

2017 SENATE EDUCATION

SB 2285

2017 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

SB 2285
1/31/2017
Job Number 27626

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Sandy Baumgartner

Explanation or reason for introduction of bill/resolution:

Relating to the naming university and college buildings

Minutes:

#1, #2

Chairman Schaible: Meeting will come back to order. Open hearing for SB 2285.

Senator Kilzer: District 47 in Bismarck. Testimony #1. This bill would bring the legislature into the circle on large projects. This bill would require the approval of legislature for the more expensive projects that are built with largely tax monies. Take note of the second handout that is dated summer of 2015. It came out after our last legislative session. There is a web-site listed for this project. Some of naming opportunities have been sold. My first draft would have banned the practice of selling naming rights for tax supported institutions. This is the .02000 version. This is the second version. The first version would ban the activity. The second version does not ban it, but it makes it mandatory for these large projects that the legislature approve naming rights before they can solicit funds. I ask your favorable consideration for SB 2285.

Chairman Schaible: I believe this came up in the finance committee of the interim of our last two sessions. Not only are they naming buildings, but departments, rooms and others for different donations. They are making a lot of money off of state owned buildings.

Senator Kilzer: It looks like a price tag was placed on each classroom, each hallway and stairwell. The whole building is for 100 million.

Chairman Schaible: None of this comes back to the state even though it is a state owned building and we paid for it. This is all profit that goes to the university.

Senator Kilzer: Yes, the money does not go back to the state. It is well over 200 million dollars. The Dean tells me the primary use of the funds is for scholarships. I have read about other institutions. Some of the money is to add and improve programs within the school, probably some endowed chairs. The primary thing is to reduce medical student debt when they graduate. So scholarships are the main thing.

Chairman Schaible: Those are probably admirable ideas or suggestions, but I think that you would feel that it is probably a state decision, since we paid for the building, rather than letting some entity make money off of something we paid for.

Senator Kilzer: I feel it is wrong, because the taxpayers and the legislature were deceived in the process. We were not told about this at the budget hearings in 2015. This came after the session.

Chairman Schaible: Other testimony in favor of? Opposition to?

Rick Tonder: Director of Facility Planning for the North Dakota University System. Testimony #2. We recommend a Do Not Pass on SB 2285.

Chairman Schaible: Questions?

Senator Rust: Can I name a building after myself?

Rick Tonder: Something personal, where in Grand Forks we built the Arora, the civic center. Within a few months, it was named the Alera Center after a local bank that purchased naming rights for much less than we paid for it. The same thing applies to other buildings on campuses. Sanford wants to paint the university campus blue. I wouldn't support that. I don't think a lot of taxpayers would. But speaking from a personal perspective in that regard and understanding Senator Kilzer's issues, maybe this is in the language that may be needing change. My concerns are for the opportunities for a former physics professor, a donation that wanted to remain anonymous, money for endowments, money for scholarships and accompanied by the name of a building. No different than Abbot Hall is named on the university as well as others. I do honor and respect the hard work we put in convincing you folks that we needed that new building, that new school of medicine. Understanding the enormous debt for any student going through that and finding ways to offset that is one thing we try to do. So the bill is written as a conflict for me. It addresses a personal concern. I don't want to see the university painted blue for Sanford, but on the other hand, I see the value of being able to name components and generating revenue when there is no other opportunity to do so. Hopefully that explains the as-written component.

Chairman Schaible: Two sessions ago, we built the medical school and the law school for UND. At that time, it was a priority. It was the will of the legislator, but the thing I, it was a lot of money. There were compromises at other things that weren't done. It was a priority for us and doesn't it seem like it is offensive to other programs, other issues, other buildings, everything in general. Now that these buildings are paid for by the state of North Dakota and they are going to make money for simply the university. It seems to me that it is a conflict of what we were trying to do. We prioritized that, but because we did that other programs were probably not funded, or not done. Now because we did that, this is an avenue where they are going to make money that does not come back to the state.

Rick Tonder: It is a process by the naming where it should not render less the effort of the people or the legislature to direct that expenditure. I think it is an important part of higher education funding for that type of facility. But yes, we do construct a building. It does serve a purpose. It does educate our students. It puts people into the work force and at the same time it is an opportunity to use the generosity of the state and couple it with the generosity of a donor to move the ball farther forward. I don't want to suggest in any way shape or form that this is an insult to the taxpayers of North Dakota. I can see where it was perceived as such. I think higher education uses it as an opportunity to move its mission forward by generating revenue from donors.

