people pulling at you saying we want this, we want that, we want to buy the dam, deregulation is important. That should be the priority. We are trying to keep all theses balls in the air and maybe we are not doing a good job at it.

I know we tried to. We tried last year. We thought we'd appease people by making some changes, and putting CAP, making it available for the use. We've tried to be very generous cause we had some extra last year, and we tried to be helpful. I don't know. It doesn't seem to work.

Senator Leo W. Fraser, Jr., D. 4: Senator Fernald for a question.

Senator Mark Fernald, D. 11: Actually I have a couple. What's a typical interest rate loan on an industrial revenue bond?

Jack Donovan: Right now in the low 6% range.

Senator Mark Fernald, D. 11: And what would private capitol cost?

Jack Donovan: Oh, it would be at least 30% more than that. Nine.

Senator Mark Fernald, D. 11: Can the BFA issue bonds that are not subject to the private activity cap?

Jack Donovan: Yes.

Senator Mark Fernald, D. 11: So, are some of the ones listed on this sheet...

Jack Donovan: No, no this is private. This is bond cap. This is all related to the private community bond cap.

Senator Mark Fernald, D. 11: So how did you manage to issue more than the total available that particular year?

Jack Donovan: Well, there's a number of, I really don't, I tried to avoid boring you with some of the intricacies of this but, basically there's ways that you can keep it alive by transferring. Essentially we've had very good help with Housing Finance Authority to allow us to keep the bond cap alive and carry it forward so it can be used. Because we did that and had excess over the last couple years to build, accommodate all the needs, and keep everybody happy, that this is the last year we have that luxury of having extra CAP. Next year we revert to the $75 million. That's all that is available and we've got to balance it.

I might note that the only lapse, and this lapse would be the loss of CAP that we've ever had occurred back in the '94, '95 if you look there was a balance and there was excess we had lost. That, unfortunately was the result of really a state public policy decision related to the ill fated Pencore paper recycling plant down in Bow. We were asked specifically by the Governor's office at that time to carry cap to reserve it for that project. It was a very, very expensive project and they felt it was important. It was a big project to get it going at a time when the economy wasn't great. We reserved it and when the project fell apart it kind of gets into these little categories. You have to set it aside and we couldn't use it. That was the reason we lost that CAP.

Other than that we've been able to with very few exceptions keep the stuff current and keep the stuff alive and use it and get some benefit, whether it was over at housing which had a bigger demand at one time, or us, or something else, or student loans. I

think we've done a good job and if you look at the demand here you can see the trend here is very clearly increasing.

Senator Mark Fernald, D. 11: Thank you.

Senator Leo W. Fraser, Jr., D. 4: Senator Klemm for a question.

Senator Arthur P. Klemm, Jr., D. 22: Jack, I was fortunate enough to be one of the members of the "blue ribbon committee" set up by then Speaker Burns which created the Business Finance Authority. If I remember correctly, when we did that we had very limited bonding authority at the time. We had lost our five largest banks. We were losing population in the state as well as jobs. I think if I remember two of the main projects that we did at that time was Crown Paper and Manchester Airport. We all know the impact that the Manchester Airport has had on the state of the economy.

From the testimony I have heard it sounds to me like the state agencies are working together? When you have CAP available you do make it available? So I guess I just don't see the need for this bill. Based on your testimony you apparently don't feel it is necessary either.

Jack Donovan: Well we thought we, I would agree Senator. We thought we had a compromise worked out last year - the consent of everybody. It seemed to work. The essence of compromise is nobody is ultimately happy. We took less money. Everybody pays a little more but it was something that worked. I mean there is no assurance of CAP within that for people but I think they have my assurance. I've tried to do this. I think it's been demonstrated before but try to balance that within the context of what is important.

And if I'm undervaluing the value of what they do Senator Krueger, then I need to hear that and maybe my board needs to hear that - why it's unique and why it is special and how we can

do more of what is unique and maybe less of what is run of the mill. We certainly try to do it. I think the board has always done a good job of trying to balance all the conflicting needs out there and try to do it.

I just think, you know, we got in trouble Senator Klemm, in the late 80's and 90's because we had no programs in place when the economy collapsed. We scrambled to get them done and fortunately we caught some people at the end we were able to help, but there were a lot of people we didn't get to in time because we just didn't have the programs or the money.

I see now that we are flush again like we were in the late 80's and why do we need any of these same programs? We need them now because inevitably there is a downturn around the corner and we've got to have the programs and staff sitting there to help people at that time. We can't try to gear up there at that time. You just can't do it. It's going to be too late again. So it's important we be able to keep these programs and activities going. We are it. The state finance arm. I can't get any smaller. We've cut, cut and cut costs. We've got it as small as we can from an operating standpoint. It's important to have those programs in place when a downturn comes.

The nature of our economy is that we tend to boom and bust more than our neighbors. We're booming right now but who knows what next year or two years down the road bare. Particularly with the rising interest rate climate.

We think the programs are important. We think we need to keep them in place. We need some predictability of revenue stream to help do that. We're not trying to cut other people out. We're not trying to be negative to people. We're trying to do our job like the legislation says.

The BFA board is supposed to evaluate on the competing needs and try to do it. We put aside a piece for industrial. We carried a large piece this year that we called contingency which included,

we were very clear at this, the meeting in January that included things like student loan bonds, we certainly know were on the screen and some of these other deregulation related activities. People are all clawing at you and want the same stuff. It's up to the board to keep these balls all in the air.

Senator Leo W. Fraser, Jr., D. 4: Senator Krueger.

Senator Patricia Krueger, D. 16: Thank you very much again, Mr. Chairman. Jack one last point, and Senator Klemm's comments which I appreciate, certainly, made me think of one other thing.

Certainly if you look back at the inception of the BFA and the economic conditions of those times, and the improvement let's say the assets of industry. Industry at this point I would say if you look at the stock market, despite what they are going to do with interest rates certainly shows power. If you compare that to cost of education from when the BFA started I think *there* you see, and *certainly* if you predict some kind of an economic downturn again you are not going to see a decrease in the cost of education. Again I come back and appreciate your comments relative to priorities. I would just like your very brief input as to maybe a commitment that you see being made along those lines given the increase in tuition and the definite increase in the power of industry.

Jack Donovan: We're certainly aware although I... My child is in kindergarten and I had the misfortune not that long ago of looking at one of those Fidelity college estimators of how much money you are supposed to be saving a month and you get so frustrated looking at that you throw up your hands and just say, well I'm not going to bother saving to try to get there. Although I do use the state's unique program.

I certainly am aware of the problem and what they are trying to do. Industry falls into many categories. And the stock market has been great but manufacturing has been flat for a while. That is our core constituency in the industrial program. It's flat and a lot

of our core businesses in the state are struggling. Textiles, automotive parts, and they've got to do everything in their part.

You are familiar then with the problem. These people will have to every year cut costs. They've got to figure out ways to make stuff cheaper every year, not pass additional costs through. Being able to buy something a little more cheaply, and financing, or any way that they can cut corners or costs are essential to being competitive in this world market that we operate in. New Hampshire has been lucky. We are one of the few states that has a relatively stable manufacturing labor base. A lot of other states have seen rapid deterioration and gone to a service kind of economy.

We've been able to prop it up and keep it going and I think that is part because the state's always made a commitment to that and tried to support it. We try to help these businesses do everything in our power to be there.

I didn't ask Commissioner Bald or anyone from DRED to come but we certainly get someone to come and explain how important the bond program is to our marketing efforts to try to attract businesses in state and to retain them. It is absolutely essential because we do not give anything away. The story we tell people immediately is it's not what we give you its what we don't take away in terms of taxes. But when we are competing in a climate where we - a lot of people give stuff away in terms of inducements and others. Getting off a little cheaper in financing is critical in being competitive in this market.

Thank you very much.

Senator Leo W. Fraser, Jr., D. 4: Thank you for your testimony, Jack.

Clinton Hanson? New Hampshire HELCO. I'll ask Mr. Hanson to tell us what HELCO stands for.

Clinton Hanson: New Hampshire Higher Education Loan Corporation. We are the infamous NHHELCO that takes as much tax-exempt bond CAP as we can from wherever we can get it.

I think most of you, by way of prefacing my remarks, I think most of you can appreciate the fact that we're kind of in the middle here? We could use $100 million of tax exempt CAP. The primary reason we support this piece of legislation is that this is the way for it to be dedicated CAP that we can plan on and know is available and deal with from year to year.

It is our intent to go to the BFA. I believe we are meeting this February 28th and apply for as much as they are willing to give us. We have in the past negotiated fees for that CAP and we will, I presume negotiate fees for the CAP that we receive this year. So I want people to understand that our testimony, or my testimony here today is specifically in support of tax exempt CAP but specifically as it is dedicated to student loans. That's our interest in this whole process.

(See Attachment 3)

Resuming testimony:

As I mentioned before, we are here, kind of in the middle but the goal as we see it is to get tax exempt CAP for student loans, particularly dedicated tax exempt CAP, as a mechanism for helping students and helping them reduce their cost percentage. As a parent of three kids in school myself I can empathize.

I'll be happy to answer whatever questions you have.

Senator Leo W. Fraser, Jr., D. 4: Any questions for Mr. Hanson? Senator Klemm?

Senator Arthur P. Klemm, Jr., D. 22: Mr. Hanson, besides the fact that there is no dedicated tax exempt CAP, the current system, are you having problems with the current system?

Clinton Hanson: Well, the problem is we don't know from one year to the next what we are going to get or if we are going to get it. One year the winds may blow one direction and the next year the winds may blow another direction.

It is very difficult particularly given the very, very narrow margins that we deal with year to year. It is very difficult for us to set up a plan to be able to go out and get the funds we need without having some knowledge of where our tax-exempt position is. Very, very difficult.

Senator Leo W. Fraser, Jr., D. 4: I think probably Mr. Hanson that's what has come across from the testimony today is the uncertainty on an annual basis as to what CAP is going to be made available to you.

Clinton Hanson: Some of my counterparts in other states, and I know in New Hampshire we don't like to compare ourselves. That's one thing I've learned living here for over a quarter of a century.

It's difficult to say the least, when you are looking at a Maine, or Vermont or Rhodes Island, when they come up, and they know every year they're going to get $50 million or whatever the amount is and they plan accordingly and are able to say to students, yes we can offer you this kind of benefit program and it will be there next year, and the year after, and the year after that. That's the important part.

Senator Leo W. Fraser, Jr., D. 4: Thank you very much for your testimony.

Clinton Hanson: Thank you very much for the opportunity.

Senator Leo W. Fraser, Jr., D. 4: Dean Christon from the New Hampshire Housing Finance Authority.

Dean Christon: Good morning. My name is Dean Christon. I work for the New Hampshire Housing Finance Authority. I think my principal purpose here today is to attempt to answer the Committee's questions about the status of the legislation that is being considered in Washington related to private activity bond cap.

There is in fact a provision that has been adopted by congress that will increase the amount of private activity cap available to the state. Again to sort of back up again to go to the numbers so we are all clear if I may.

The current way in which private activity cap is established is on a per capita basis. It is basically $5 per person, is the amount of cap that you get annually. There is however a small state minimum which is the $150 million figure that people have been talking about here, that applies to states like New Hampshire.

What congress did last year is approve a phased in increase in the cap that begins in 2003 and increases it by essentially 10% per year for 5 years. So in the case of other states it will start with $5.50 per person and go up like that until it hits $7.50 per person. In the case of New Hampshire the number will go from $150 million to $225 million in five increments of $15 million each, beginning January of 2003 and ending in January of 2007.

Now there are a series of provisions that are under consideration to either accelerate that phase in so that it would begin perhaps next year, 2001, and go 5 years, or actually have the entire increase to the $225 million piece occur in one jump, in January of 2001.

Because these are tax provisions, they are considered tax provisions because basically what you are doing is the Federal government is increasing the amount of tax-exempt bond that can be in the market place, is really what they are doing, you have to have a tax bill passed for these things to happen. This never goes through on a stand-alone basis. It's not considered on an

independent basis. So the prognosis on this basically goes to anybody's guess as to whether the President and Congress decide that they can agree on any kid of tax bills in the next year during an election year.

The optimism yesterday was very strong. There was a sense that there was a feeling in Congress that there was going to be some agreement on some tax bills.

This provision, the increase in this cap which is supported not only by people, that are involved in housing but also folks that are involved in the other kinds of disciplines that you've heard form today, has a lot of support in Congress. There's actually not too very many people who oppose it. It really becomes a question of whether there is a measure that has other tax implications related to it that this bill can be attached to that will get enough votes and pass. So that is where we stand.

Today what you know for certain is that in 2003 you will get $15 million more, and every year thereafter and additional $15 million, and that there is a high probability, is the way I would describe it that that number will either come true sooner or perhaps all at once next year. That's an answer to your questions in part.

Beyond that I would be happy to answer any other questions you might have for me, or about how we use cap if that is something you are interested in.

Senator Leo W. Fraser, Jr., D. 4: Thank you for your testimony, Dean. It was good seeing you again.

Last but not least, the Treasurer of the State of New Hampshire, Georgie Thomas. I don't know if you are here this morning as a member of the board of BFA or as the Treasurer of the State of New Hampshire?

Georgie Thomas: Thank you Mr. Chairman. Given all the things that have circulated in this room during the testimony I'm constantly amazed at all the many intersecting responsibilities I have. We've now gotten into the Unique College Savings Plan and why it is better to save for college rather than borrow because of the great burdens the students have when they finish college.

I mean I could talk for a half an hour on that too. I'm not going to talk for very long at all today.

I think the point I want to make today is in my role as the Treasurer of the State of New Hampshire. Going back to the discussion that started with Mr. Donovan about the reincarnation of the IDA, the Industrial Development Authority, as the Business Finance Authority.

