2011 SENATE EDUCATION

SB 2058

2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

SB 2058
January 5, 2011
12575

☐ Conference Committee

Committee Clerk Signature	T. Jorgen

Explanation or reason for introduction of bill/resolution:

To provide for legislative intent regarding the funding of certain scholarships and to declare an emergency.

Minutes: See "attached testimony."

Chairman Senator Freborg opened the hearing on SB 2058; this has a fiscal note with no total amounts listed at this time.

Senator Grindberg, District 41, Fargo, introduced SB 2058 to institutionalize the scholarship program put in place last session. In the 2007-2009 Legislative session a lot of work was done with educational improvement, as well as a concept to provide merit based scholarships challenging kids with academic rigor, stem education and provide reward with the scholarship. That was put in place last legislative session. The interim committee chaired by Senator Grindberg was assigned a study to look at trust fund or establish a fund to fund these scholarships. Interim committee came up with this bill and the constitutional measure that would require a vote of the people to make it permanent. This is legislative intent on funding the scholarships using the foundation aid stabilization fund. See testimony #1 that shows the current status of this fund.

Fund was created in 1994 with the voters approved constitutional amendment providing up to 20% of the oil extraction tax revenue to be allocated as shown in the handout. Fund has not been accessed for some time, and it continues to grow. Feelings of the interim committee that this fund be looked at as an option to project out needs of the program and make it permanent.

Senator Gary Lee asked if there are any limits or caps or qualifications for students to receive money; questioned if there is any cap or limit on the amount that would end up going to these scholarships initially as it seems it would be a significant number over time. Is there an end amount in mind and who would qualify in terms of being academically eligible.

Senator Grindberg – dollar amounts must be managed on the legislative side, so there is work needed to sort this out. Many factors that have to be figured out; no good answer.

Senator Gary Lee asked which institutions qualify; public, private, tribal—or just state institutions.

Senator Grindberg state that all institutions that meet accreditation standards.

Jennifer Clark, Legislative Council, addressed the committee to answer any questions from a fiscal standpoint.

Senator Gary Lee questioned that the fiscal note states "the proceeds off the budget stabilization fund and any other income." Where is the other income source being described there? (Last sentence of note)

Jennifer Clark stated that initially the interest & other income from the fund transferred monthly will be inadequate to fund scholarships; recognition that there is going to be need for another funding source for scholarships until interest rates on the fund go up. As the balance in the fund goes up the interest income will increase as well.

Senator Flakoll provided more information; not all of the money derived off the foundation aid stabilization money is interest. Not specifically interest, could be from investments. The interest in the fund will not be large enough to fully fund the needed scholarships so need bridge funding to meet the $1500 per student requirement that was passed last session. Need to first use foundation aid stabilization fund interest (not principal) and then bridge funding to meet threshold of $1500/student.

Representative Joe Heilman, District 45 and North Dakota Youth Council member, testified (see testimony #2) in support of SB 2058. The youth council supports this scholarship as it is available to all students based on merit not income. Family doesn't have to meet income requirements.

A long term stable funding source is needed to continue these scholarships. A letter from **North Dakota Student Association President, Andrew Brown** (testimony #3) was passed around to express their support for the bill. Students have to continue to maintain certain academic records to be eligible for the scholarship so pushes them to work hard.

Representative Beadle, District 27 and member of North Dakota Youth Council, testified in support of SB 2058. Youth council task was to continue to make educational opportunities affordable for state and sustain scholarships; also to keep the best and brightest in North Dakota. Support students who work hard and excel; those students are an asset to the state. Talked about how students choose between schools to attend; one huge factor is the amount of scholarship availability. Students can do more internships, not have to work part-time, give more time for extracurriculars, and more time to explore career opportunities.

Senator Flakoll testified in favor of SB 2058; see testimony #4. Benefits—keeps grads in the state, reduces remediation at high school level, allow students to graduate quicker and get into the job market sooner, and have fewer student loans. Should bring down student debt and funds are being paid directly to the college on behalf of the student. This was done so that students didn't need to get a student loan to pay tuition and then receive

scholarship funds. Allow more focus on school and not have to work as much and should cover about 25% of the tuition at 4 yr. campus and about 50% at a 2 yr. campus. Scholarship is blind to anything but academics so everyone qualifies based on GPA and that they graduate from a North Dakota high school. Handout from North Dakota University System (attachment #5) provides student information and demographics regarding the scholarships awarded for 2010 graduates.

