

1999 SENATE EDUCATION

SCR 4038

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR4038

Senate Education Committee

Conference Committee

Hearing Date February 24, 1999

Tape Number	Side A	Side B	Meter #
1	x		1500-3227
Committee Clerk Signature <i>Jinda Christman</i>			

Minutes:

SENATOR FREBORG opened the hearing on SCR4038. SENATOR REDLIN was absent.

SENATOR FLAKOLL, District 44 of Fargo testified on SCR4038. Testimony attached.

SENATOR KELSH : Why don't we put a decent income tax on and get it spread out to all the school districts across the state. I can see where this might really help some of the larger school districts but I think in my legislative district what is happening with agriculture and a lot of the other basic industries, there is not going to be much for the schools in that district.

SENATOR FLAKOLL : That is one of the reasons that we capped it at \$5,000 and actually the largest school districts such as Fargo wouldn't benefit as much as some of the medium size ones on down. We never really know where there is money out there, who would have thought ten years ago that there would be someone who would donate 1.5 million dollars to the Braddock district. There are companies that serve all of these areas whether it be Ottertail Power Company

as an example who had a lot of good customers out in those areas who might be looking for ways to give back to their communities. This program allows for wills, bequests, etc. and that is where a lot of the endowment money comes from.

SENATOR COOK : Any states that have such a program.

SENATOR FLAKOLL : I am not aware of them. Some school districts but they do not have a match available.

Testimony in Favor: Representative Kathy Hawken, District 46 of Fargo. No written testimony. Here to support SCR4038. This is a new idea, looking for ways to get more money into education. Might give districts some opportunities that they might not otherwise have.

Exciting to look at new ideas.

SENATOR O'CONNELL : Take that two million dollars and put it in education and then spread that out over the whole state and then promote this. Save that 10% that we're going to have for administering this program.

Rep. Hawken: Something to look at. Need to look at how to develop stable funding for education. Not sure income tax would be a stable funding program. Maybe, maybe not.

SENATOR KELSH : Wouldn't this actually set up maybe 180-200 funds that the Bank of ND would have to set up and administer. Somehow or another if they got a \$1000 here and 1 million over here, wouldn't that be all most unmanageable.

Rep. Hawken: Maybe. I think that is what we are looking at is this feasible, can it be done, is there another way to do it. Are there other states that do this.

SENATOR WANZEK : Is there any particular reason why you specify how a major part of the interest on the endowment is going to be spent. 50% will go to teacher enhancement, 10% could be used for administrative costs, wouldn't you want to just let the school district decide what is the best situation for that district.

Rep. Hawken: Yes, in my opinion that would be a much better idea.

SENATOR WANZEK : I certainly have no problem with the money going to teachers but I think the local districts should have that say.

Close hearing on SCR4038.

SENATOR COOK : I move a DO PASS on SCR4038.

SENATOR FLAKOLL : 2nd

SENATOR WANZEK : The language specifying how the endowment is to be spent, I don't know if I agree with that necessarily. The person giving the money might have something to say about how the money is to be spent. Suppose that will come out in the study.

SENATOR FLAKOLL : That would be my hope. Needed some kind of reference point to get people thinking.

SENATOR O'CONNELL : Giving 10% away just for administration, I have a real problem with that.

SENATOR FLAKOLL : Originally I put in 5% for the Bank of ND, 5% to be kicked back in and they said they would prefer that in this resolution that it be 10% I think it is important to keep in step with inflation.

Vote: 4 Yes 2 No 1 Absent

CARRIER: SENATOR FLAKOLL

Date: 2/24/99  
Roll Call Vote #: \_\_\_\_\_

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SCR 4038

Senate EDUCATION Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Move a Do Pass on SCR 4038

Motion Made By Cook Seconded By Flakoll

Senators	Yes	No	Senators	Yes	No
Senator Freborg, Chairman	✓				
Senator Cook, Vice Chairman	✓				
Senator Flakoll	✓				
Senator Wanzek	✓				
Senator Kelsh		✓			
Senator O'Connell		✓			
Senator Redlin					

Total (Yes) 4 No 2

Absent \_\_\_\_\_

Floor Assignment Flakoll

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

REPORT OF STANDING COMMITTEE (410)  
February 24, 1999 2:24 p.m.

Module No: SR-33-3478  
Carrier: Flakoll  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SCR 4038: Education Committee (Sen. Freborg, Chairman)** recommends **DO PASS**  
(4 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). SCR 4038 was placed on the  
Eleventh order on the calendar.