You and Senator Klemm, I'm sorry I almost called you Representative Klemm, were there when we had a lot of discussions and I spoke quite extensively about the potential pitfalls of guaranteeing a lot of debt, particularly in the corporate or industrial sector, and what impact that might have on the rating agencies' view of the State of New Hampshire.

Now the amounts that were actually passed into law in 1992 - which included the $95 million and the $20 some odd million, the $25 million which was issued by the BFA with the State guarantee of which some $21 or $22 million is still outstanding - I was able to present to the rating agencies as being self supporting debt. That the BFA generates an income stream adequate to be able to serve it to build reserves for this debt. So if they do have loan losses they do have loan loss provisions which should make it highly unlikely that the State of New Hampshire would ever have to make good on the guarantees that it has made on these various industrial loans.

From my perspective, my basic concern is maintaining financial viability of the Business Finance Authority. Jack mentioned that there is the possibility of at least $300 million being paid down in

some of this electric restructuring. At the present way, the $75 million as it currently stands and if this bill were to pass as it is envisioned, it would take four years for the BFA to replace that $300 million that would be payed down in terms of its revenue generating ability.

I have issues primarily from that role. I want to make sure that as this committee deliberates that it considers the potential impact of a reduction of the revenue stream for the BFA. And whereas it may appear to be a little bit forward looking and a little bit self serving to say we don't want to allocate now this additional cap which would be coming our way, I can see from my perspective, as the State Guarantor who may have to make up this shortfall that it is looking to potentially be able to include the revenue from that in the BFA's income stream.

One of the points I would make however as we have all discovered that there are ebb and flow of competing issues and interests for this particular cap, this $150 million. As has been pointed out by a couple of speakers already, right now we seem to be in a good economic period and business is doing well, but business with rising interest rates and the inevitable .....

The BFA's capabilities will at some point in time increase again. I'll be happy to answer any questions.

Senator Leo W. Fraser, Jr., D. 4: Okay, let's put on one of your other hats first. As a member of the board of the BFA. Over the last several years obviously you had voted either yes or no for the cap for student loans.

Georgie Thomas: I only recall its becoming an issue in the last couple of years.

Senator Leo W. Fraser, Jr., D. 4: Explain that Georgie.

Georgie Thomas: Well, because it does not seem to be, to present itself as part of a competition for cap until I believe it was

'98 was the first year that that became an issue. May I ask Jack if I'm right?

Jack Donovan: A real issue that year.

Georgie Thomas: Yeah, it really became an issue in '98. And then we were able because... When I talked about ebb and flow, one of the things that will occurs is that someone will come in and ask for a preliminary allocation of cap. A business, corporation of some sort they'll ask for a preliminary allocation. Obviously, if everything went smoothly they would want to within no more than a 6 month time frame, see that cap actually used.

But in the various permitting things or financing arrangements or whatever that they are going through obviously there is slippage. So if we actually had to come up with all of the preliminary allocations that we have on the books at one time, I don't think we could do it.

We kind of actually are depending on some slippage through these things so that cap can free up as it did for the student loan issuers in 1999. Because of that slippage of someone actually being ready to go to market. Now when we were having the discussions originally, at the time in 1998, about student loan allocation when they originally came up there was a real competition for cap and cap allocation at that time, which subsequently because of the slippage, freed up.

Senator Leo W. Fraser, Jr., D. 4: OK, so I guess my question, Madame Treasurer is Jack's testimony not withstanding, and if I understood what took place here this morning, and I 'm going to reiterate something I said a few minutes ago, if I understand Peter's testimony it's the uncertainty of what is going to happen in the future that so far as the cap is concerned, for funding student loans. I guess my question to you is as a Treasurer, now put your other hat on, how does this committee address that?

Georgie Thomas: What I would suggest, because I don't think it should be taken out of context, I would suggest that this whole issue should be looked at by a joint committee of the Senate and the House.

And studied as a real issue to take a look at the competing demands and how it might be most beneficial for those (unintelligible) in the state to allocate any increase in cap or the mechanism for cap allocation.

Senator Leo W. Fraser, Jr., D. 4: So to follow up, you don't feel that right now the student loan program or the cap, so far as Peter's organization is concerned, is critical.

Georgie Thomas: Well I certainly can understand that they feel, I mean we all would like the absolute certainty, I would like the absolute certainty of knowing, number one, that all those revenues we are counting on are going to come in. We all want to be able to plan in a certain environment.

You know, the greater degree of certainty we are going to have the easier it is going to be to operate, for all of us. I can understand their concern. I am just saying that since this issues seems to be coming back again and Jack mentioned that the issue came up before the house last year, that before some solution is just done without viewing all of the issues, I think it should be done as part of a study.

Senator Leo W. Fraser, Jr., D. 4: Senator Krueger.

Senator Patricia Krueger, D. 16: Thank you. Madame Treasurer, I just have a quick question. Is there any other source of income for the $300 million dollar utility possible problem than coming out of this increase?

Georgie Thomas: This is one of the fees that, it is all coming out of fee income which is generated either through the guarantee programs that the Business Finance Authority has, or by bond

issuance fees which is always charged, even back in the days when it was the Industrial Development Authority. As Jack Donovan has said there is no appropriation from the state and this really is the only way. It is self generating for revenues.

Senator Patricia Krueger, D. 16: I just want to clarify my question. My question was in relation to the projected use or ***need*** for $300 million.

Georgie Thomas: It's bond issuance fees. So the only way to directly replace that would be at the current rate of $75 million which the BFA has per year. It would take four years to replace that $300 million of repaid or prepaid debt.

Senator Patricia Krueger, D. 16: And as a follow up, so there would be no - as you can see it, just given the constructs of the organizations as they exist, there would be no other place to come up with it?

Georgie Thomas: To come up with it? I don't see it at the moment.

Senator Patricia Krueger, D. 16: And how probable in your estimation is it that that is something that we will be facing?

Georgie Thomas: Well, if you can tell me the most difficult.....

Senator Patricia Krueger, D. 16: I know that is the most difficult question I have asked. I'm sorry.

Georgie Thomas: If you can tell me how probable it is that we are going to pass electric deregulation in any form similar to what is currently being proposed, then I would know how to answer your question.

Senator Patricia Krueger, D. 16: I know it was tough. I knew it was tough. I just needed to hear it. Thank you.

Senator Leo W. Fraser, Jr., D. 4: I guess Madame Treasurer, the only thing that troubles me is that it seems to me that if we have a problem, and I'm going to have to really re-educate myself, no pun intended, on this issue but I'd like to see the problem resolved rather than to send something to study. We study more darned things in this General Court and never reach a resolution.

Georgie Thomas: I can understand your reluctance to do that.

Senator Leo W. Fraser, Jr., D. 4: I am going to ask this committee to take a good hard look at the bill. If you can come up with some solutions I would be most grateful to you.

Georgie Thomas: I'd be happy to work with the Committee.

Senator Leo W. Fraser, Jr., D. 4: Senator Klemm?

Senator Arthur P. Klemm, Jr., D. 22: Madame Treasurer, Mr. Donovan referred to what he thought was some kind of an agreement on a bill last year that was in the house, or arrangement. Were you part of that?

Georgie Thomas: I was present when the discussion took place.

Senator Arthur P. Klemm, Jr., D. 22: Can you share what this agreement was?

Georgie Thomas: It was actually Chairman Hunt requested that the two agencies sit down and work out some sort of agreement that they could live with. In fact I will tell you that Chairman Hunt who said why don't we just combine you all into one entity and get rid of this potential turf war?

Again I had made my comments which I did regarding the viability of the BFA and the potential of the state having to step up to a guarantee, which was my issue at the time as it is here. He asked the entities to try and work out a viable solution that

they could live with in order that the BFA would able to continue to receive some income stream without doing the actual issuance of the debt itself. We never really did get to any question about allocation. Any permanent allocation at that time. It was more, let's solve this problem that's here right now.

Senator Arthur P. Klemm, Jr., D. 22: Another follow up for Mr. Donovan, Mr. Chairman.

Senator Leo W. Fraser, Jr., D. 4: Oh sure. Thank you very much Madame Treasurer. Jack, you want to come back up please?

Senator Arthur P. Klemm, Jr., D. 22: Mr. Donovan, this may be a hard question for you to answer. Do you feel?.... I agree with the Chairman. I don't think this should be studied. I think we need to come to some kind of resolution on this.

Do you feel there's any portion of your cap that you can dedicate?

Jack Donovan: Well that's obviously what we need to look at. I mean that is what I am hearing from the Chairman, to see if we couldn't give them some certainty into the future. Obviously one of the issues is that the way it is set up now is the cap doesn't start going up again until 2003 and then it goes up 10% a year for 5 years. But the thought would be, I am actually sitting here scribbling tying to figure out if there was some way to guarantee them some minimum amount that NHHELCO could live with. Going forward with the understanding that if there were more it would be more, and if it was less, it would mean in another year that we would try to work something out with them. That's kind of the direction I was thinking as well, Senator Klemm, to see if we could find something that would satisfy their needs.

Senator Arthur P. Klemm, Jr., D. 22: Would you please take a look at that and get back to this committee?

Jack Donovan: Yes sir.

Senator Leo W. Fraser, Jr., D. 4: Any dialogue that you could continue with Peter would be most gratefully appreciated, Jack.

Jack Donovan: We've got to (inaudible) going to be on the 28th so we'll see him soon. But we certainly understand the issue. It's just conflicting interests. There is more and more demand as the Treasurer pointed out.

Thank you.

Senator Leo W. Fraser, Jr., D. 4: Thank you. Peter, did you want to be heard a second time? By the way is there anyone else that wanted to be heard before I recognize Peter?

OK, Peter?

Peter Imse: I recognize the length of this hearing. I apologize. I just had a couple.

Senator Leo W. Fraser, Jr., D. 4: It's your bill!

Peter Imse: Well, I didn't want to step on your toes either.

Jack Donovan: I'm sorry, I don't want to be rude. My wife is over in Ireland looking after her folks, so I am doing childcare duties while I'm here and my assignment is to get him to day care school or I'll never hear the end of it from Sister Irene. (laughter) So if he's not there by 11:30, my head will be rolling. Thank you.

Peter Imse: I've been there, so that's fine. Just a couple points I made. Listening to some of the testimony, I'd like to underscore. Jack mentioned that the BFA is self supporting not part of the state. I think his comment was that he thought he was the only agency like that. In fact Housing Finance Authority and our Authority are both self-supporting. You won't find us on the State budget because we are totally funded and supported by our own fees.

(Several speaking at once)

(Unknown speaker) It's the guarantees.

(Other unknown speaker) Wish it was self supporting.

(Unknown Speaker) Guarantees!

Peter Imse: I know that the details are still being hammered out but we had some people do some research and contact the Public Service Company. Information that we had is that in the settlement that is being proposed for the purchase or the sale of all these hydro facilities that State cap is not going to be needed as we understand it, definitely for the municipalities and I think the information is not for individual, private entities that may be buying these hydro facilities. Maybe the Treasurer has better information on that but that question of there might be a huge demand for that purpose, I don't think is going to be there, cause I don't think it's out there.

Mr. Donovan comments about sort of the growing demand for business/industrial and I think the phrase he used that I wrote was he sees a clash coming down the road between that growing demand and what we might be proposing is really, I think that goes to the core exactly of what we are worrying about. That's this idea of certainty and consistency because the subtext of his comments today, I don't think I'm misrepresenting them is, if a clash occurs we become the poor cousin again. We get knocked off the table and we don't get anything. That's really what we're talking...

Senator Leo W. Fraser, Jr., D. 4: I don't think he said that.

Peter Imse: He didn't say it in so many words. I guess maybe it's the history. I think there was a question that said, how long has this been going on. Somebody said well it's just come up before the BFA in the last couple of years. That's in part because

since the mid '80's, early '80's we had borrowers we made overtures to the BFA saying we want some cap. We kept being rebuffed, rebuffed, rebuffed and it got to the point of saying, you know, you give up and finally NHHELCO began to become the significant organization and the lender that it is now, raised the issue again and it's back before us.

I think it also highlights what we're really after here is just to say, and it's this question that ties into this comment about the study committee and all, it's where as a matter of policy, where does higher education fit in this hierarchy. If you kind of stand back and look at it, what we are asking for is simply to say, of the cap, if this full new 75 comes, we've got 225, we are asking that 1/6 of the cap be dedicated to higher education.

You know 1/3 of it will still go to the BFA. One half of it will go to Housing Finance Agency. That's, if you will, my simple minded way of saying if we are adopting a policy here, I'd love to have education have a bigger piece, but I am realistic enough to know that this is a give and take situation. We would love to have more than 6 but we are saying, at least let's take a sixth of the cap and say education is important enough to the state that it be allowed.

I wish Jack were here so he could sort of make sure that I've got this accurately reflected, but this conversation about the bill last year I think is important to clarify just a little bit.

The conversations occurred in the context of a bill the BFA filed to allow it to issue student loan bonds. We vehemently opposed that bill primarily because we felt that the BFA was not equipped to issue student loan bonds, didn't know anything about student loan or education bonds, and it was the totally wrong place to issue them. We have a history of doing it and we just thought it was wrong and as we went through the testimony, it became clear, much as today, the only reason that they wanted to issue student loan bonds is because they wanted to get the money from issuing the bonds and keeping the cap to themselves. It was in that

context that Chairman Hunt said, why don't you folks go out in the hall.

And I agree. We did end up with the conversation and I won't, I'm sort of using "we". It was a three or four way conversation because necessarily the borrowers were the ones who had to say this was something. Our borrowers are sitting there desperately in need of cap. They desperately needed to do more borrowing next year. They desperately needed cap from BFA. In essence they were over a barrel. They were either going to get nothing or they were going to agree to pay the BFA something for BFA to allocate cap to them. So that's how that compromise was developed, in which the borrowers said all right, we'll pay an availability fee for making cap available to us.