Senator Flakoll notes that only one time since funding was put into place that it was necessary to access the foundation aid stabilization fund, and that was a very small amount. No one envisioned that the fund would grow to the level it is currently at. Around 2005 it had $16-18 million, and most current projections are $100 million at end of 2010. *Estimates* are that there will be about $100 million added to it in next biennium. Next 6 months *could* have about another $25 million added. With current interest rates that could fully fund all of the scholarship program from interest alone.

Senator Heckaman asked who handles administration of scholarships and if there are fees for that.

Senator Flakoll noted that many institutions are involved because the K-12 schools have to verify that the student has maintained a 2.75 GPA and took the required courses. The university system administers the funds. Students have to continue to qualify with a 2.75 GPA while attending college.

Doug Johnson, Executive Director, North Dakota Council of Educational Leaders, testified in support of SB 2058.

The North Dakota Council of Educational Leaders would like to see continued appropriation to make sure scholarships are funded. Commission has recommended that they use the mineral lands money and a bill is being drafted that is not completed (attachment #6). Referred to item #2, line 24. Needs to be very clear that funding source has to be continued and sustainable, and is one that ensures students get scholarships for years to come.

Bev Nielsen, North Dakota School Board Association, testified for SB 2058. The North Dakota School Boards Association supports the scholarship program and support a permanent funding source for the program.

There was no opposition to SB 2058.

No action was taken on SB 2058 at this time; Chairman Freborg closed the hearing.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

Committee Work for SB 2058
January 5, 2011
12579

☐ Conference Committee

Committee Clerk Signature Teresa Jorgenson

Minutes: No testimony attached

Senator Flakoll may ask for amendments to be drafted for SB 2058. Discussed performance based scholarship credit limit and if it should be raised to 15 CU per term, even though most schools consider 12 CU per term to be a full-time student. That ideal may fall more in line with the intent of the bill. Could possibly graduate earlier saving them substantial time and money; gives them notable financial incentives so they don't have to work as much, and can take on more credits.

Senator Heckaman asked if some universities have a flat tuition rate no matter the number of credits taken, or do some charge per credit. Is the university system all on a consistent basis now with charges per credit?

Senator Flakoll stated that the universities are very inconsistent; some as a base of $X amount per credit with a window from 12-18 CU covered under that rate, and then over that number of credits students are charged again per credit.

Senator Heckaman questioned if students would be penalized at a 15 CU limit, if that number of credits costs more at some schools than others. If 15 CU are required for the scholarship and the school allows 16 CU under the tuition rate, it is to their advantage; however, if the school tuition rate cuts off at a number lower than 15 CU, the student is penalized by more charges.

Senator Flakoll most schools have a "safe zone" with the number of credits allowed under FT tuition rate. Requested that the intern research that information on the internet.

Chairman Freborg stated that the percentage of the money appears to be on-going; the fund could grow forever—is there a cap on the scholarship?

Senator Flakoll questioned if that was in reference to the constitutional amendment; at this point there is no cap on the Foundation Aid Stabilization Fund. No good easy solution has come up with respect to capping the fund.

Chairman Freborg concern was not with capping the fund but the amount of money that can go to this program **from** the fund. As the fund grows, the percentage that they get is going to grow with it. Is there a maximum that can be used toward the scholarships?

Senator Flakoll there wasn't talk about that in the North Dakota Youth Council or Workforce Development Council where the scholarship program has been discussed. Other options talked about were using for intern programs, etc.; gives the flexibility for direct scholarships or making the student earn them monies. Not sure in the Constitution that it should specify a certain amount of scholarships to give.

Other discussion point is how long should it be kept at the current level of funding. $1500 in 2009 dollars is going to be different than $1500 in, say, the year 2020 dollars. Should it go up with CPI, inflationary rate, 2%, etc.

Chairman Freborg noted that any legislation is only good for two years, and can be changed every two years forever. But sometimes it's hard to change something that that "the Legislative Assembly intends an amount equal to the interest and other income." That's forever, unless we change it, it would be hard to change which is his concern.

Senator Flakoll state that this is legislative intent; feels that SCR 4004 would deal with the amendment specifically.

Senator Gary Lee shares concerns with Chairman Freborg regarding the unlimited amount that could potentially occur. Could grow at a rate that no one could estimate, based on the next 40-50 years. If SCR 4004 becomes constitution it becomes extremely difficult to change; and this states that all the interest and other income goes to this specific purpose, or if internships are included. If the amount grows beyond the $1500 needed, another discussion becomes how to spend the rest of it on. Hard to dedicate this potential amount of money for this specific program when there may be vast other needs in the future that can't be recognized at this time.