Chairman Schaible: I don't disagree with the mission moving forward, but if it would be a plan that if we were to use the naming rights to help fund it in the first place, it would have been more of a mission than trying to ask us for all the money and then create sidelines for revenue.

No other questions? Opposition to? Agency?

If not, we will close the hearing for SB 2285.

2017 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

SB 2285
2/1/2017
Job Number 27711

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Sandy Baumgartner

Explanation or reason for introduction of bill/resolution:

Relating to the naming university and college buildings

Minutes:

Chairman Schaible: Meeting called to order for SB 2285

Senator Rust: In listening to a colleague, he says by being able to do this, it brings in a lot of dollars for their universities. You keep what you got because it brings in tens of thousands of dollars that helps with programs, scholarships and others. I became a sceptic of the bill even though there is merit in what he says. Basically they sell the names for rooms, hallways, and whatever. In times when universities and colleges are getting cut, this is a great way to get some money at no cost to the state.

Senator Vedaa: My thought is if they could raise that kind of money, why wouldn't they just build the building, instead of the taxpayers?

Senator Kannianen: There was money that was poured in from private sources into eluting some of what you were questioning yesterday, for example, the Scheel's Arena in Fargo. If the money goes to actual construction that makes a big difference. In this bill, if half of it is funded by state dollars, I think it has merit to have naming rights.

Senator Oban: I think there is merit on both sides. However, I think this is a bit heavy-handed for the legislature to do this on such a broad description. They meet every two years, so they can't even fund raise, it says before solicitation. I think a compromise would be for the appropriations to attach a clause, if they are paying for a building that says we reserve the naming rights. I think we need to be careful on how we would do this, if we were to do it.

Chairman Schaible: I do have a problem when they were asking for funds along with the law school. Now, they are going to make more money off this building by naming rights then the cost of the building. None of it goes back to the state, when we are in pretty dire needs for funds now. They are going to make a profit out of something that we sacrificed to do for them. I find that somewhat offensive. I think it should be looked at as an avenue to enhance the college, but I think it should be done with legislative approval. I agree with the sponsor, if it needs to be fixed, so be it.

Senator Rust: The bill does say "from the approval of the legislative assembly". It doesn't say they can't do it. It says that if you are going over 10 million and more than half is paid by the state, that you have to have approval from the legislative assembly before you can give naming rights.

Chairman Schaible: For any building that the state is paying over half, they have to go through appropriations of a session to do it. So when they are asking for the money is when they should ask for naming rights at that time.

Senator Rust: They could already have a done building and have naming rights. Would they have to wait the 20 months before they could do naming rights?

Senator Vedaa: If I was walking through UND medical school and I see it named Sanford, I would think that they paid for it and not the state. That is my opinion.

Senator Rust: If you like, I would get an amendment.

Chairman Schaible: I guess we could look at the amendment and I suggest you talk to Senator Lee, who was chairman of Budget Section. Any other discussion? We will discontinue on SB 2285.

2017 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

SB 2285
2/7/2017
Job Number 28006

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Sandy Baumgardner

Explanation or reason for introduction of bill/resolution:

Relating to the innovative pilot program to improve student educational performance

Minutes:

#1, #2

Chairman Schaible: Open meeting

Senator Rust: I have an amendment 2001. #1 Look at it on page 1. There is only one page, line 11. Explanation followed. Since the legislative assembly is in session 4 months out of the biennium, there are 20 months when it is not. You could have a case of for instance, right after legislature gets done meeting that you have an estate and they want to settle the estate and they want to give some money for something and now they have to wait 20 months or more for the legislature to come in and get approval to give the money to an institution. The feeling is what we need is probably an alternative to when the legislature is not in session. That would go then to the budget section. I consulted with the sponsor of the bill and he is okay with it. I consulted with the chairman of the budget section and he will not have a problem with it.

Chairman Schaible: Discussion?

Senator Oban: I have an amendment as well that I would like to discuss before any amendment is moved. I will pass out the 0002 amendment. #2 This amendment would rewrite the entire bill. It is short and so it is not that difficult. This is worded as legislative authorization, which I assume would mean the legislative assembly or and legislative management. It would require authorization before the acceptance of gifts, grants, donation, or bequests offered in exchange for naming rights to any state owned building that has been funded all or in part by general fund appropriations greater than \$5 million dollars. This section does not apply to naming rights for individual rooms or gathering spaces. This version of what I think the sponsors intent, gets around some of the concerns the university expressed with what they can or cannot do under the constitution. This was an effort to clarify that.

Chairman Schaible: Why did you exclude individual rooms and gathering spaces?