I think it's important to note in this proposal we don't touch that $75 million. In other words we're taking any new money that comes. The $37 (million) won't be subject to that. We have not touched the $75 (million). It will still be there and if our borrowers need more cap and need to go to the BFA and say "OK, we've got $30 (million) from the Health and Education Authority but we need another ten, can you give us part of the ten?"

We would rather they not do it, but BFA can still charge an availability fee and we're stuck with that. So I think that's important.

Jack mentioned a couple times this idea of, I think the phrase he uses is, "it's not a question of cap." In other words if NHHELCO isn't making the loans these students can get loans from someplace else. I think the image that Mr. Hanson used of the Omaha servicing entity is one that we can all relate to. We've all had the horror stories of the out of state servicers and all. It's not something we want to inflict on others.

NHHELCO has done so well because it's the classic New Hampshire model. It's right here. You know where to go. You can

drive to Concord and yell at the people. You're not talking to someone who can put you on hold in a warehouse somewhere.

I think more important than that is the fact that NHHELCO and its affiliated servicing entity employ over a hundred people here in Concord. So if you say, *phshht!*, these guys are out of business, well you are killing a hundred jobs here. There is a real business or economic aspect to this argument that ought not to be mentioned, ought not to be lost sight of.

On the BFA economics issue I just go back to the comments that I made. Again, we are not taking away any of BFA's economic earning potential that it now has. We are simply saying that if the Federal Government gives us more cap, let us have part of that.

The BFA still has everything it had when all of the cash flows were put together for deciding how it was going to survive, how it was going to pay the bonds when the BFA was created. We're not taking any of that income away. We're not preventing it. Certainly the data shows that if the BFA had this extra $37 million they, like, couldn't use it anyway. So they're not going to generate any income from it. So they're not losing any income by not having it. And so it is a hard argument for me to...

Senator Leo W. Fraser, Jr., D. 4: Cut it out Peter. We know what you're saying and I think the committee understood.

Peter Imse: OK. Then I will.... shut up.

(laughter)

Senator Leo W. Fraser, Jr., D. 4: OK.

Brad Cook: One more point Senator, if I might.

Senator Leo W. Fraser, Jr., D. 4: Go ahead.

Brad Cook: And I won't even sit down. Brad Cook, and I represent Health and Education. Just to clarify something and it was in answer to a question that Senator Klemm asked. I confirmed this with the Treasurer cause it didn't ring true to me as a former Airport Authority member in Manchester. No private activity cap bonds were ever used at the airport. That's....

Senator Arthur P. Klemm, Jr., D. 22: What were the bonds that were issued to Manchester Airport Authority?

Brad Cook: The bonds at Manchester Airport are State backed or State bonds that are revenue bonds that were issued by the City of Manchester. They are very important. No question, it's a great economic engine, but those are not bonds that would be relevant to this conversation.

Senator Leo W. Fraser, Jr., D. 4: I had the privilege of bringing that bill to the floor of the Senate. Fifty million dollars.

Georgie Thomas: Those were called "Alternative Minimum Tax" (inaudible), which is another special category of the Internal Revenue Code.

Senator Leo W. Fraser, Jr., D. 4: Thank you, Peter. I think I don't want to over...kill this but I think it would be a good idea if you and Jack could get down to getting something that this committee could live with.

Peter Imse: We'll go back to the hall.

(laughter)

No. I've been in communication with the Chair of the BFA several times so it's not like we're not working on it.

Senator Leo W. Fraser, Jr., D. 4: Oh, by the way, this hearing is over.

The hearing on SB 425 was ended at 11:20 a.m.

The verbatim transcript respectfully submitted,
Jennifer Ruffing, Senate Secretary, Banks Committee

attachment 1a.

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Senator Leo W. Fraser, Jr., Chairman
State of New Hampshire
Senate Banking Committee

January 31, 2000

Dear Senator Fraser and Members of the Banking 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. I regret not being able to join colleagues who will be appearing before you to support it as well.

Respectfully submitted,

Edwin L. Johnson

Attachment 2,

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**

Committee copy
attachment 3

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.

TESTIMONY OF PETER IMSE BEFORE THE SENATE
BANKS 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 as the New Hampshire Higher Educational Building Corporation. Originally, its powers were limited to the issuance of bonds on behalf of post-secondary educational institutions. In 1970 the General Court expanded the Corporation's powers to include hospitals, and its name was changed to the New Hampshire Higher Educational and Health Facilities Authority. 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: 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. In 1981, the General Court also enacted RSA 195-E which further extended the Authority's powers to include the issuance of bonds to finance student loan programs. In the last legislative session our statute was amended again. In addition to changing the Authority's name to the New Hampshire Health and Education Facilities Authority, which reflects the Authority's expanded purposes, the legislation expanded the Authority's borrowers to include a wider range of not-for-profit health care and educational institutions.

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.

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."

Part of the Authority's mission is to issue bonds on behalf of student loan programs which provide lower cost loans to college and graduate students. In that regard, the New Hampshire general court has recognized 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.

EXPLANATION OF LEGISLATION:

The primary purpose of the Bill that is before you today is to provide the Authority -- and New Hampshire parents and students -- with the assurance that at least $37.5 million in student loan bonds will be issued each year.

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 and there is no assurance that such assistance will be provided in any given year. The Authority is requesting that RSA 162-M be amended to provide it -- and its student loan programs -- with the assurance that the Authority will be able to issue at least $37.5 million in student loan bonds each year, contingent upon an expected change in federal tax law.

Pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), 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 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 ("Housing Finance Authority") each receive ½ of the cap, or $75 million, per year. Although the Housing Finance Authority has used all of its cap on an annual basis, 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. From

1990 through 1997, the BFA allocated $17,525,000 in state cap to the Authority to issue student loan bonds. In 1998, the BFA allocated $25,300,000 to the Authority to issue student loan bonds, and, in 1999, the BFA allocated $55,050,000 to the Authority for student loan bonds.

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 $182 million of its state cap to student loans from 1986 through 1999, which is an average of only $13 million per year. However, even that number is deceiving because some $80 million of cap has been allocated to student loan bonds in the past two 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 for devotion of 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 their costs of funds will be lower, allowing 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. Yet, despite this need, at its meeting of January 10, 2000, the BFA provisionally allocated cap by categories for the year 2000 and significantly did not allocate any cap 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. However, unlike the BFA, the Housing Finance Authority has used all of its annual cap, and as I stated, 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, ½ of any increases in state cap allocations. In this proposed legislation, the Authority is requesting that any increases in State cap above the present $150 million per year level be allocated ½ to the Housing Finance Authority and ½ to the Authority.

[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.

The proposed amendment to RSA 162-M 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 issue student loan bonds for such further amounts. 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, and it allows the Authority to use ½ of any cap increases for student loan bonds. Before I leave this point, I must also address a frequent criticism of the allocation of cap to student loans as not being in support of business and industry. I have two comments. First, as you all know, the number one problem facing our existing and potential employers in New Hampshire is not access to capital, but access to an educated work force. Allocating cap to support higher education supports business. Without an educated work force, our businesses will suffer, or, worse, leave the state. Second, higher education produces a huge economic benefit to our state that is greater than any single business or industry.

The last purpose of our bill is to ensure that the portion of cap that is available to not-for-profit student loan programs will be available 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, which received $45 million of state cap in 1999, is paying the BFA in excess of $25,000 per year through the year 2033 for its cap allocation, while Dartmouth Educational Loan Corporation, which received $10,050,000 of state cap, is paying the BFA a one-time, up front fee of $50,000 for its cap allocation. While the Authority cannot control the charging of an "availability fee" by the BFA, the allocation of ½ of the increased cap to the Authority will create a base level of student loan bonds which will be available to student loan programs without the payment of such a fee.

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.

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

Committee

TESTIMONY OF PETER IMSE BEFORE THE SENATE
BANKS 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 as the New Hampshire Higher Educational Building Corporation. Originally, its powers were limited to the issuance of bonds on behalf of post-secondary educational institutions. In 1970 the General Court expanded the Corporation's powers to include hospitals, and its name was changed to the New Hampshire Higher Educational and Health Facilities Authority. 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: 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. In 1981, the General Court also enacted RSA 195-E which further extended the Authority's powers to include the issuance of bonds to finance student loan programs. In the last legislative session our statute was amended again. In addition to changing the Authority's name to the New Hampshire Health and Education Facilities Authority, which reflects the Authority's expanded purposes, the legislation expanded the Authority's borrowers to include a wider range of not-for-profit health care and educational institutions.

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.

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."

Part of the Authority's mission is to issue bonds on behalf of student loan programs which provide lower cost loans to college and graduate students. In that regard, the New Hampshire general court has recognized 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.

EXPLANATION OF LEGISLATION:

The primary purpose of the Bill that is before you today is to provide the Authority -- and New Hampshire parents and students -- with the assurance that at least $37.5 million in student loan bonds will be issued each year.

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 and there is no assurance that such assistance will be provided in any given year. The Authority is requesting that RSA 162-M be amended to provide it -- and its student loan programs -- with the assurance that the Authority will be able to issue at least $37.5 million in student loan bonds each year, contingent upon an expected change in federal tax law.

Pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), 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 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 ("Housing Finance Authority") each receive ⅓ of the cap, or $75 million, per year. Although the Housing Finance Authority has used all of its cap on an annual basis, 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. From

1990 through 1997, the BFA allocated $17,525,000 in state cap to the Authority to issue student loan bonds. In 1998, the BFA allocated $25,300,000 to the Authority to issue student loan bonds, and, in 1999, the BFA allocated $55,050,000 to the Authority for student loan bonds.

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 $182 million of its state cap to student loans from 1986 through 1999, which is an average of only $13 million per year. However, even that number is deceiving because some $80 million of cap has been allocated to student loan bonds in the past two 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.

See also attachment 1, a letter from Dartmouth College.

It is clear that there is a need for devotion of 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 their costs of funds will be lower, allowing 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. Yet, despite this need, at its meeting of January 10, 2000, the BFA provisionally allocated cap by categories for the year 2000 and significantly did not allocate any cap for student loan bonds.

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The last purpose of our bill is to ensure that the portion of cap that is available to not-for-profit student loan programs will be available 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, which received $45 million of state cap in 1999, is paying the BFA in excess of $25,000 per year through the year 2033 for its cap allocation, while Dartmouth Educational Loan Corporation, which received $10,050,000 of state cap, is paying the BFA a one-time, up front fee of $50,000 for its cap allocation. While the Authority cannot control the charging of an "availability fee" by the BFA, the allocation of ½ of the increased cap to the Authority will create a base level of student loan bonds which will be available to student loan programs without the payment of such a fee.

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.

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

Page 13 @ ½

after 3:30: 3/16

Sen. Fernald

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.

February 11, 2000

TO: Members of the Senate Banks Committee
FROM: Jonathan Page
RE: Hearing report on Senate Bill 425, relative to the private activity bond limit. (Senate Banks, 2/2/00)
Sponsor: Sen. D'Allesandro.

What the bill does: 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.

Who supports the bill: New Hampshire Health and Education Facilities, Dartmouth College, New Hampshire Higher Education Corporation, New Hampshire Housing Finance Authority.

Who opposes the bill: New Hampshire Treasurer, Business Finance Committee.

Testimony report: 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. The current ceiling is $150,000,000, though there is a plan to increase the cap to $225,000,000. Allowing the NHHEFC a specific portion of the bonding cap is important for education. It will allow the NHHEFC to offer loans to students at lower rates than normally available encouraging those students who may not have considered higher education because of cost to re-examine the issue. Currently the NHHEFC does receive a portion of the bonding cap, but it fluctuates year to year preventing the NHHEFC from planning for the best possible use of the loans. A better educated populace in New Hampshire is a benefit for businesses in the state.

Those opposed testified that allocating a specific amount of the cap to a specific source would endanger New Hampshire's bond rating. The state would be unable to take advantage of the entire cap in poor economic times to ensure the vitality of the New Hampshire economy. Any constraint placed upon the cap could be looked upon unfavorably by Wall Street lenders. The Business Finance Authority uses its bond cap to issue loans to business which, in turn, raises money for use on other projects. The Authority is in a difficult position with the advent of deregulation. Utilities could pay off their debt leaving the Authority with a greatly reduced revenue base, and allocating bond cap to a specific entity would further reduce that revenue base.

There was a suggestion to create a study committee to look into this issue.

Funding: The fiscal note is not complete.

Future Action: Pending executive action.

Speakers

SENATE BANKS

Date February 2, 00 Time 9:00 a.m. Public Hearing on **SB 425-FN**

Appearing in FAVOR: (Please print) **Please check box at left to speak.**

Speaking?	Name	Address	Representing
☑	Peter Imse	3 Capitol St.	Chm. N.H. Higher Education + Health Facilities Auth
☑	Clinton Hanson	Pembroke NH	NHHELCO
☑	J. Squires	Dist 12	
☑	Dean Christon		NH Housing Finance Authority
☐			
☐			
☐			
☐			
☐			
☐			

Appearing in OPPOSITION: (Please Print) **Please check box at left to speak.**

☑	Jack Donovan,	NH Bus. Finance	14 Dixon Avenue, Concord
☑	Georgie Thomas	Treasury	Annex
☐			
☐			
☐			
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Hearing Minutes

Jennifer's Copy.

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.

Testimony

Banks. Committee copy.

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

Senator Leo W. Fraser, Jr., Chairman
State of New Hampshire
Senate Banking Committee

January 31, 2000

Dear Senator Fraser and Members of the Banking 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. I regret not being able to join colleagues who will be appearing before you to support it as well.