Senator Flakoll noted that this committee did support a higher amount for the scholarships. The original bill last session proposed $1000-1200 per term, and the education committee amended the bill to raise it to $1500. Over time it can't stay at $1500 because in 20 years it will not have the same dollar value; need to consider what tuition rates will be in future.

Senator Gary Lee would expect that as universities grow, the population grows, that could mean more students attending college. May make more sense to limit or modify so that it is a program that can be affordable and last. Good program, but to prioritize it like this is a pretty big decision.

Senator Flakoll stated that growth would be a good problem to have. There is a need to maintain our commitment to the students who worked hard to qualify for the program by completing the requirements in high school and beyond.

Senator Heckaman would like to see SCR 4004, as it relates to this bill and hasn't been seen yet. Not sure what the wording is. If that has something that ties to a certain dollar amount that is related to SB 2058 & 2056 this committee needs to view it to understand the impact.

Chairman Freborg noted that he is not concerned about keeping our commitment, but thinks that commitment needs to be capped at a flat rate

Senator Flakoll questioned if Chairman Freborg proposed that it be capped in the Constitution.

Chairman Freborg stated that whatever it takes to cap the amount.

Senator Flakoll questioned what would be a high or unreasonable amount or percentage of tuition.

Chairman Freborg that is debatable, but there must be some adequate level to cap it.

Senator Flakoll noted that there is at least one large oil interest in reducing the amount of the oil extraction tax, which will affect the amount available. Too many variables to take into consideration.

Senator Luick earlier references indicate from "any other sources", is that from the possibility of not being able to fund this to the extent in years out? Why do we need to look at funding from another source?

Chairman Freborg not sure; supposed that would be part of it. They want a permanent fund and his problem is that the fund is going to continue to grow with dedicated unlimited funding.

Senator Flakoll at present there is not enough money available in the Foundation Aid Stabilization fund to fund the commitment of $1500 per student. Language of "any other sources" is needed to meet the difference between the amount available and the $1500. If interest rates stay low, will need to supplement the balance needed for the scholarship.

Senator Heckaman asked how full-ride scholarships are handled at the colleges; do the colleges write them off in their budget or does the state provide funding?

Senator Flakoll the state funds each student the same amount no matter where they attend college. Each college has their own funding for other scholarships through donations or foundation monies.

Senator Heckaman referred to SCR 4004 which hasn't been scheduled; states that the funding must be used for scholarships. That could be interpreted that every year that must be used. SB 2058 seems closely tied to SCR 4004 which the committee wasn't aware of yet.

Chairman Freborg noted that if funding is the concern, the place to start may be with SCR 4004.

Senator Flakoll noted that Foundation Aid Stabilization fund must be transferred by July 1 of each year, but in practice it is done on a monthly basis.

Chairman Freborg asked if there was anything further on SB 2058; need to keep working on this.

Senator Flakoll will be working on at least one amendment for SB 2058. Questioned if anyone had a dollar figure in mind other than $1500 for the scholarship. Several other bills are also related to this issue.

Senator Gary Lee is this concept intertwined with the big K-12 bill that will be coming?

Senator Flakoll there is a section that relates to the scholarship program; one specific thing is the scholarships and the funding methodology that is proposed by those who drafted the bill.

Senator Gary Lee asked if their funding mechanism is different than what this bill says going forward. Are they recommending a different method of funding, versus a continued funding from the Stabilization fund?

Senator Flakoll they have more specific funding ideals for the upcoming biennium. This bill deals with long term sustainable funding. Theirs is for current funding. Refer to Section 14, pg 14 from the handout from Doug Johnson, North Dakota Council of Educational Leaders (testimony #6 for SB 2058). Also, above Section 14 deals with the scholarship.

Chairman Freborg If the Constitutional Amendment passes, the committee has no choice as it says it MUST be used to provide scholarships. Same amount of money, same percentages. All hinges on SCR 4004.

Senator Flakoll that is correct.

Chairman Freborg should the concern be with the bill or the resolution? What happens if the resolution doesn't pass, but we pass the bill?

Senator Flakoll the bill can still pass without the resolution passing; the resolution still has to go before the people. Can certainly look at amendments, but we should continue the scholarships.

Chairman Freborg Is the bill insurance in case the constitutional amendment doesn't pass.

