

Investing in North Dakota's Future Economy Through State Funded College Scholarships is a great concept. The state has launched recruiting efforts nationwide to attract out-of-state workers to fill job openings within the state, yet the effectiveness of these efforts and the contributions of these workers to the state's long-run economic growth remain largely uncertain. In addition to recruiting workers from elsewhere, the state has invested in human capital acquisition through its universities and colleges. During the 63rd legislative assembly, the state launched the North Dakota Higher Education Challenge Grant Program. I support the governor's proposal to invest 50 million in the Challenge Grant Program. A study done by the Challey Institute provides an estimate of the return on investment the state can expect to realize from this program using Modified Internal Rate of Return (MIRR), a well-documented methodology utilized in previous academic studies. Key Findings ❖ The study estimates and 9.4 to **11 percent rate of return** to the state from funding scholarships through the Challenge Grant Program. ❖ Similarly, the study estimates the present value of benefits exceed the present value of costs for the program by between \$310 million and \$590 million. It estimates that the present value of benefits is between 11 times and **20 times the present value of costs**. ❖ Benefits realized from this program are from three sources: ▪ Increases in state tax revenues resulting from higher incomes of residents due to more having college degrees ▪ Increases in lifetime earnings of residents due to more having college degrees ▪ Increases in state economic output due to more productive workers resulting from more with college degrees ❖ A sensitivity analysis shows that the rate of return from this program exceeds alternatives under reasonable conditions. ❖ The estimated rate of return between 9.4 and 11 percent is only for the public portion of the scholarship investment. To the extent that private dollars going into this program are incentivized by the public investment, the ROI to the public sector is much larger. Under an extreme assumption that no private dollars on these scholarships would be invested without the state program, the rate of return to the public sector investment would be between 11.5 and 13 percent. I support the use of credit hours to determine the funding available to the universities this seems a very equitable way to distribute the funds and would fix the very unequitable formula that was in place during the last session. I also favor just using these funds for scholarships to maximize the return to the state dollars. The rate of return of 11% annually on the public portion of the match if you add the private portion of the match it **would be 33%**. The stock market over the last 20 years has been about 9.5%. **Fifty million challenge grant investment would**

produce 16.5 million annually. Cost benefit ratio of 20 to 1 on fifty million would produce 1 BILLION dollars. That is big boy money. Please support the challenge grant at 50 million investing in work force development and human capital development. **50 million for 1 BILLION**