Senator Oban: I think there was concern that from the university's standpoint that if money was provided by the state to remodel rooms or whatever, that they would still have the right to keep the naming rights in their authority.

Senator Rust: Would your amendment then be legislative approval for the building itself, but the interior parts of it are exempted?

Senator Oban: That would be what I would assume, yes.

Chairman Schaible: We have 2 pending amendments. Comments? The 2002 version and the 2001 version. The 20 months is a long time. Should we look at including a budget section into this?

Senator Oban: I would ask for your interpretation. It doesn't exactly say the legislative assembly in the 0002 version.

Chairman Schaible: My interpretation on that, unless we give budget section the authority in some fashion, would mean it would have to be during the session. That would be my interpretation. Unless it says somewhere that they have that authority to do that. The budgets sections authority only is very limited and it is only what is granted to them in statute.

Senator Oban: I agree with you that 20 months is too long. I would like to specify that.

Senator Rust: How about the following? If we are looking at 0002, legislative authorization and add by either legislative assembly or if not in session, the budget section of the legislative management is required.

Chairman Schaible: I agree that it clarifies that it is whichever one is in business at the time.

Senator Rust: Do we want to inhibit the entire building or any parts of that building unless the legislature approves it?

Discussion followed on scenarios.

Chairman Schaible: I am happy with just the building name, the 0002 ½ version.

Senator Rust: I do have a problem with the exterior of the building.

Senator Oban: I would move amendment 17.0301.02002. Would that be the way to do that?

Chairman Schaible: It would be easier to just make a new amendment that says what you want. If you are going to change this one. I would suggest you just make a new one. You would have to further amend. We have a motion. Is there a second? Is there a second? Seeing none. Any other suggestions?

Senator Oban: Is there something Jeff can fix if we have it in writing? Would you like me to try to recite it?

Chairman Schaible: Yes, please.

Senator Oban: This will likely be the 003 version. Which would read if you follow along with the 002 version. Legislation authorization, by either the legislative assembly or the budget sections of the legislative management if the legislative assembly is not in session, is required before the acceptance of gifts, grants, donations, or bequests following the rest of what 002 says. I move the amendment.

Chairman Schaible: We have an amendment moved. Do we have a second?

Senator Vedaa: I second.

Chairman Schaible: We have a second. Does everyone understand the amendment? Is there any other discussion? We are basically talking about the naming rights for just the building and it has to get prior approval by the assembly or the budget section in the interim. Seeing no other discussion, we will call the roll on the amendment.

Roll taken: 5 yeas, 0 nays, 1 absent

Chairman Schaible: Now we have an amended version of the bill before us.

Senator Rust: I will move a Do Pass on SB 2285 as amended.

Chairman Schaible: Is there a second?

Senator Vedaa: I second.

Chairman Schaible: We have a motion and a second as amended. Is there any other discussion? Roll taken 5 yeas, 0 nays, 1 absent.

Senator Rust will carry

February 7, 2017

CM
2/7/17

PROPOSED AMENDMENTS TO SENATE BILL NO. 2285

Page 1, remove lines 7 through 12

Page 1, line 8, replace "any part of the building" with "Authorization by either the legislative assembly or the budget section of the legislative management if the legislative assembly is not in session, is required before the acceptance of gifts, grants, donations, or bequests offered in exchange for naming rights to any state-owned building that has been funded all or in part by state general fund appropriations greater than five million dollars. This section does not apply to naming rights for individual rooms or gathering spaces"

Renumber accordingly

Date: 2-07-17
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2285

Senate Education Committee

☐ Subcommittee

Amendment LC# or Description: 17.0301. 02003 - 03000

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Oban Seconded By Vedaa

| Senators | Yes | No | Senators | Yes | No |
|--------------------|-----|----|--------------|-----|----|
| Chairman Schaible | ✓ | | Senator Oban | ✓ | |
| Vice-Chairman Rust | ✓ | | | | |
| Senator Davison | ab | | | | |
| Senator Kannianen | ✓ | | | | |
| Senator Vedaa | ✓ | | | | |
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Total (Yes) 5 No 0

Absent 1

Floor Assignment _____

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

Date: 2-7-17
Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2285

Senate Education Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rust Seconded By Vedaa

| Senators | Yes | No | Senators | Yes | No |
|--------------------|-----|----|--------------|-----|----|
| Chairman Schaible | ✓ | | Senator Oban | ✓ | |
| Vice-Chairman Rust | ✓ | | | | |
| Senator Davison | ab | | | | |
| Senator Kannianen | ✓ | | | | |
| Senator Vedaa | ✓ | | | | |
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Total (Yes) 5 No 0

Absent 1

Floor Assignment Senator Rust

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

REPORT OF STANDING COMMITTEE

SB 2285: Education Committee (Sen. Schaible, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2285 was placed on the Sixth order on the calendar.