Respectfully submitted,

Edwin L. Johnson

Sen. Trombly

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**

Jack Donovan --

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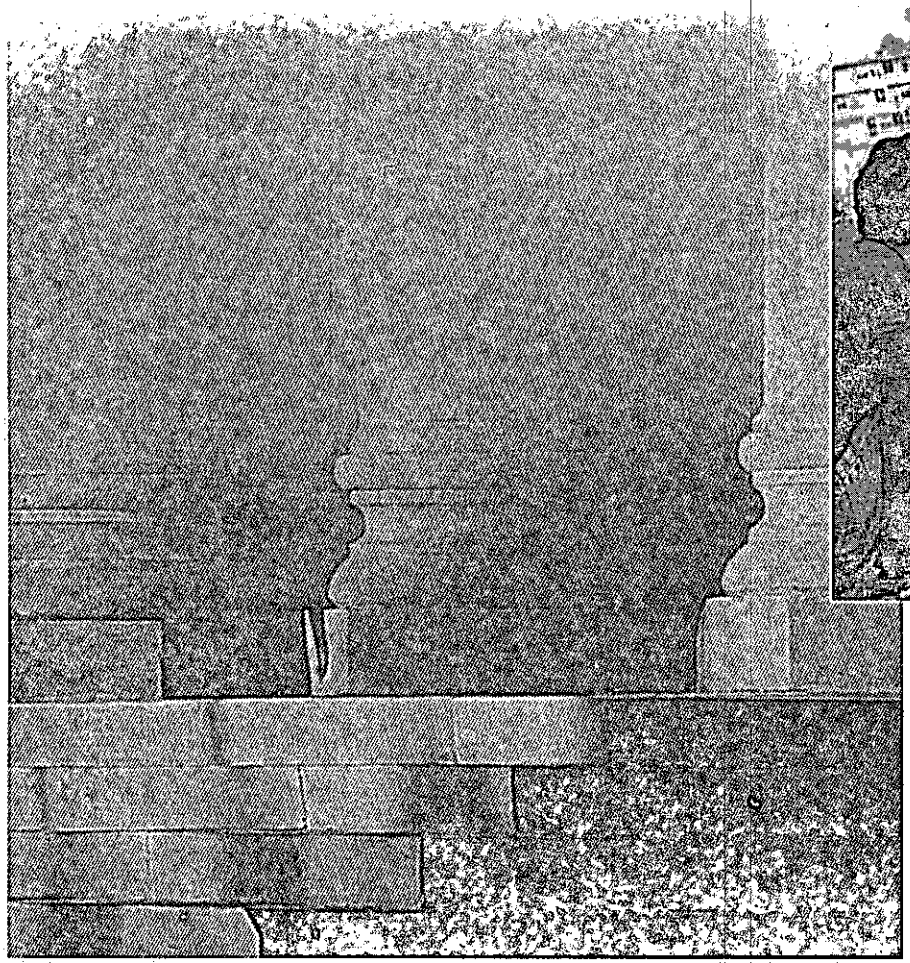
New Hampshire Business Finance Authority

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**
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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**
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Carryforward		0.09	31			45	54.21				0.04	**130.35**

The Economic & Community Impact of New Hampshire Higher Education

UNWRAPPED





A collaborative report

New Hampshire College & University Council

New Hampshire Higher Education Assistance Foundation



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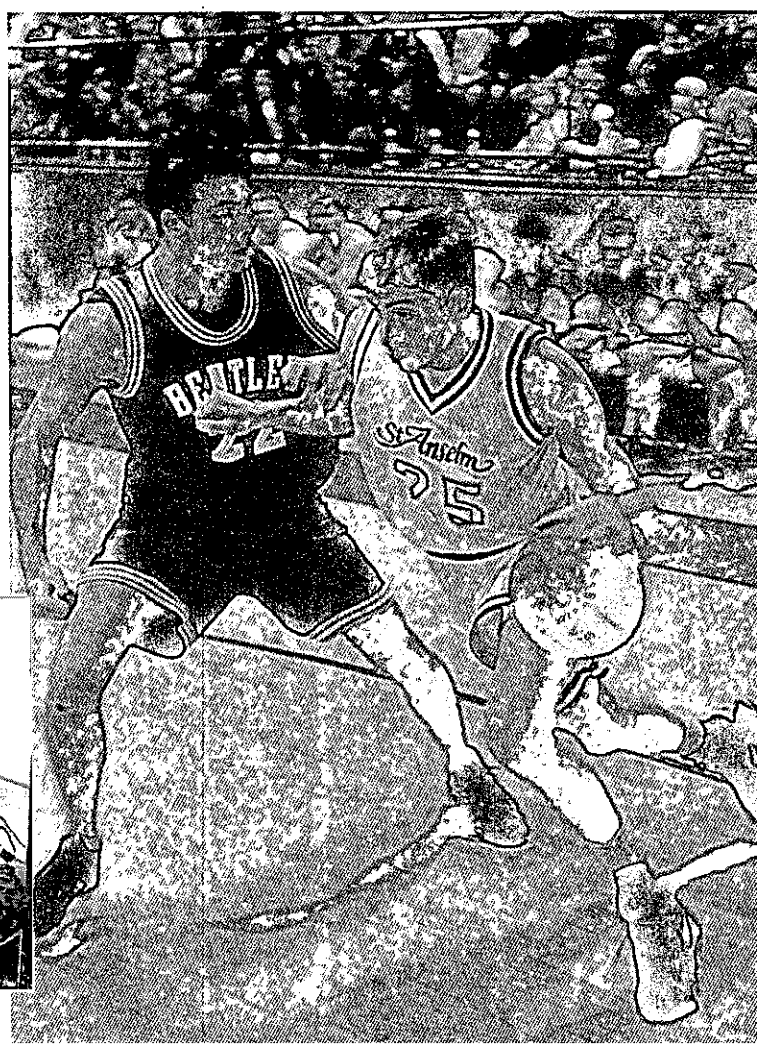
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Economic & Community Impact of Higher Education In New Hampshire—A $2.25 Billion Industry

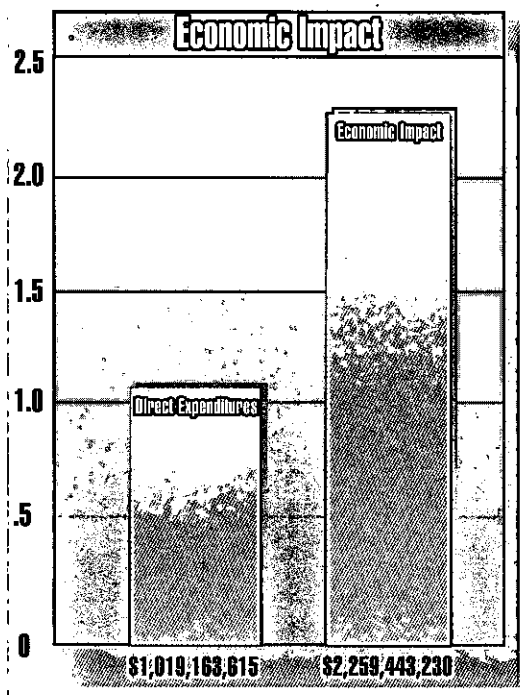
We rarely think of higher education as an industry—as a significant component of a state's economic identity—but indeed it is! Colleges and universities are an economic force and key element in formulating economic success, not only as centers for intellectual capital, but also as significant providers of jobs, payers of bills, and builders of community.

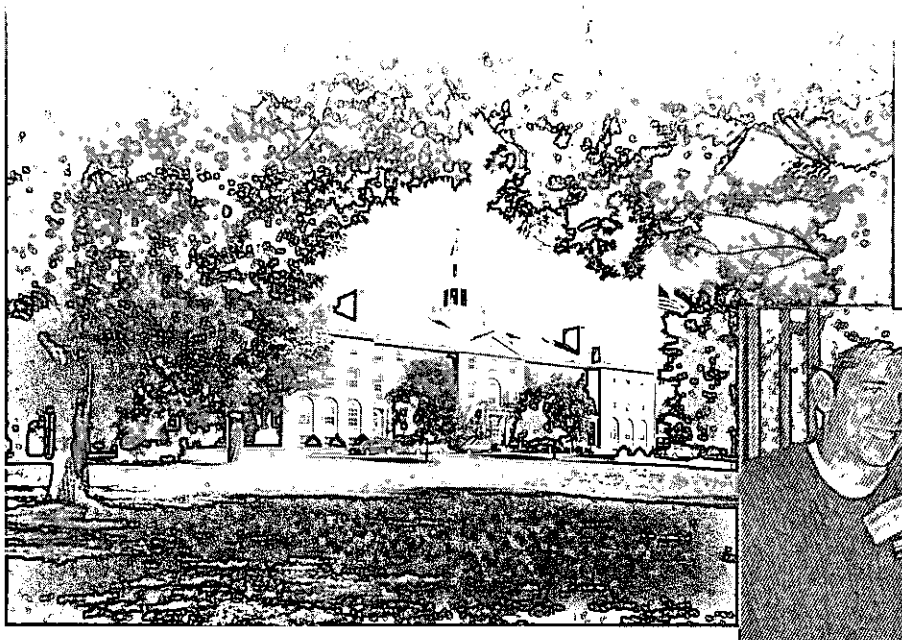
In **Impact '99** we attempt to highlight some of the important direct and indirect impacts of New Hampshire's higher education institutions. We hope you find this report helpful in better understanding the important role higher education plays in New Hampshire's present and future economy.

New Hampshire's higher education institutions collectively have a direct economic impact of **$1,019,163,615** annually. In addition, it is estimated student and parent expenditures provide $110,958,000 directly into the NH economy.

Not included in these figures are institutional reports of student, faculty and staff volunteer service in excess of 802,000 hours in their various communities. A conservative estimate of the value of this contribution is an additional $4,010,695. Also not calculated in the direct economic impact figure is the value of cultural and sporting events hosted on the campuses available to the public. Indirect economic impact figures including community usage of academic libraries is reported separately with Community Impact data.

Utilizing a very conservative economic multiplier of 2.0, higher education contributed **$2,259,443,230** to New Hampshire's economy in fiscal year 1997-98.





Colby Sawyer College, New London

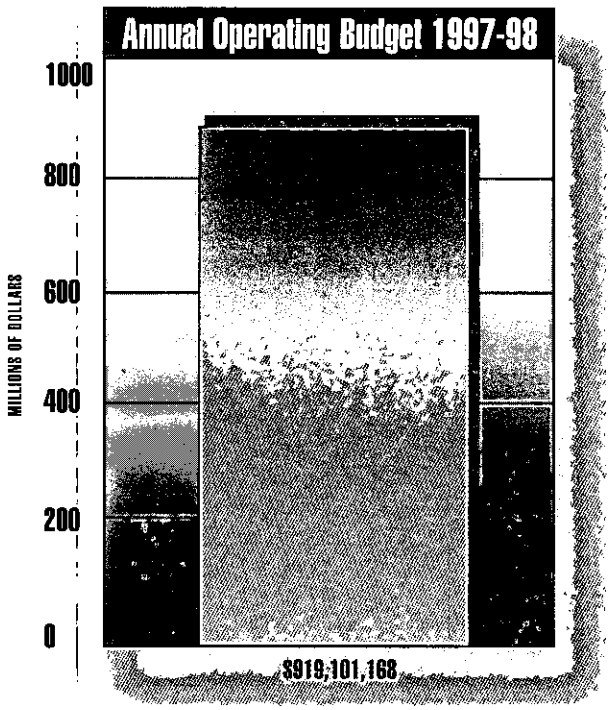


Keene State College, Keene

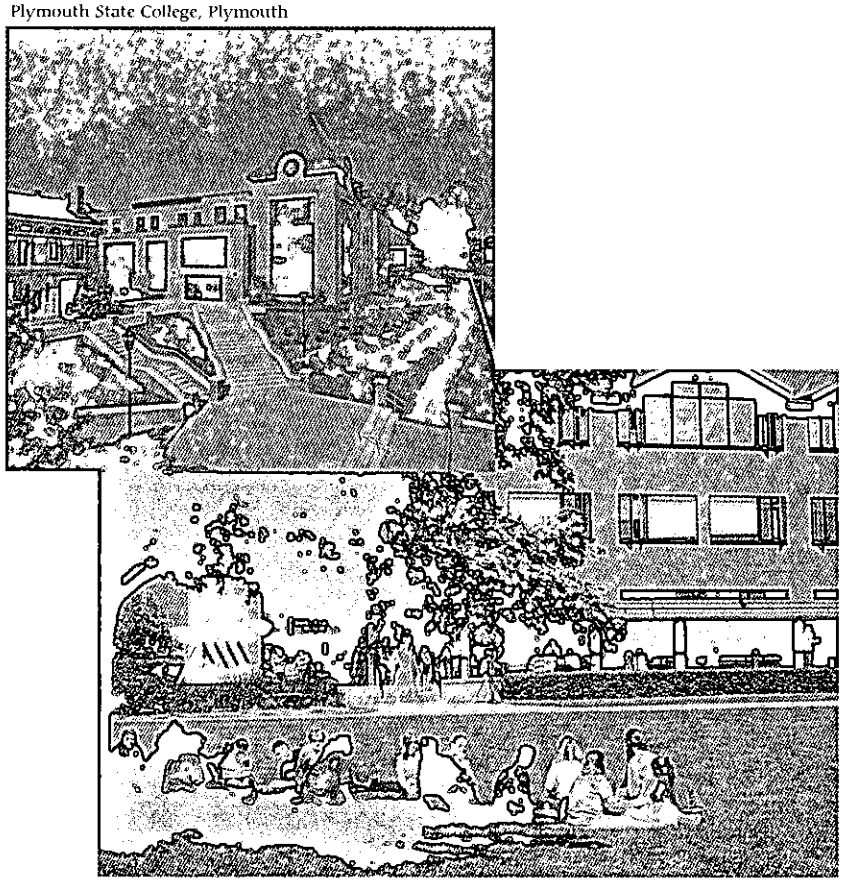
Annual Operating Budgets Exceed $919 Million

The annual operating budgets of New Hampshire's higher education institutions totaled **$919,101,168** in 1997-98. Primarily, operating budgets are expended in New Hampshire with local businesses and in payroll for New Hampshire residents.