Senator Flakoll The bill itself wouldn't accomplish what is hoped. Money is in another bill, language in the K-12 bill, constitutional amendment. Those are all more significant in terms of what is hoped to be accomplished. Support the concept of continuing the scholarships, and this is how we think it could be done.

Chairman Freborg requested any other comments regarding the bills currently under consideration. There being none, the committee adjourns until 9 a.m. on January 10, 2011.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

Committee Work on SB 2058
January 19, 2011
13114 (0:00 to 1:31 min on tape)

☐ Conference Committee

Committee Clerk Signature T. Jorgensen

Minutes: No attachments

Senator Heckaman asked Senator Flakoll on 1/18/11 about where the current funding comes from; looked at SB 2058—does any of the money for the scholarship come from the Lands and Minerals Trust Fund? Or am I seeing something incorrectly?

Senator Flakoll: I think you are looking at a proposal to have the scholarship moneys to come from, on a prospective basis, and hear testimony on that next week with SB 2150 for it to come from the Lands and Minerals Trust Fund. It is an option—don't want to debate the issue at this time.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

Committee Work ob SB 2058
February 21, 2011
14765

☐ Conference Committee

Committee Clerk Signature T. Jorge

Minutes: No attached amendment

Senator Gary Lee moved a Do Not Pass to SB 2058; second by **Senator Schaible.**

Discussion:

Senator Heckaman: What bill did we hear this in the other day; isn't part of this in there?
Senator Flakoll: For the record--Prior to this bill we killed SCR 4004 which was related to to this, and we passed SB 2150 which included a funding mechanism using the Land and Minerals Trust Fund for the scholarships so we don't need this bill now.

Motion carried 7-0-0; (Vote 1-A) Carried to the floor by **Senator Gary Lee.**

Revision

FISCAL NOTE

Requested by Legislative Council
12/21/2010

Bill/Resolution No.: SB 2058

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Provides legislative intent regarding transfers from the foundation aid stabilization fund to the general fund for the purpose of funding the the ND Academic and Career and Technical Education Scholarship.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Appropriation for scholarships

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

During 2010-11, the first year of the program, it is expected that $2.1 million will be spent, leaving general fund carryover of $900,000. In 11-13, it is projected that $10.5 million will be required as the program continues to ramp up with a new cohort of freshmen added each year, along with continuing students. When 09-11 projected carryover is offset, an additional $9.6 million is required ($10.5 less .9). The program does not become fully enrolled with four full classes for four years until 15-17, estimted cost of $16,000,000.

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

$3 million state general fund appropriation in 09-11 to support program in NDUS budget. 11-13 executive budget includes $10 million from Land and Minerals Trust fund (HB2003,) while SB2058 requires transfer from foundation aid

stabilization fund to general fund to fund program beginning in 11-13.

Name:	Laura Glatt	**Agency:**	ND University System
Phone Number:	701-328-4116	**Date Prepared:**	12/22/2010

FISCAL NOTE

Requested by Legislative Council
12/21/2010

Bill/Resolution No.: SB 2058

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures	$2,100,000		$10,500,000		$16,000,000	
Appropriations	$3,000,000			$9,600,000		$16,000,000

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Provides continuing appropriation from the foundation aid stabilization fund for the ND Academic and Career and Technical Education Scholarship, instead of from general fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Continuing appropriation for scholarships

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

During 2010-11, the first year of the program, it is expected that $2.1 million will be spent, leaving general fund carryover of $900,000. In 11-13, it is projected that $10.5 million will be required as the program continues to ramp up with a new cohort of freshmen added each year, along with continuing students. When 09-11 projected carryover is offset, an additional $9.6 million is required ($10.5 less .9). The program does not become fully enrolled with four full classes for four years until 15-17.

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Appropriations reflect the change from the program being intially funded from the general fund in 09-11 to the proposed foundation aid stabiilization fund beginning in 11-13.

Name:	Laura Glatt	**Agency:**	ND University System
Phone Number:	701-328-4116	**Date Prepared:**	12/22/2010

Date: 2-21-11
Roll Call Vote # 1-A

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2058

Senate Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☒ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Sen. G. Lee Seconded By Sen. Schaible

Senators	Yes	No	Senators	Yes	No
Chairman Layton Freborg	X		Senator Joan Heckaman	X	
Vice Chair Donald Schaible	X		Senator Richard Marcellais	X	
Senator Tim Flakoll	X				
Senator Gary A. Lee	X				
Senator Larry Luick	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen Gary Lee

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

REPORT OF STANDING COMMITTEE

SB 2058: Education Committee (Sen. Freborg, Chairman) recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2058 was placed on the Eleventh order on the calendar.