Page 1, remove lines 7 through 12

Page 1, line 8, replace "any part of the building" with "Authorization by either the legislative assembly or the budget section of the legislative management if the legislative assembly is not in session, is required before the acceptance of gifts, grants, donations, or bequests offered in exchange for naming rights to any state-owned building that has been funded all or in part by state general fund appropriations greater than five million dollars. This section does not apply to naming rights for individual rooms or gathering spaces"

Renumber accordingly

2017 TESTIMONY

SB 2285

SB 2285

January 31, 2017

Ralph Kilzer

1-31-17
SB 2285
H' p 1

This bill concerns naming opportunities of buildings within the public higher education system of our state. Presently, the Century Code is silent about any conditions or limits on granting naming rights. The Board of Higher Education has a written policy that before any name granting may be done, it must have the approval of the college president and the state board of higher education. This bill, in addition, would require the approval of the Legislature for the more expensive projects that are built with largely tax monies. I have set the threshold for those projects that cost \$10 million and half of the monies are from taxes. The legislative approval would be required for solicitations greater than \$5 million. These figures could be changed; but these amounts seem appropriate at the present time.

This proposed additional paragraph to the century code pertains only to buildings that are built or renovated by largely tax money. It would not affect naming of buildings like the Ralph Engelstad Arena which was financed by the donor or the Odegard Aerospace Center which honors a distinguished person.

It is wrong for a college or university to ask the taxpayers for a new building, and then turn around and ask more money for "naming rights." Why is it wrong? Because you have deceived the taxpayer. In addition, the college or university is now taking a side in the competitive world of marketing. After all, in competition, advertising is all about getting your name out and this is the way to beat your competitor. It makes for divisiveness.

Is this pertinent? Should we put something in the century code? Is this a solution looking for a problem? The facts are that others are going down this road and we in North Dakota have also taken the first steps. In South Dakota, the medical school became financially distressed and for \$21.8 million the name became Sanford Medical School. In North Dakota, the taxpayers paid all of the \$124 million for the new medical school. Within a few weeks after our last legislative session the school published its naming opportunities program which had been approved by President Kelly and the state board of higher education. It's in the handout. According to the website, some of the naming opportunities have been sold. My first draft of this bill would have banned the practice of selling naming rights. But since no civil law had been violated, I chose the requirements in this, the .02000 version

I request your favorable consideration of SB 2285.

1.31.17
SB 2285
#1 p. 2

Thank you
to our
thoughtful donors
who recently gave gifts or
made pledges.

Audrey Crum, BS OT '59, BS Ed '85, of Fort Collins, Colo., has established the Audrey Crum Endowment, which provides scholarships to occupational therapy students at UND. She is now a retired occupational therapist.

Mike, MD '84, and Ronda Kincheloe, BS Nursing '80, of Green Bay, Wis., have established the Dr. Mike and Ronda Kincheloe Scholarship Endowment, which provides scholarships for medical students with preference given to North Dakota residents. Dr. Kincheloe is an obstetrician-gynecologist at Aurora Health Care in Green Bay.

Janice, BS MT '68, and Clifford d'Autremont of Rancho Palos Verdes, Calif., have established the Janice and Clifford d'Autremont Scholarship Endowment, which provides scholarships to students majoring in medical laboratory science with preference given to students from Oakes, N.Dak., Janice's hometown.

Janice retired as the general manager and executive vice president of Long Beach Genetics in Rancho Dominguez, Calif., in 2001. The company is one of six in the United States that provide paternal testing results.

New Building Naming Opportunities

\$100 million

UND School of Medicine and Health Sciences building

\$40 million

Health Sciences Education Building (adjacent)

\$15 million

Biomedical research facility (adjacent)