1999 HOUSE EDUCATION

SCR 4038

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4038

House Education Committee

Conference Committee

Hearing Date 3-15-99

Tape Number	Side A	Side B	Meter #
Tape # 1	x		41.0 to end
Tape # 2	x		10.9 to 13.1
Committee Clerk Signature <i>Joan Diers</i>			

Minutes:

Chairman R Kelsch , Vice Chair Drovdal , Rep Brandenburg , Rep Brusegaard , Rep Haas , Rep Johnson , Rep Nelson , Rep Nottestad , Rep L Thoreson , Rep Grumbo , Rep. Hanson , Rep. Lundgren , Rep. Mueller , Rep. Nowatzki , Rep. Solberg .

Chairman R Kelsch : We will open the hearing on SCR 4038 and ask the clerk to read the title.

Sen Flakoll: District 44 (See attached testimony) .

Rep. Mueller : I think that this concept is a dandy idea, it has the opportunity to give some equity in education.

Flakoll: We talk about the haves and have nots and this is an opportunity for people out of the district or out of the state who do not a place to give money from their estates and an endowment would be idea for them. Power companies could support schools in this way also. He gave examples of other people who may have owned land, still have ties to North Dakota, who have



left the state , who would be interested in giving money under an endowment plan. A study would help define the limitations and when we can and cannot have those things.

Chairman R Kelsch : Anyone else who wishes to testify in support of SCR 4038? Anyone who wishes to testify in opposition to SCR 4038? We will close the hearing on SCR 4038.

#### COMMITTEE ACTION

Chairman R Kelsch : We will take up SCR 4038. What are the wishes of the committee?

Rep Nelson : Move a DO PASS and place on the consent calendar.

Vice Chair Drovdal : seconded the motion.

Chairman R Kelsch : Committee discussion. We will ask the clerk to call the roll on a DO PASS and place on the consent calendar motion. The Motion Passes 15 YES 0 NO 0 Absent  
floor assignment Vice Chair Drovdal .

Date: 3-15-99  
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SCR #038

House Education Committee

- Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass & Place on Consent

Motion Made By Nelson Seconded By Drovdal

Representatives	Yes	No	Representatives	Yes	No
Rep. ReaAnn Kelsch-Chairperson	✓		Rep. Dorvan Solberg	✓	
Rep. David Drovdal-Vice Chair	✓				
Rep. Michael D. Brandenburg	✓				
Rep. Thomas T. Brusegaard	✓				
Rep. C. B. Haas	✓				
Rep. Dennis E. Johnson	✓				
Rep. Jon O. Nelson	✓				
Rep. Darrell D. Nottestad	✓				
Rep. Laurel Thoreson	✓				
Rep. Howard Grumbo	✓				
Rep. Lylé Hanson	✓				
Rep. Deb Lundgren	✓				
Rep. Phillip Mueller	✓				
Rep. Robert E. Nowatzki	✓				

Total (Yes) 15 No 0

Absent 0

Floor Assignment Drovdal

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

**REPORT OF STANDING COMMITTEE (410)**  
March 15, 1999 1:49 p.m.

**Module No: HR-46-4799**  
**Carrier: Drovdal**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SCR 4038: Education Committee (Rep. R. Kelsch, Chairman)** recommends **DO PASS** and **BE PLACED ON THE CONSENT CALENDAR** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4038 was placed on the Tenth order on the calendar.

1999 TESTIMONY

SCR 4038

## SCR4038

For the record I am Senator Tim Flakoll of District 44 of Fargo.

Chairman Freborg and members of Education Committee.

SCR4038 relates to matching funds for donations made to a statewide endowment fund for the purpose of providing additional funds for elementary schools. I refer to it as the **New ERA** program. It is an acronym for **New Education Resource Alternatives**.

North Dakota like every state in the nation struggles to find adequate funding for K-12 school education. The New ERA program will allow businesses and individuals to invest in their district's education program. The program sets up a mechanism that will *allow for a state match* for money donated by individuals or businesses. All money donated will have a specific school district(s) to which the donor can target with the fund managed by the Bank of North Dakota.

Each year 90% of the interest accrued will be given to the designated school district for teacher salaries, teacher incentive payments and teacher enhancement programs. The remaining 10% will be used to administer the fund, promote the program and to be plugged back into the fund to keep ahead of inflation.

This program will allow those who are concerned about supporting education to individually show their support and to

get a bonus due to the equal state match. "If they donate \$1,000 to a school district they will in fact get \$2,000 for their district due to the state match.

The current return at the Bank of North Dakota has been about 5.5%. This would mean that if each school district received a donation of \$5,000/year there would be over \$20 million in the fund in ten years. Lets look backwards at another example. Chairman Freborg joined the North Dakota Legislature in 1973. If a program like this was put into place on that year with each school receiving \$5,000 per year (and for ease of calculations we will use approximately 225 school districts) we would have \$55-60 million in the fund. At an intest rate of 5.5% we would have an additional \$6 million per biennium (or about \$750 per teacher).