2011 TESTIMONY

SB 2058

ANALYSIS OF THE FOUNDATION AID STABILIZATION FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
Beginning balance		$29,009,838		$63,344,306
Add estimated revenues				
Oil extraction tax allocations	$34,334,468[1]		$24,892,171[1]	
Total available		34,334,468		24,892,171
Less estimated expenditures and transfers				
Transfer to foundation aid program	$0[2]		$0[2]	
Estimated ending balance		$63,344,306		$88,236,477

[1]Estimated revenues - Based on actual oil extraction tax collections transferred to the fund through May 2009 and estimated allocations for the remainder of the 2007-09 biennium and the 2009-11 biennium per the February 2009 legislative revenue forecast.

[2]Estimated expenditures - As provided in Article X, Section 24, of the Constitution of North Dakota, the principal of the foundation aid stabilization fund can only be used to offset foundation aid reductions made by executive action due to a revenue shortfall. No foundation aid reductions as a result of a revenue shortfall are currently anticipated for the 2007-09 biennium or the 2009-11 biennium.

FUND HISTORY

The foundation aid stabilization fund was created in 1994 when the voters of North Dakota approved a constitutional amendment, now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction tax revenue be allocated as follows:

- Fifty percent (of the 20 percent) to the common schools trust fund.
- **Fifty percent (of the 20 percent) to the foundation aid stabilization fund.**

The principal of the foundation aid stabilization fund may only be spent upon order of the Governor to offset foundation aid reductions made by executive action due to a revenue shortfall. North Dakota Century Code Section 54-44.1-12 provides that the director of the budget may order an allotment to control the rate of expenditures of state agencies. This section provides that an allotment must be made by specific fund and all departments and agencies that receive money from a fund must be allotted on a uniform percentage basis, except that appropriations for foundation aid, transportation aid, and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund.

Article X, Section 24, of the Constitution of North Dakota provides that the interest income of the foundation aid stabilization fund must be transferred to the general fund on July 1 of each year. However, the State Treasurer's office allocates the interest income to the general fund on a monthly basis. For the period July 1, 2007, through April 30, 2009, $1,196,593 of interest from the foundation aid stabilization fund has been allocated to the general fund.

Sen. A. Grindberg
SB 2058
#1

APPENDIX D

Senate Education Committee

January 5th, 2011

Prepared by: **Joe Heilman,** District 45 Representative and ND Youth Council Member

Subject: SB 2058 – Support for a long term funding source for ND Scholarship Programs

In the 2009 Legislative Session, the legislature approved an initiative to provide certain merit-based scholarships to ND Students. From the families I have visited with who have been recipients of this program, the response has been VERY positive. The scholarships provide **all** ND Students an opportunity to earn a scholarship, which, in turn, can help lower the amount of debt a student would graduate with.

ND Youth Council discussed this very topic and felt it should be a priority to have a long-term funding source in place.

Background facts:

- In ND, a typical 4-year degree student will have $15,000 – $20,000 in debt
  - For 2-year degree students, it is about $5,000 - $8,000
- Without this bill, there would be no clear, long-term, stable source of funding the program
- In 2010, 1,394 students were eligible and accepted these scholarship funds (both Academic and Career and Technical Education scholarships)

Just a few benefits of the Scholarship Programs:

- Less pressure to hold a 2nd job
  - Graduate in a more timely fashion
  - More time to study
- Covers a significant portion of tuition costs
  - 25%+ ND's largest 4 year institution
  - Nearly ½ at a 2 year institution
- Decreased debt load
- Continuing incentive to perform well academically

In my opinion, if the legislature has the intent to continue these scholarships, a consistent source of funding is critical. This will ensure the availability to students long into the future.

#2 SB 2058

Statement from ND Student Association President, Andrew Brown

Regarding SB 2058

Senator Freborg and members of the committee, my name is Andrew Brown. I am currently the President of the North Dakota Student Association. We are in favor of passing SB 2058. According to the Project on Student Debt, the average North Dakota college student accumulates $22,030 in student loan debt. According to recent reports, student loan debt has now surpassed credit card debt. Many students count on these scholarships to make ends meet while attending school. The value of these scholarships goes well beyond dollars. These scholarships enable students to focus on their education instead of a second job. As recommended by the Youth Council, a constant funding source is needed to ensure long-term availability of these scholarships. Thank you for your time.