The primary source of institutional operating dollars is generated from tuition revenues. With 40% of students attending New Hampshire institutions from out-of-state, these dollars are a significant import of revenue to the state's economy. And, large portions of institutional revenues are also generated from other out-of-state sources (federal grants, contracts, private gifts, and other grant sources). Thus, New Hampshire higher education institutions are an important source for attracting out-of-state revenue into the state's economy.



Plymouth State College, Plymouth

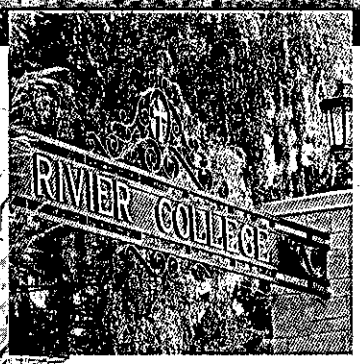


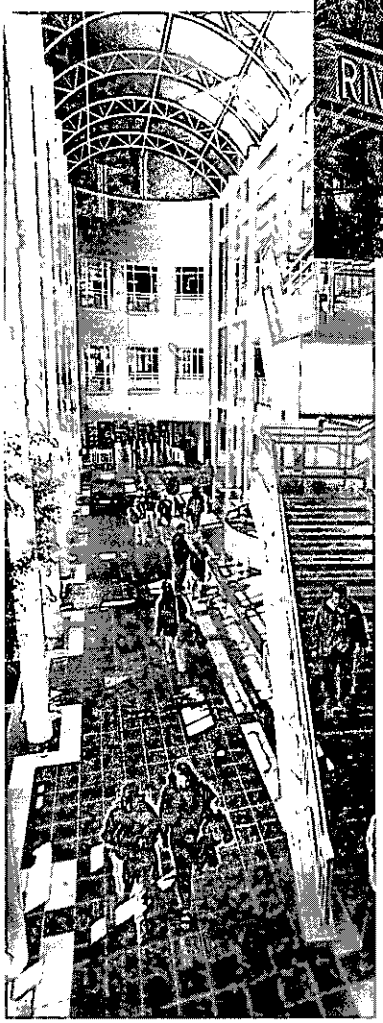
New Hampshire Community Technical Institute, Concord



Notre Dame College, Manchester

Capital Investments Exceed $100 Million



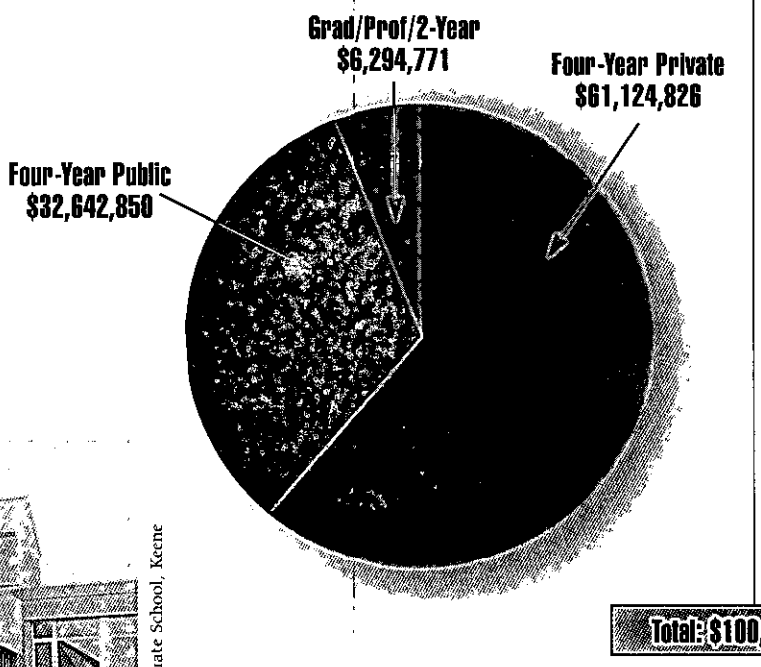


Keene State College, Keene

In fiscal year 1997-98 New Hampshire higher education institutions dedicated **$100,062,447** to campus capital projects. From new dormitory facilities to sport complexes and major building renovations, colleges are annually investing significant dollars in their physical infrastructure.

Utilizing the regional multiplier methodology recommended by the U.S. Department of Commerce, one can project that for every $1 million of campus construction, a total of $2.19 million of extra gross state product is generated. Additionally, estimates are that 26 jobs are created for every $1 million of construction activity. Thus, over **2,500** jobs in construction, engineering services, retailing, and other sectors of the state's economy result from campus capital projects.

Capital Investments

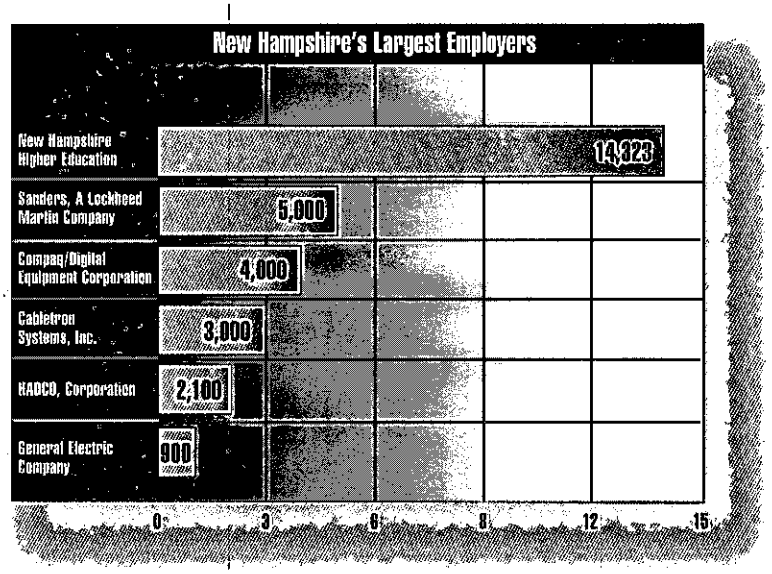




Antioch New England Graduate School, Keene

Employment Totals Exceed 14,300 Positions

Higher education is a highly labor intensive industry requiring skills and talents from a wide variety of individuals. In 1997-98 New Hampshire postsecondary institutions employed a total of **14,323** faculty members, administrators, and support staff. This employment level far exceeds that of some of the state's largest businesses and represents 2% of the state's total workforce. As a sector, higher education provides highly desirable and diverse employment opportunities for local residents and attracts significant numbers of professionals into our communities. And, as an industry, higher education provides jobs that add significant capital value to the community without negatively impacting upon our state's natural environment.





University of New Hampshire, Durham

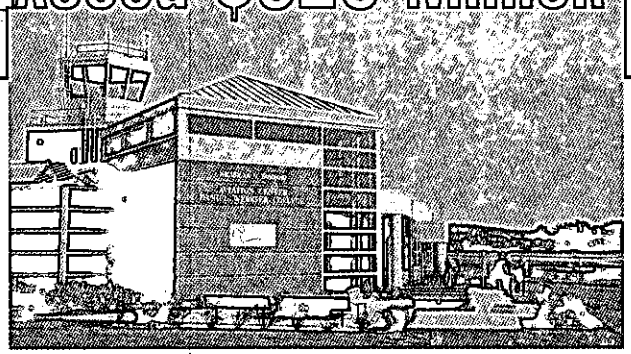


Franklin Pierce Law Center, Concord



NHCTC, Nashua

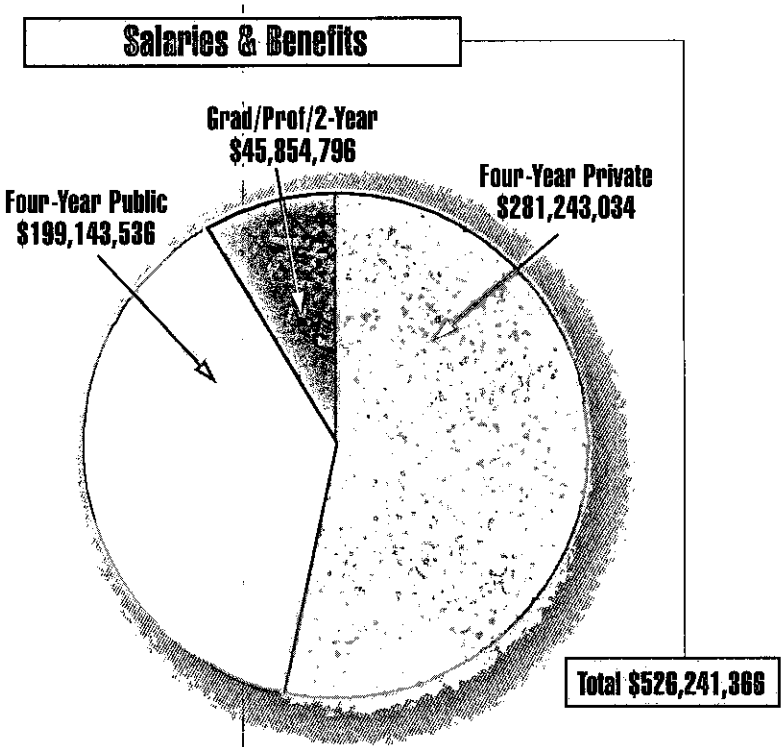
Salaries And Benefits Exceed $526 Million

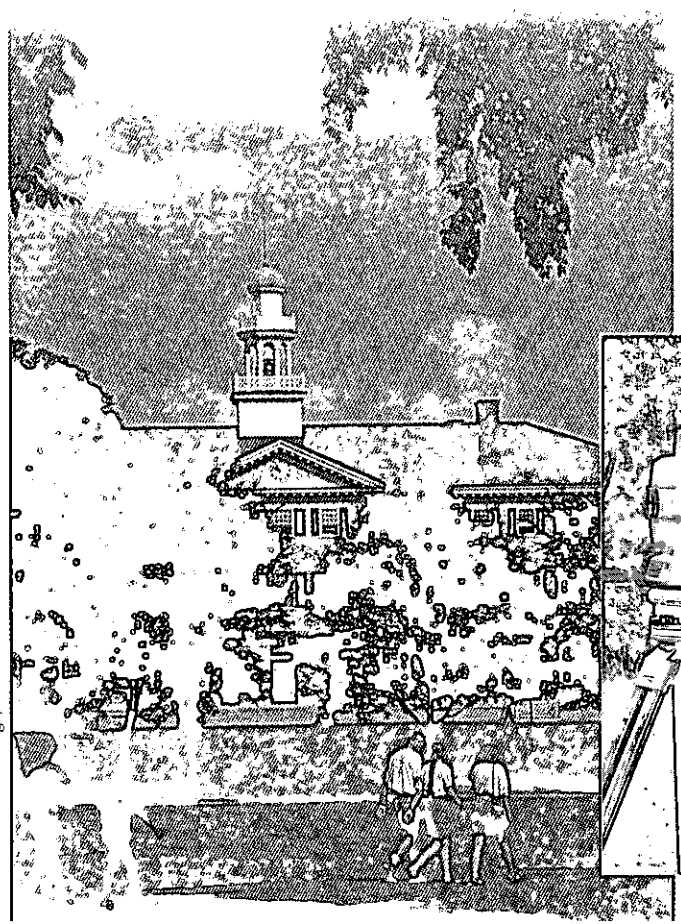


Daniel Webster College, Nashua

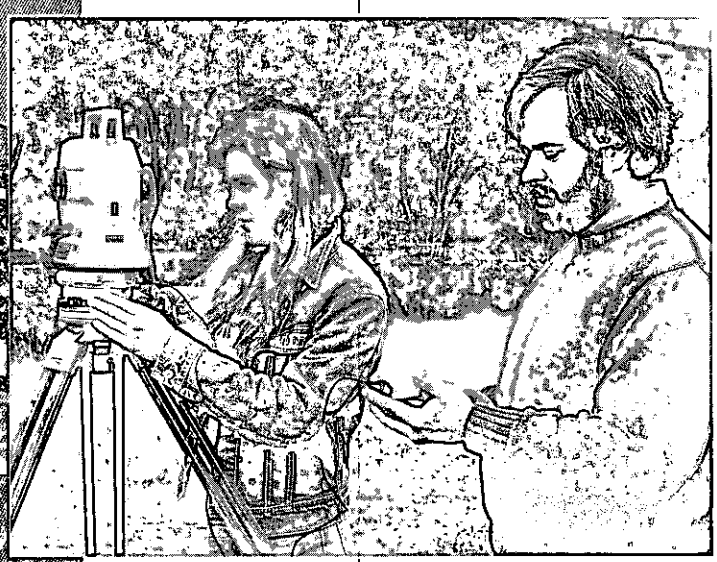
Higher education institutions in New Hampshire provided **$526,241,366** in salaries, wages, and fringe benefits in 1997-98 to their employees. These dollars are expended directly within the state for housing, food, clothing, entertainment, and other expenditures. In addition, these dollars are utilized to pay local property taxes, federal income taxes, and Medicare contributions.

Collectively, the direct and induced expenditures by employees of New Hampshire's higher education institutions constitutes a significant sector contributing to the economic well being and vitality of our state.