Universities and private schools have had tremendous success with alternative sources of funding such as endowments. North Dakota has also benefited for the school trust fund which helps fund education with a base of money.

Let me explain a few other situations and parameters for the New ERA program:

- 1) The program proposed an annual available state match of \$5,000/district. This will allow the state to project their maximum outlay per year.

2) A donor's match would be limited during a single year to \$5,000 for one district and up to \$25,000 state wide (example: a major company may give \$1,000 to 25 districts or \$5,000 to five districts).

3) A person, organization etc. may donate as much as they wish to the endowment, but the state match is limited.

4) If a school district would close down and have funds in the endowment dedicated to their district, the funds would be divided in proportion to where the students go to school on the year following closure.

5) With a cap of matching funds the state would have a limit of their outlay of approximately \$2 million/biennium.

6) At the current rate of return, a child in kindergarten would get \$1.29 for every dollar invested in their teachers during their typical 13 years in school.

The New ERA program will allow those who are in a good financial position to donate to the fund to help schools as well as to possibly gain possible tax advantages for the donor. It could also include a provision for those who would like to include their school in their wills. It is my hope that this would help stabilize the funding of education and place less pressure on low income families who are financially strapped for funds.

Madam Chairman and members of the House Education committee. For the record, I am Senator Tim Flakoll of District 44 of Fargo.

SCR4038 relates to matching funds for donations made to a statewide endowment fund for the purpose of providing additional funds for elementary schools. For ease of identification I have called it the **New ERA Program**. This stands for **New Education Resource Alternatives**.

The program sets up a mechanism that will *allow for a state match* for money donated to a state wide endowment by individuals or businesses. All money donated will have a specific school district(s) to which the donor can target with the fund managed by the Bank of North Dakota.

This program will allow those who are concerned about supporting education to individually show their support and to get a bonus due to the equal state match. "If they donate \$1,000 to a school district they will in fact get \$2,000 for their district due to the state match.

Universities and private schools have had tremendous success with alternative sources of funding such as endowments. North Dakota has also benefited for the school trust fund which helps fund education (just over \$200/student/year) with a base of money.

At the current rate of return, a child in kindergarten would get \$1.29 for every dollar invested in their school/district during their typical 13 years in school.

This program will allow those who are in a good financial position to donate to the fund to help schools as well as to possibly gain possible tax advantages for the donor.

It is my hope that this would help stabilize the funding of education and place less pressure on low income families who are financially strapped for funds.

This study will look at an alternative source of funding that would help raise the base of funding for K-12 schools.

The study would logically include investigations into allocation of the money as well as placing a cap on matching funds. A cap does give an advantage to small and medium size schools (based on that fact that the dollars would be spread over a smaller student population) but I feel the incorporation of a cap is warranted.

### **Notes for study consideration:**

- 1) Cap on matching funds from state.
- 2) Identify possible tax advantages to donors.



3) Evaluation on how much interest should be plugged back into the principal (example 3-5%) and a practical limit on administration and promotion of fund.

4) Study past return rates by Bank of ND and its effect on the "law of 72" and projections of returns with various donation levels.

5) Feasibility of program. Identify and evaluate endowment programs in Higher Education and nonpublic schools that could translate to a North Dakota program.

6) Might money currently in a school's carry over accounts (\$124 million currently) be better used as a small part of this program.

### **Answers to typical questions:**

1) Maximum state match would be approximately \$1 million per year based on a match cap of \$5,000/year and just over 200 school districts.

2) Sources are countless. Target donors would include:

>> anyone with a tie to your community in the past or present, businesses who benefit from their presence in your community (power company, elevator, hospital, vet, AAL or other insurance companies, etc.)

>> wills and bequests

>> coal or oil companies

>> special fund raising events - ex. pancake dinner etc.

3) All money donated to a specific school district will stay with that district that it was donated on behalf of.

4) If a school/district closes, the money in their fund could be equally divided to the district(s) where the students go on a percentage basis.

5) To our knowledge no other state has a similar program. There are school districts that have endowments. The advantage to the New ERA program is that there is more incentive due to a state match. In addition, not all districts have the ability, staff or desire to manage an endowment on their own. The Bank of North Dakota has the advantage of the power of large sums of money and experts who manage it.

The program is certainly not the total answer, but I think it could be a small part of the solution and bears further study. I am reminded of the saying that "if we do what we have always done, we will get what we always got." I respectfully request your favorable consideration to study this new program.