Sincerely,

Andrew Brown
North Dakota Student Association President

#3 SB 2058

SB 2058

January 5, 2010

Senator Tim Flakoll

Chairman Freborg and members of the Senate Education Committee. For the record, I am Senator Tim Flakoll of District 44 in Fargo.

SB 2058 continues the commitment to a merit based scholarship incentive program that we initiated last session. It is a commitment that we made to North Dakota students who attend college in North Dakota.

First, I think a little of the history behind the scholarship program found in SB 2058 will be helpful.

Last session with the passage of HB 1400, we set into place more rigorous graduation requirements. But that rigor came with $3 million in incentives to reward students who worked hard and achieved a higher threshold of excellence. With HB 1400 we put into place a historic merit based plan of academic rigor and rewards that pushes our students to achieve more and to provide them with merit based scholarships up to $6,000/student.

Those scholarships require students to meet specific curriculum requirements, GPA requirements and to achieve a set benchmarks on standardized ACT or Work Keys tests. Upon graduation and certification of qualification, a student can receive a scholarship of $750/term with a lifetime cap of $6,000/student. Their eligibility extends for six years after they graduate from high school.

#4 SB 2058

The first eligible students enrolled as college freshmen this past fall 2010.

Types of colleges attended by recipients fall 2010 (1,394 total recipients):

55.5% (777 students) - attending a research university

18.3% (255 students) - attending a 2-year public college

15.7% (219 students) - attended a 4-year public university

10.1% (141 students) - attended a private institution

Less than 1% (2 students) attended a tribal college

Mr. Chairman, one of the philosophical benefits I would like to point out is that this is a program where the dollars follow the students. For I believe that we need to develop more of a funding culture where more emphasis on funding students rather than just campuses. So in essence, SB 2058 aligns with our K12 funding philosophy where the dollars follow the students.

I would also note that SB 2058 "bridge funding" that will align session funding with permanent funding proposed by a Constitutionals amendment that is proposed in SCR 4004.

#4 SB2058 Sen. Flakoll

Fiscal Note:

As a result of incorporating an ongoing program, we will go from needing funding for one class for one year (2010-2011) to providing scholarships in 2011-2012 to funding college freshmen, and sophomores in the second year of program.

In 2009 Legislature appropriated $3 million for these scholarships for the 2009-2011 biennium. It is estimated that there is an unspent balance of $900,000 which will be carried over for the 2011-2013 biennium.

For the 2012-2013 (year #3) academic year we will need to provide scholarships for freshmen, sophomores and juniors.

The Executive Budget removed the $3 million general funding from the NDUS Office Budget (HB1003) and instead includes a $10 million continuing appropriation from the Land Minerals Trust Fund.

To continue to be eligible, college students must maintain a 2.75 GPA and maintain their status as a full time student.

Chairman Freborg that completes my testimony and I would be happy to stand for any questions … but note that we have a pretty limited time for this hearing and I will be available throughout committee discussion on the bill.

###End###

#4 SB 2058 Sen. Flakoll

ND Academic and ND Career and Technical Education Scholarships
Scholarship Progress Overview as of January 3, 2011

During the 2009 Legislative session, two new scholarships were created. These scholarships are aimed at increasing high school rigor and retaining college students in North Dakota. Students can receive $1,500 per year for 4 years, or a total of $6,000 in the 6 years following high school graduation. To qualify for the Academic Scholarship a ND student had to graduate from high school and achieve an ACT exam score of 24. To qualify for the Career and Technical Education Scholarship a ND student had to graduate from high school and achieve an ACT exam score of 24 or a WorkKeys score of 5 on three assessments.

Qualified Students

From the 2010 ND high school graduating class of 7,677 students, 1,609 students or 21% applied for the scholarships. This is fairly consistent as national data suggests about 20% of students earn an ACT score of 24 or higher or score a "5" on the three WorkKeys exams. Of the 1,609 student who applied for the program 1,589 met the eligibility requirements. The 1,589 qualified students included 798 females and 791 males, almost exactly 50% of each. Of those that were eligible, 195 deferred the use of the scholarship, and 1,394 accepted the scholarship as of January 3, 2011.

The scholarships will automatically be renewed as long as the student maintains a 2.75 or higher college GPA. Students have the option of deferring use of the scholarship, but they are restricted to using the scholarship within 6 years of their high school graduation date.