\$1 million-\$5 million

Endowed chair, dean of the School \$5 million

Office of the Dean suite \$4 million

Simulation suite \$3 million

Endowed faculty chair \$2.5 million

Health Sciences suite \$2 million

Center for Rural Health suite \$1.25 million

Endowed faculty professorship \$1 million

Auditorium \$1 million

Grand staircase \$1 million

Center for Health Promotion and

Prevention/Family and Community

Medicine/Population Health suite \$1 million

\$500,000-\$975,000

Office of Education Resources/

Physician Assistant suite \$975,000

Administrative conference room \$950,000

Information Resources suite \$925,000

Basic Sciences/Pathology/Research Affairs \$825,000

Learning communities (8) \$750,000

Anatomy lab \$650,000

Clinical Sciences suite \$625,000

Resource Management suite (library)*

Research labs (3 of 6) \$600,000-\$775,000

Basic Sciences suites (3) \$575,000-\$875,000

Teaching lab*

Research cores (2 of 7) \$525,000-\$675,000

Large plinth lab \$500,000

\$200,000-\$475,000

Office of Administration and Finance suite \$475,000

Event space*

Café \$400,000

Office of Education and Faculty Affairs suite \$400,000

Indians into Medicine suite \$350,000

Research labs (3 of 6) \$325,000-\$475,000

Atriums (2) \$325,000-\$400,000

Multipurpose therapy lab \$275,000

Research core (1 of 7) \$275,000

Communicating stairs \$250,000-\$400,000

Lobby \$250,000

Classrooms (9 of 13) \$225,000-\$375,000

Small plinth lab \$225,000

Simulation skills lab \$225,000

Faculty/staff lounges (2) \$225,000

Learning communities: Student lounges with practice exam rooms (4) \$225,000

Patios (2) \$200,000-\$400,000

\$50,000-\$175,000

Office of Student Affairs and Admissions*

Main streets (3) \$150,000

Anatomy dry lab*

MLS clinical lab \$125,000

Collaboration zones (3) \$125,000-\$175,000

Classrooms (4 of 13) \$100,000

Office of Alumni and Community

Relations suite*

Simulation debrief rooms (5) \$75,000

Conference rooms (11 of 12) \$50,000-\$125,000

Research cores (4 of 7) \$50,000-\$100,000

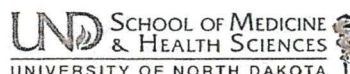
Simulation rooms (6) \$50,000

Standardized patient exam rooms (14) \$50,000

Small-group learning rooms (12) \$50,000

* Reserved

For more information, visit
www.med.UND.edu/naming-opportunities



SB 2285

Senate Education Committee

January 25, 2017

Rick Tonder, Director of Facility Planning

701.777.4270 | rick.tonder@ndus.edu

Chair and Committee Members: My name is Rick Tonder, Director of Facility Planning for the NDUS, and I'm here today to express our concern and opposition to SB 2285 as written. The bill would require the SBHE to seek legislative approval for acceptance of funds or fund raising when the receipt of such funds would provide naming rights for buildings meeting the criteria established by the bill.

The bill attempts to address an issue that is, per the North Dakota Constitution, the Board's responsibility. Specifically, the Board has "full authority over the institutions under its control." Consistent with this authority and relevant to SB 2885, the Board already has in place SBHE policy 902.12, which specifies the requirements for naming buildings and additions. The Constitution does not place limitations on the aforementioned authority, which may include the acceptance of gifts, grants, or donations in return for naming rights.

Naming rights have become an even more valuable resource for institutions under the current economic conditions. The link between donors, buildings, programs, and students is part of a long-standing tradition in higher education whereby scholarships and endowments are funded through the generosity of others. Recognizing an extraordinary gift is often accompanied by the naming of buildings or additions as a means to enshrine the generosity, which may include naming the building or addition after beloved faculty or another individual for whom the donor wishes to honor.

Placing restrictions on the Board's responsibility by requiring legislative approval to raise funds may curtail and perhaps eliminate the aforementioned opportunities, resulting in a direct, negative impact on our students and faculty. I must emphasize that the Board and the NDUS are always open to discussion regarding any concern of the legislature as it relates to managing higher education issues, and welcome any opportunity to do so regarding the wishes expressed in SB 2285. With that consideration, we request a "do not pass" recommendation from this committee for the bill as written.

This concludes my testimony, and I welcome any questions from the committee.

SB 2285
2-07-17
#1

17.0301.02001
Title.

Prepared by the Legislative Council staff for
Senator Rust

February 3, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2285

Page 1, line 11, after "assembly" insert "or, if the legislative assembly is not in session, the
budget section of the legislative management"

Renumber accordingly

SB 2285
H 2
2-7-17

17.0301.02002
Title.

Prepared by the Legislative Council staff for
Senator Oban

February 6, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2285

Page 1, replace lines 7 through 13 with "Legislative authorization is required before the acceptance of gifts, grants, donations, or bequests offered in exchange for naming rights to any state-owned building that has been funded all or in part by state general fund appropriations greater than five million dollars. This section does not apply to naming rights for individual rooms or gathering spaces."

Renumber accordingly