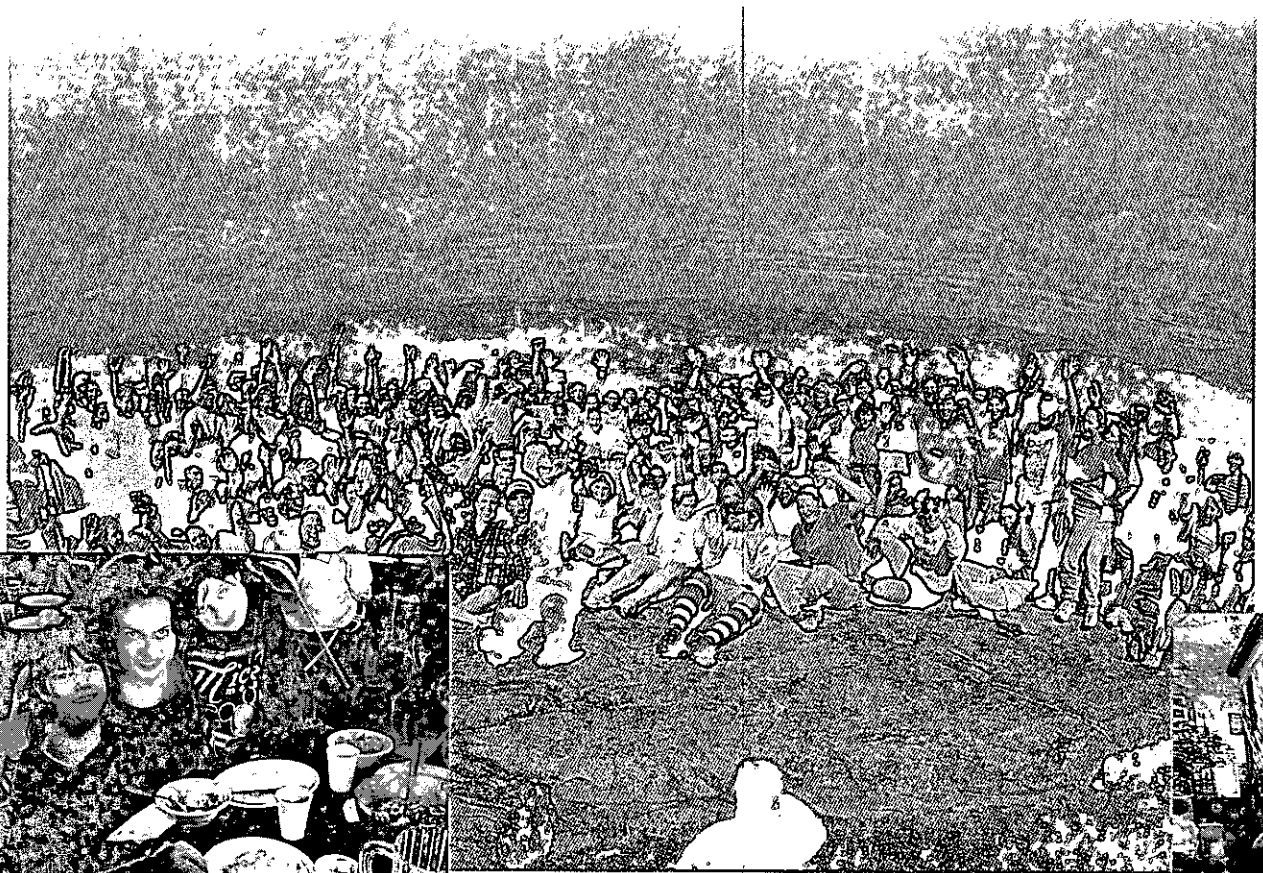
Dartmouth College, Hanover



NH Community Technical College, Berlin

New Hampshire Campuses: Cornerstone

In addition to the **"Economic Impact"** higher education institutions have upon New Hampshire's economy, academic institutions also have a significant **"Community Impact"** involving a variety of contributions. This is our first attempt at compiling summary data on community involvement by students, faculty and staff members at New Hampshire's higher education institutions. In addition, we have gathered data about campus/community partnerships, student internships, cultural and sporting events, and the utilization of our academic libraries by community members. As we attempt to measure the cultural enhancements enjoyed from an academic institution being located within a community, we recognize this information is by no means complete. Nonetheless, we hope this data provides a sense of the important role these institutions play in the vitality of the communities they serve.



Colby-Sawyer College, New London



New Hampshire College, Manchester

# of Community Commitment



Plymouth State College, Plymouth

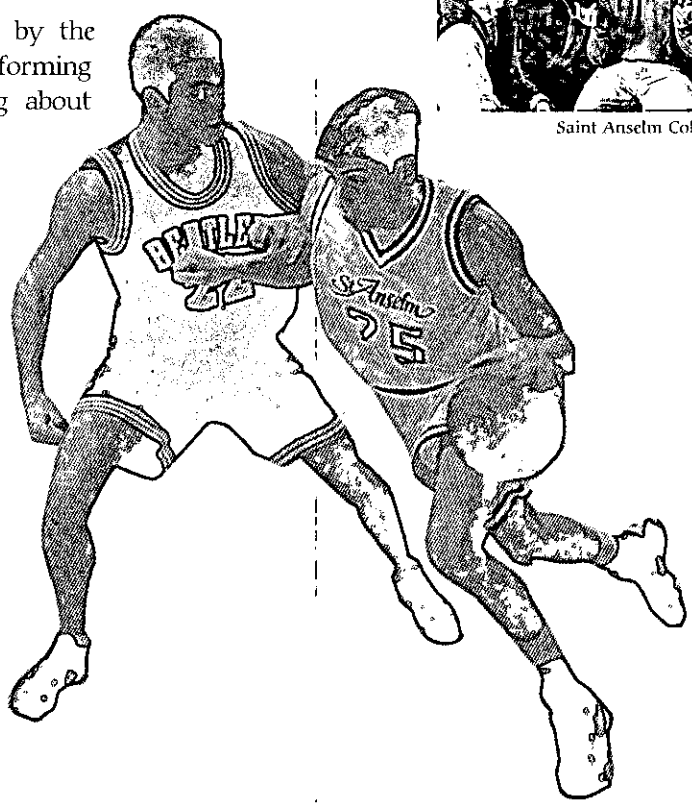
- More than **38%** of New Hampshire higher education students volunteered with a local community organization in academic year 1997-98.
- Students contributed over **673,000** volunteer hours to community activities in 1997-98.
- Faculty and staff members volunteered over **126,000** hours in community service activities in 1997-98.
- Over **800** community organizations have a formal partnership with a New Hampshire higher education institution.
- More than **745** cultural events were offered on campuses in 1997-98 that were open to the public at a reduced or no cost.
- It is estimated that over **91,700** community members attended cultural campus events in 1997-98.
- More than **980** sporting events were held on New Hampshire campuses that were open to the public and more than **243,000** community spectators attended these events in 1997-98.
- It is estimated that over **104,000** community members visited campus libraries in 1997-98, to conduct research, to search data bases, or to enjoy the opportunity to read a book, periodical, or newspaper.
- Finally, more than **2,350** students were placed by the campuses out into community businesses, performing substantial tasks while simultaneously learning about specific career opportunities.



Antioch NE



Saint Anselm College Abbey Players

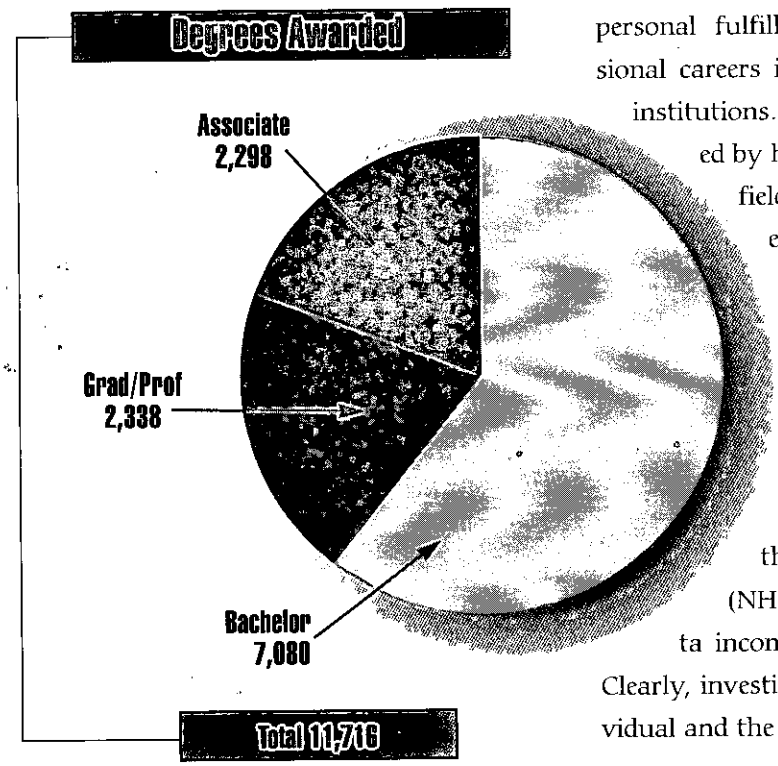




Rivier College, Nashua

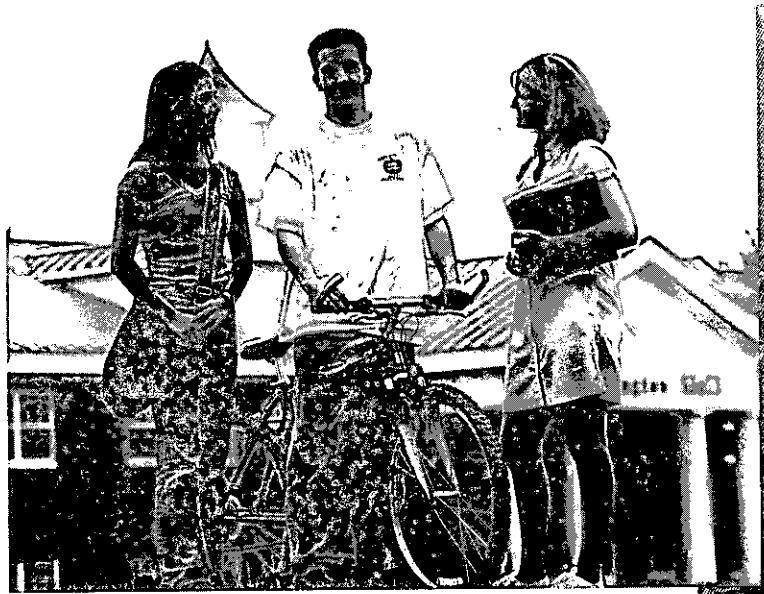
Graduates Total 11,716



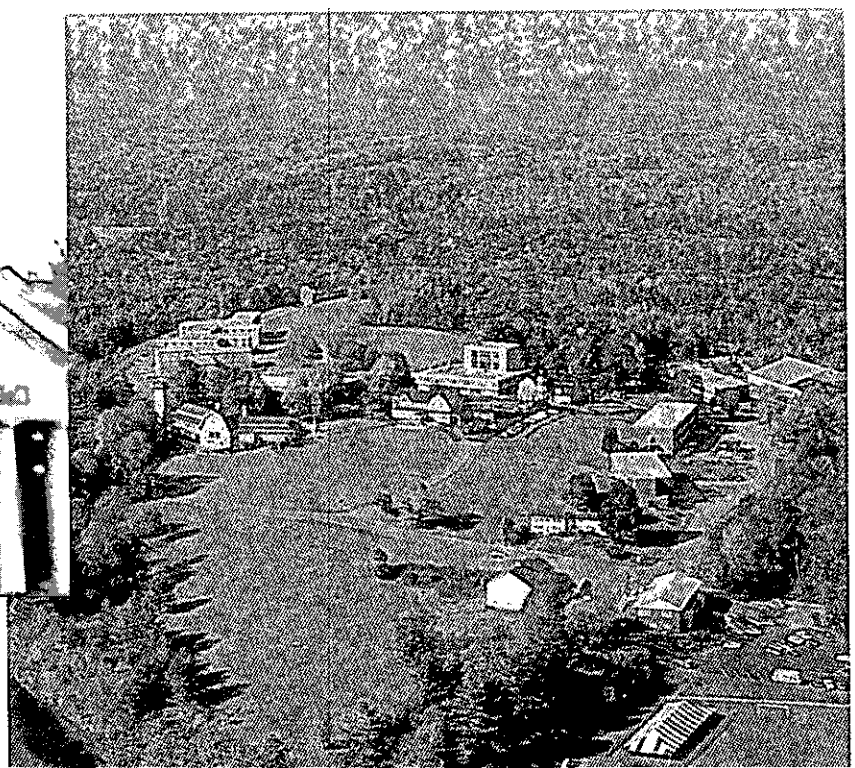


Educating students for both their personal fulfillment and professional careers is the hallmark of New Hampshire's higher education institutions. In academic year 1997-98, **11,716** degrees were awarded by higher education institutions to graduates in such diverse fields as engineering, psychology, education, computer science, and business. Both traditional and non-traditional students enjoy a wide diversity of educational opportunities at institutions throughout New Hampshire.

The need for a well-educated and highly skilled work force to meet the growing demands of employers is a critical challenge facing every state. New Hampshire enjoys an educational advantage with residents who lead the nation in adults holding an associate degree or higher (NH 32.4 %; U.S. 26.5%). And, not surprisingly, our per capita income is significantly higher (NH $28,047; U.S. $25,598). Clearly, investing in higher education pays dividends for both the individual and the state.