Counties from which students originated

Scholarships Granted by County			
County	Number of Qualified Scholarship Recipients	Number of Graduates	Percentage of Graduates Qualifying for Scholarships
Adams	less than or equal to 5	32	less than 19%
Barnes	31	128	24%
Benson	less than or equal to 5	56	less than 11%
Bottineau	13	77	17%
Bowman	6	43	14%
Burke	7	18	39%
Burleigh	145	857	17%
Cass	249	1,579	16%
Cavalier	11	54	20%
Dickey	35	68	51%
Divide	13	27	48%
Dunn	15	31	48%
Eddy	less than or equal to 5	23	less than 26%
Emmons	15	64	23%
Foster	7	57	12%
Golden Valley	10	27	37%
Grand Forks	125	653	19%
Grant	less than or equal to 5	22	less than 27%
Griggs	7	28	25%

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County	Number of Qualified Scholarship Recipients	Number of Graduates	Percentage of Graduates Qualifying for Scholarships
Hettinger	11	36	31%
Kidder	7	36	19%
Lamoure	22	58	38%
Logan	12	28	43%
McHenry	27	88	31%
McIntosh	8	27	30%
McKenzie	7	50	14%
Mclean	33	139	24%
Mercer	48	118	41%
Montrail	11	85	13%
Morton	46	291	16%
Nelson	23	59	39%
Oliver	9	21	43%
Pembina	16	92	17%
Pierce	16	58	28%
Ramsey	26	163	16%
Ransom	11	71	15%
Renville	9	45	20%
Richland	83	215	39%
Rolette	less than or equal to 5	228	less than 3%
Sargent	26	71	37%
Sheridan	7	15	47%
Sioux	less than or equal to 5	64	less than 8%
Slope	less than or equal to 5	less than or equal to 5	less than 100%
Stark	100	349	29%
Steele	6	38	16%
Stutsman	39	211	18%
Towner	9	26	35%
Traill	25	107	23%
Walsh	30	139	22%
Ward	138	610	23%
Wells	11	49	22%
Williams	71	246	29%
Totals	**1,589**	**7,677**	**21%**

Academic Scholarship cohort facts

The students who qualified for the Academic Scholarship include 1,195 students. When broken down by gender, 613 recipients or 51% were female and 582 or 49% were male. The ACT exam is the only assessment available for qualifying for the Academic Scholarship.

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Career and Technical Education Scholarship cohort facts

Of the Career and Technical Education Scholarship's 393 qualified students, females received 185 or 47% and males received 208 or 53%. The WorkKeys assessment was used by 337 students to qualify for the Career and Technical Education scholarship, the ACT exam was used by 51 students, and 5 students qualified with both assessments.

Number of students who qualified by ACT score ranges:

	ACT Score												
	24	25	26	27	28	29	30	31	32	33	34	35	Total
Students Qualifying	322	233	175	142	108	98	74	43	30	12	8	4	1,249

Number of students who qualified by WorkKeys score ranges:

	WorkKeys Scores			
Students Qualifying	5	6	7	Total
Reading for Information	214	124	22	360
Applied Mathematics	150	176	34	360
Locating Information	345	15	n/a	360

Of the 1,589 students who met the eligibility requirements, 238 students took both the ACT and WorkKeys exams. Of those 238 students, 208 earned a qualifying score on the WorkKeys assessment but did not earn a 24 or greater on the ACT exam, 10 students earned a qualifying score on the ACT exam but not the WorkKeys Assessment, and 20 students earned qualifying scores on both the ACT exam and the WorkKeys assessment.

Colleges attended by scholarship recipients

Scholarship recipients attending a North Dakota institution this fall indicated 777 students (55.7%) would be attending a research university, 255 students (18.3%) would be attending a 2-year public college, 219 students (15.7%) would be attending a 4-year public university, 141 students (10.1%) would be attending a private institution, and 2 students would be attending a tribal college.

	2 Year Public	4 Year Public	Research	Private	Tribal	Total
Academic	115	154	653	121	1	1,044
Career & Tech	140	65	124	20	1	350
Total	255	219	777	141	2	1,394

	BSC	DCB	DSU	JC	LRSC	MaSU	MiSU	NDSCS	NDSU	TMCC	UJM	UND	UTC	VCSU	WSC	Total
Academic	66	4	30	35	12	14	81	16	355	2	1	84	298	0	29	17	1,044
Career & Tech	61	4	20	3	12	4	28	59	70	1	0	16	54	1	13	4	350
Total	127	8	50	38	24	18	109	75	425	3	1	100	352	1	42	21	1,394

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Scholarship Eligibility Requirements – 2010-2011

The eligibility requirements for ND High School graduates become more stringent beginning with the class of 2010-11. Students will have to meet the following requirements to be eligible for the scholarships:

ND Academic Scholarship Eligibility Requirements

1. North Dakota resident student
2. Graduate from a high school in North Dakota or from a high school in a bordering state according to provisions set forth in ND century code 15.1-29
3. Complete ND High School Diploma requirements
4. Complete all of the following course and grade requirements:
   a. 1 unit Algebra II
   b. 1 unit of mathematics for which Algebra II is a prerequisite
   c. 2 units of the same foreign or Native American language
   d. 1 unit of fine arts or career and technical education
   e. 1 unit of a foreign or Native American language, fine arts, or career and technical education
5. Obtain a grade of at least "C" in each unit or ½ unit required for high school graduation
6. Obtain a cumulative grade point of at least "B", with GPA rounded to the nearest hundredth for eligibility purposes
7. Receive a composite score of at least 24 on ACT
8. Complete 1 unit of an AP course and examination or a dual credit course

ND Career and Technical Education Scholarship Eligibility Requirements

1. North Dakota resident student
2. Graduate from a high school in North Dakota or from a high school in a bordering state according to provisions set forth in ND century code 15.1-29
3. Complete ND High School Diploma requirements
4. Complete all of the following course and grade requirements:
   a. 1 unit of Algebra II
   b. 2 units of a coordinated plan of study recommended by the Department of Career and Technical Education
   c. 3 additional units, 2 of which must be in the area of career and technical education
5. Obtain a grade of at least "C" in each unit or ½ unit required for high school graduation
6. Obtain a cumulative grade point of at least "B", with GPA rounded to the nearest hundredth for eligibility purposes
7. Receive a composite score of at least 24 on an ACT or a score of at least "5" on each of 3 WorkKeys assessments to include Reading for Information, Locating Information, and Applied Mathematics

Budget

The 2009 Legislature appropriated $3.0 million for these scholarships in the 2009-11 biennium. It is estimated that $1,045,896 in scholarship aid will be disbursed during the fall 2010 semester, with a similar amount being expended during the spring 2011 semester, for total estimated expenditures of $2,100,000 in 09-11. This would leave an unspent balance of $900,000 which would be carried over to the 2011-13 biennium.

Scholarship projections assume a slight reduction in the number of students who qualify for the award based on the more stringent program requirements. However, given the program will take four years to ramp up to four full classes of students, the 2011-13 total projected cost is $10,500,000, assuming a

$1,500 scholarship, requiring additional funding of $9,600,000 when 09-11 carryover funds are considered.

The 11-13 Executive Budget removed the $3.0 million general fund base funding from the NDUS Office budget (HB1003), and instead includes a $10 million continuing appropriation from the Land Minerals Trust Fund.

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enrolled full time at an accredited institution of higher education in this state and maintains a cumulative grade point average of 2.75.

2. A student is not entitled to receive more than six thousand dollars under this section.
3. The state board of higher education shall forward the scholarship directly to the institution in which the student is enrolled.
4. This section does not require a student to be enrolled in consecutive semesters. However, a scholarship under this section is valid only for six academic years after the student's graduation from high school and may not be applied to graduate programs.
5. A scholarship under this section is available to any eligible student who graduates from a high school in this state or from a high school in a bordering state under chapter 15.1-29.
6. The state board of higher education shall monitor the academic performance of each scholarship recipient. Upon determining that a recipient has failed to maintain the cumulative grade point average required by this section, the board shall notify the recipient within five days that the recipient is no longer eligible to receive any additional North Dakota scholarships.

SECTION 14. A new section to chapter 15.1-21 of the North Dakota Century Code is created and enacted as follows:

North Dakota scholarship fund - Biannual transfer - Continuing appropriation.

1. Once each semester, the state board of higher education shall certify to the state treasurer the amount necessary to provide the North Dakota academic scholarships and the North Dakota career and technical education scholarships, as set forth in sections 15.1-21-02.4 and 15.1-21-02.5.
2. Upon receiving the certification, the state treasurer shall transfer the certified amount from the interest and other income of the lands and minerals trust fund to the North Dakota scholarship fund.
3. All moneys in the North Dakota scholarship fund are appropriated on a continuing basis to the state board of higher education for the exclusive purpose of providing North Dakota academic scholarships and North Dakota career and technical education scholarships.

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