New Hampshire College, Manchester

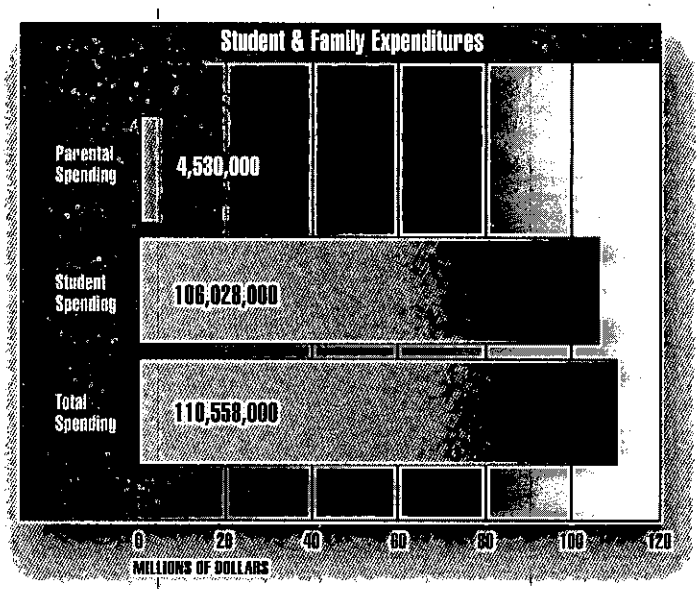


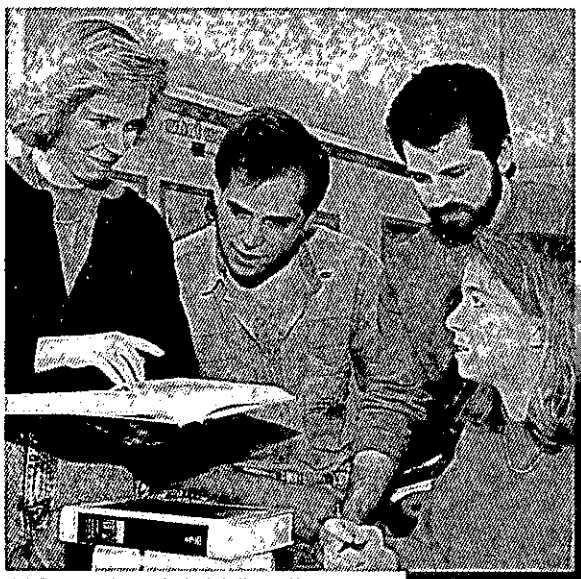
Franklin Pierce College, Rindge

Student & Family Expenditures Exceed $110.5 Million

Family visitors to college campuses contribute substantially to the economic health of a state's economy. Whether searching for a campus for their son or daughter to attend, visiting children, attending commencement ceremonies, or cultural events, it is estimated that parents expend, at a minimum, $100 locally per visit. With more than 45,300 parental visits in 1997-98, the economic impact for New Hampshire exceeded **$4,530,000.**

Additionally, students themselves expend an average of $2,000 in the local economy on food, entertainment, and other goods and services. With 53,014 students enrolled in New Hampshire, their spending impact on the local economy is estimated to be **$106,028,000.**





NH Community Technical College, Claremont

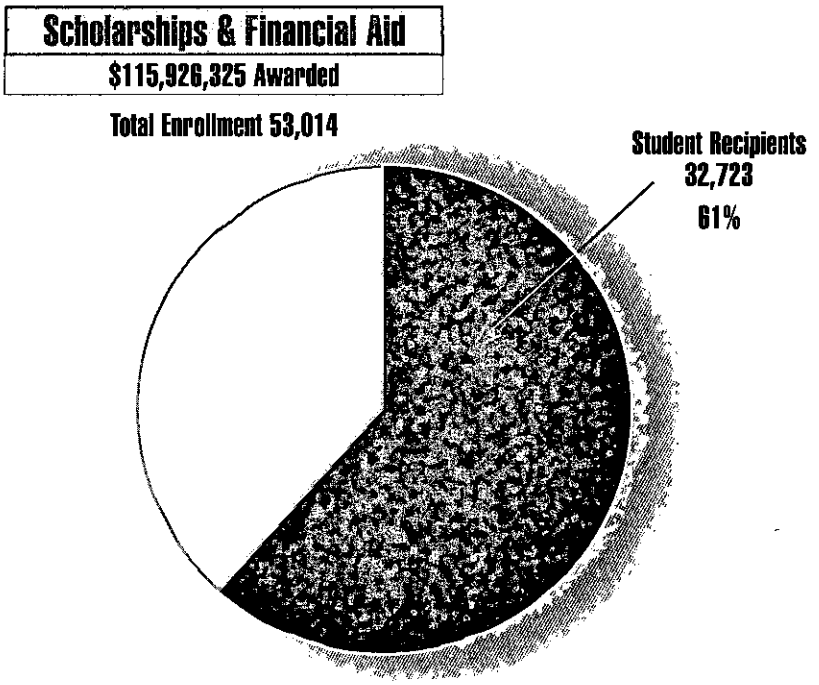


Culinary Institute, New Hampshire College, Manchester

Institutional Financial Aid Exceeds $115 Million

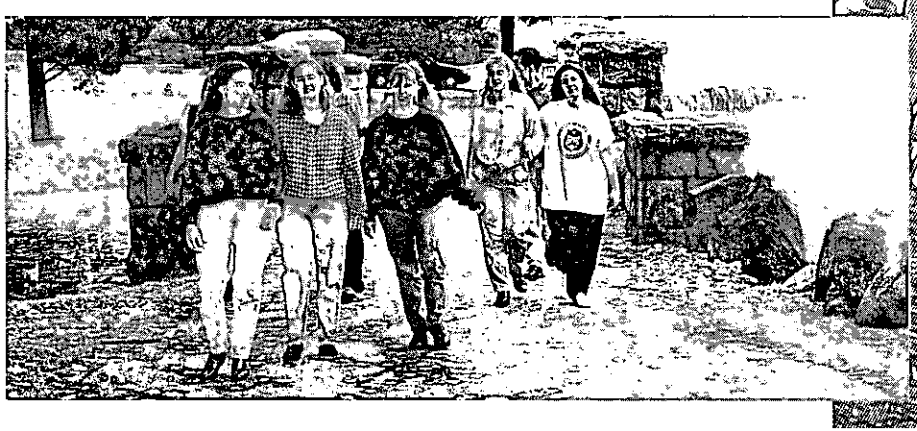
Scholarships and financial aid constitute the fastest growing segment of expenditures by New Hampshire higher education institutions. In academic year 1997-98, institutions expended **$115,926,325** of their own resources in financial assistance to over **32,723** students.

Academic campuses are resource intensive organizations, requiring major investments in personnel, services, and infrastructure. As a result of these financial demands, dramatic increases in tuition have occurred in recent years. With New Hampshire ranking last in state support for postsecondary education, tuition costs at both public and private institutions correspondingly rank high in comparison to other states. Thus, to ensure access to all qualified students, and to alleviate some of the personal financial burdens of rising tuition costs, institutions annually dedicate substantial resources of their own in financial aid to students.





St. Anselm College, Manchester

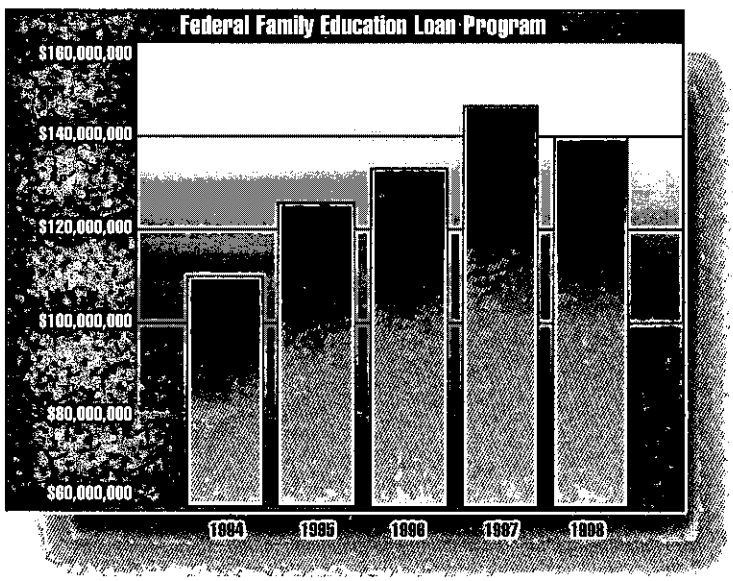


Castle College, Windham

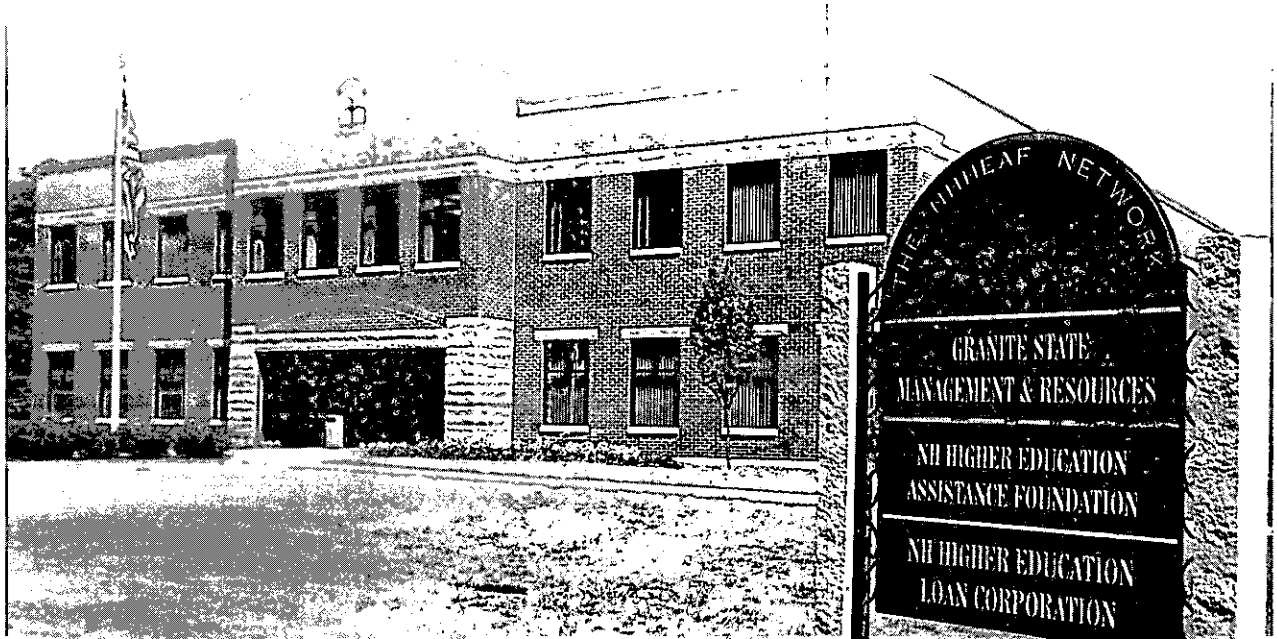
NHHEAF Guarantees $141 Million to 35,000 Students

Another source for students seeking educational funding is the New Hampshire Higher Education Assistance Foundation. NHHEAF is the designated guarantor within New Hampshire for the Federal Family Education Loan Program (FFELP), one of the most successful programs ensuring access to higher education. In fiscal year 1998, NHHEAF guaranteed **$141 million** in loans to parents and nearly 35,000 students attending school in New Hampshire.

Over 90% of NHHEAF's loans are funded by New Hampshire Higher Education Loan Corporation (NHHELCO) and serviced by Granite State Management & Resources (GSM&R). Working together at their new facility in the Concord Heights, the three NHHEAF Network organizations provide a central point of contact throughout the loan process. The Network has streamlined origination and disbursement functions for schools through automation of application and electronic funds transfer, and staff is always available to counsel borrowers in managing their repayment.



The NHHEAF Network's Resource Center provides free outreach services to help families plan for higher education through presentations at middle and high schools, employers and community groups. Working with the college financial and admissions professional, it makes available resource materials about the admissions and financial aid process as well as free scholarship, school and career searches.



The NHHEAF Network, Concord

NH Higher Education — A $2.25 Billion Contributor

New Hampshire's higher education institutions are widely recognized as centers for teaching, learning, research, and community. Both their individual and collective missions are focused on service and enrichment of the individual and society at-large.

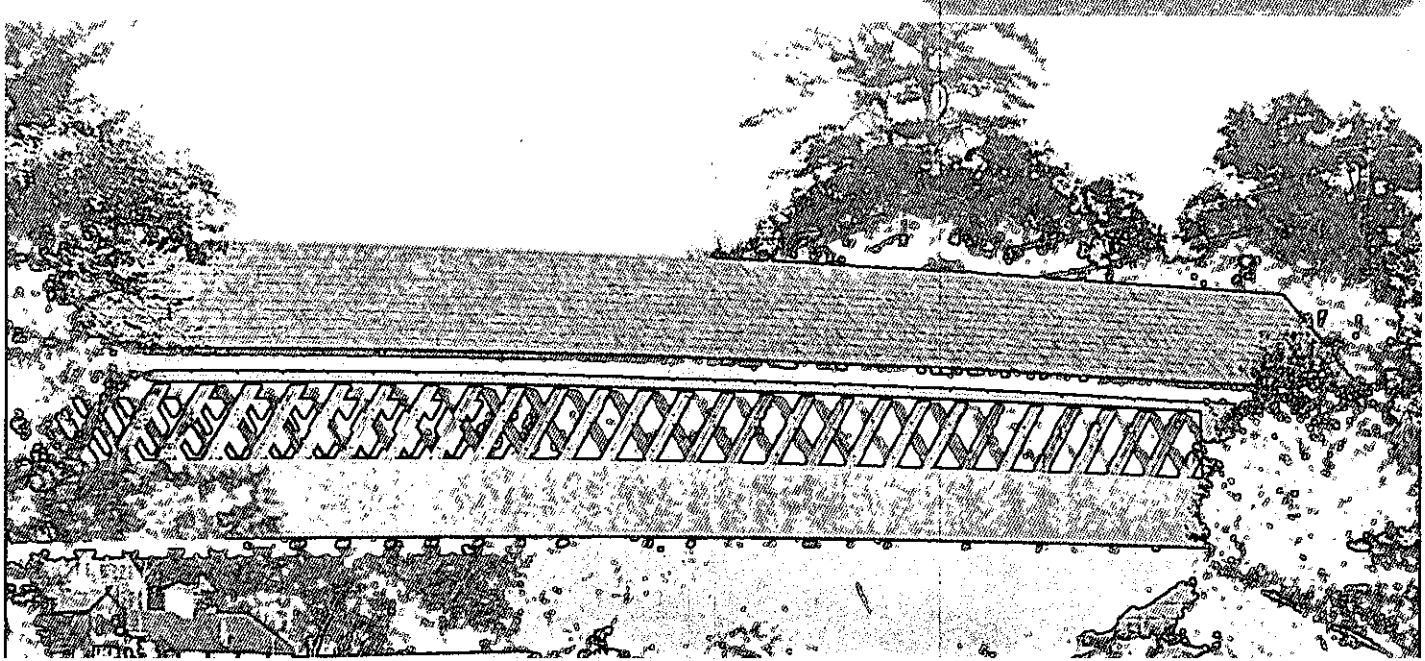
Less widely recognized are the contributions higher education institutions make to New Hampshire's economy at both the local and statewide levels. **Impact '99** attempts to provide a summary overview of the significant investments and values added by New Hampshire's diverse higher education community.

We hope the information gathered here proves useful in promoting a better understanding and appreciation for the important role higher education plays in New Hampshire's economy. As a **$2.25 billion** industry, these institutions are creating the framework for significant growth and sustained economic prosperity. We encourage you to visit New Hampshire's campuses to learn more about the important contributions they are making to their communities.

- 11,716 Degrees Awarded
- 14,323 Higher Education Employees
- $4,010,695 Value of Community Volunteer Hours Student/Faculty/Staff (802,139 hours at $5/hour)
- $100,062,447 Capital Expenditures
- $115,926,325 Institutional Financial Aid
- $110,558,000 Student and Family Expenditures
- $526,241,366 Salaries, Wages, Benefits
- $919,101,168 Annual Operating Budget

$2,259,443,230 Total Higher Education Economic Impact

Source: Institutional data are self-reported



The New England College Covered Bridge, Henniker



New Hampshire Higher Education

IMPACT '99 is an Economic Impact Report reflecting the significant role these higher education institutions play in the economic health of New Hampshire.

FOUR YEAR INSTITUTIONS

COLBY-SAWYER COLLEGE, New London
Anne Ponder, *President*

COLLEGE FOR LIFELONG LEARNING, Concord
Victor B. Montana, *Dean*

DANIEL WEBSTER COLLEGE, Nashua
Hannah M. McCarthy, *President*

DARTMOUTH COLLEGE, Hanover
James Wright, *President*

FRANKLIN PIERCE COLLEGE, Rindge
George J. Hagerty, *President*

KEENE STATE COLLEGE, Keene
Stanley J. Yarosewick, *President*

NEW ENGLAND COLLEGE, Henniker
John Morris, *President*

NEW HAMPSHIRE COLLEGE, Manchester
Richard A. Gustafson, *President*

NOTRE DAME COLLEGE, Manchester
Sr. Carol J. Descoteaux, CSC, *President*

PLYMOUTH STATE COLLEGE, Plymouth
Donald P. Wharton, *President*

RIVIER COLLEGE, Nashua
Sr. Lucille Thibodeau, PM, *President*

SAINT ANSELM COLLEGE, Manchester
Fr. Jonathan DeFelice, OSB, *President*

UNIVERSITY OF NEW HAMPSHIRE, Durham
Joan Leitzel, *President*

THOMAS MORE COLLEGE OF LIBERAL ARTS
Merrimack
Peter V. Sampo, *President*

NH INSTITUTE OF ART, Manchester
Andrew Svedlow, *President*

GRADUATE AND PROFESSIONAL INSTITUTIONS

ANTIOCH NEW ENGLAND GRADUATE SCHOOL, Keene
James H. Craiglow, *Provost*

FRANKLIN PIERCE LAW CENTER, Concord
Robert M. Viles, *President*

TWO YEAR INSTITUTIONS

CASTLE COLLEGE, Windham
Sr. Olivia Kidney, RSM, *President*

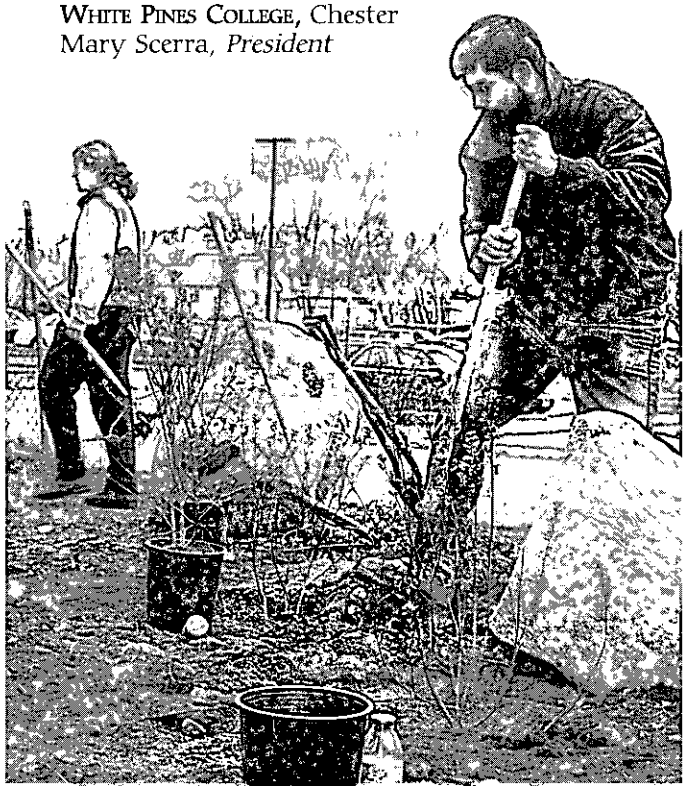
NEW HAMPSHIRE COMMUNITY TECHNICAL INSTITUTE
Concord
William G. Simonton, Jr., *President*

NEW HAMPSHIRE COMMUNITY TECHNICAL COLLEGE
Berlin/Laconia
Alex Easton, *President*

NEW HAMPSHIRE COMMUNITY TECHNICAL COLLEGE
Manchester/Stratham
Jane P. Kilcoyne, *President*

NEW HAMPSHIRE COMMUNITY TECHNICAL COLLEGE
Nashua/Claremont
Lucille Jordan, *President*

WHITE PINES COLLEGE, Chester
Mary Scerra, *President*



New Hampshire College & University Council

For additional copies of IMPACT '99 please contact
Thomas R. Horgan, Executive Director, New Hampshire College & University Council
116 South River Road, Suite D4, Bedford, New Hampshire 03110-6750
Phone: 603-669-3432 • www.nhcuc.org



THE NHHEAF NETWORK

New Hampshire Higher Education Assistance Foundation

Ingrid Lemaire, Director of Public Relations and Marketing, New Hampshire Higher Education Assistance Foundation
4 Barrell Court, PO Box 877, Concord, New Hampshire 03302-0877 • Phone: 603-225-6612 • www.nhheaf.org

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TELEPHONE: (603) 646-2443 • FAX: (603) 646-2035

Senator Leo W. Fraser, Jr., Chairman
State of New Hampshire
Senate Banking Committee

January 31, 2000

Dear Senator Fraser and Members of the Banking 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.

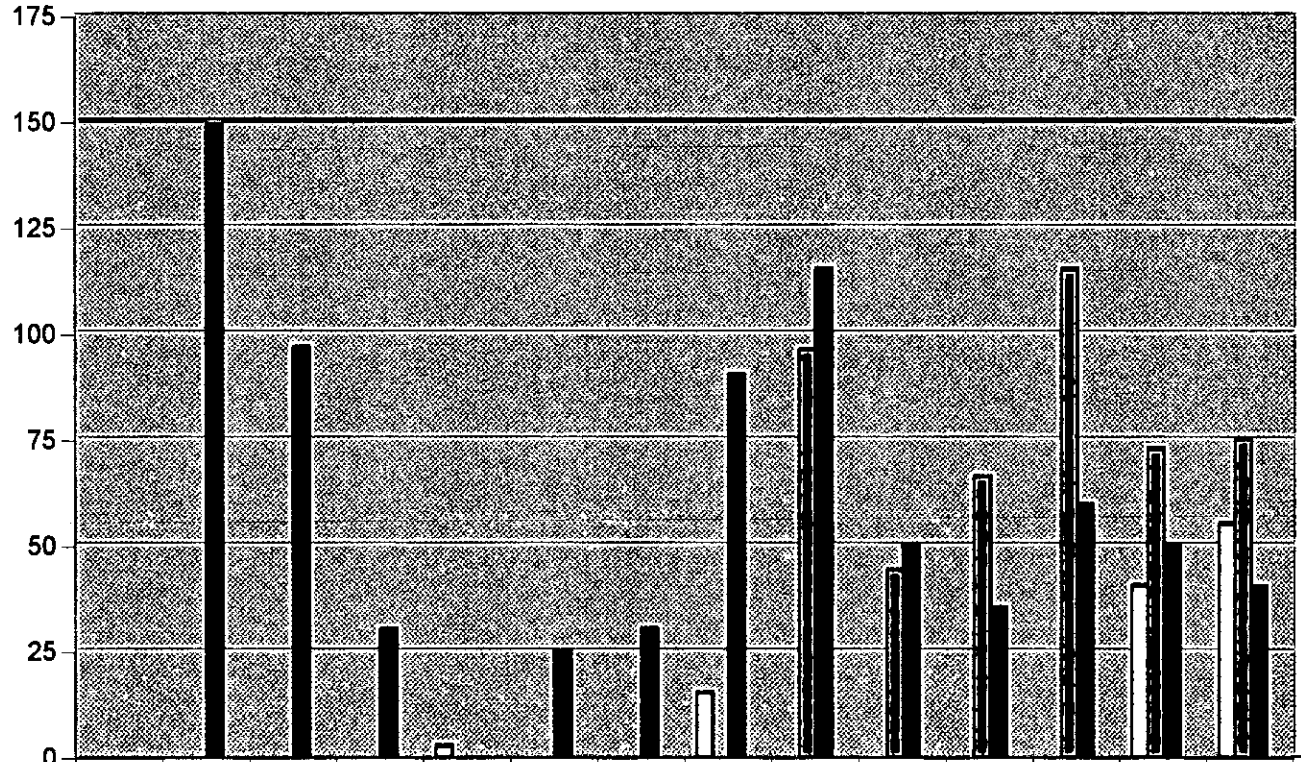
While currently the Business Finance Authority ("BFA") must allocate cap for student loan bonds and this allocation has been uncertain at best, passage of SB425 should provide a base level of cap for DELC (although we have no current need) and the New Hampshire Higher Education Loan Corporation ("NHHELCO"). 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. I regret not being able to join colleagues who will be appearing before you to support it as well.

Respectfully submitted,

Edwin L. Johnson

VOLUME CAP ALLOCATION
FOR
STUDENT LOANS
(New Hampshire, Vermont, Maine)



		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	TOTAL	AVER/YR.
New Hampshire					2.525			15					40.3	54.94	112.76	8.674
Vermont	[----------	----------	----------	No Figures Available	----------	----------	----------	]	96	44	66	115	72.55	75	468.55	78.091
Maine		149	96.5	29.95		25	30.16	90	115	50	35	59.33	50	40	769.94	59.226
$150 Mil Vol Cap Allocated to Above States Each Year	0	150	150	150	150	150	150	150	150	150	150	150	150	150		

Voting Sheets

Senate Committee on Banks
EXECUTIVE SESSION

SB 425

Hearing date: _____ Room: _____

Motion of: OTP.

Made by Senator:		*Seconded by Senator:*	
	Fraser ☐		Fraser ☐
	Fernald ☐		Fernald ☐
	Krueger ☑		Krueger ☐
	Disnard ☐		Disnard ☐
	Klemm ☐		Klemm ☑
	Trombly ☐		Trombly ☐
	K. Wheeler ☑		K. Wheeler ☑

OTP. 5-0

Committee Member	*Present*	*Vote*	*Reported out by*
Senator Leo. W. Fraser Chairman	☑		
Senator Mark Fernald, Vice-Chair	☑		
Senator Pat Krueger	☑		Sen. Krueger
Senator George F. Disnard	☐		
Senator Arthur P. Klemm	☑		
Senator Rick Trombly	☐		
Senator Katie Wheeler	☑		

*Amendments: _____

NOTES: _____

Committee Report

Date: February 2, 2000 Time: 9:29 a.m.

The Senate Committee on Banks held its hearing in Room 103 LOB, Concord, New Hampshire.

BILL NO.: SB 425-FN TITLE: relative to the private activity bond limit.

Members of the Committee present: Senator Fraser
Senator Fernald
Senator Krueger
Senator Klemm
Senator Wheeler

Those appearing in favor:

Name and Address Representing

See Attached.

Those appearing in opposition:

Name and Address Representing

See Attached.

REPORT OF THE COMMITTEE:

☒ Ought to Pass

☐ Ought to Pass w/ Amendment

☐ Inexpedient to Legislate

☐ Rereferred

☐ Interim Study

☐ Continued Hearing

☐ Postponed Hearing

STATE OF NEW HAMPSHIRE

SENATE

REPORT OF THE COMMITTEE

Date:

THE COMMITTEE ON Banks

to which was referred Senate Bill 425

AN ACT relative to the private activity bond limit.

VOTE: 5-0

Having considered the same, report the same without amendment and recommend that the bill: **OUGHT TO PASS.**

Senator Patricia Krueger
For the Committee