

FISCAL NOTE
Requested by Legislative Council
01/07/2019

Bill/Resolution No.: HB 1273

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(62,700,000)		\$(62,700,000)
Expenditures				\$62,700,000		\$62,700,000
Appropriations				\$62,700,000		\$62,700,000

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

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

HB1273 would provide a full tuition waiver for the senior year, or equivalent time period, for graduates of ND high schools attending ND state institutions of higher education. BND undivided profits would be used to fund the waivers.

- 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.*

The bill provides a waiver of tuition costs related to the senior year, or equivalent time period, of education at a ND state institution of higher education for graduates from ND high schools or home education programs.

Students attending four-year institutions would receive a waiver for no more than two semesters in which the individual is designated a senior. Students in two-year programs would receive a waiver for one-semester. Students in certificate programs would receive a waiver for twenty-five percent of the tuition cost of the program.

The waiver amount must be calculated net of scholarships, grants or other waivers to which the student is entitled.

Students may only receive one waiver under the program.

The State Board of Higher Education (SBHE) is required to develop an application form and procedures to administer the program.

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.*

The bill would reduce tuition revenue of state institutions of higher education by an estimated \$62.7 million. The number of ND high school graduates enrolled in certificate and associates degree programs, as well as the number of seniors in bachelor programs, at ND institutions during the 2016 spring, summer and fall semesters served as the basis for the calculation. FY2018-19 tuition rates were used. Scholarships, grants, and waiver dollars received by these students were deducted.

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.*

BND expenditures would increase by \$62.7 million and would be used to offset the tuition revenue loss.

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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The required special fund appropriation for this bill was not included in the executive recommendation.

Name: David Krebsbach

Agency: ND University System

Telephone: 328-4111

Date Prepared: 01/10/2019

2019 HOUSE EDUCATION

HB 1273

2019 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

HB 1273
1/16/2019
30876

- Subcommittee
 Conference Committee

Committee Clerk: Bev Monroe

Explanation or reason for introduction of bill/resolution:

Relating to the creation of a senior year tuition waiver program for North Dakota students attending North Dakota university system institutions.

Minutes:

Attachment 1, 2, 3, 4

Chairman Owens: Opened the hearing on HB 1273

Rep. P. Anderson: Starts by reading testimony. **(Attachment 1 and 2)**

3:50 Also has an amendment that will include tribal colleges **(Attachment 3)**

Representative. P. Anderson: I just came from IBL, we spent over an hour and half on a bill that gives grant loan scholarship programs for areas of work force shortages. Anywhere from 8-17 thousand per student. Here are some of the comments from our committee; outcomes, what's the end game? What the return? Is there a design for career training or just job training? Declining enrollments because of the programs in Minnesota, South Dakota and Montana. Maybe we just need to convert one of these bills in the interim to study was is best for the state of North Dakota. I think it would be easiest to just pay for 25% of post education for our students that graduated from a North Dakota High School.

6:15 Rep. Mary Johnson: When you say 19.6% of the bank's annual earnings, in the accounting world that would be gross revenue not net. Did you mean after expenses paid?

Rep. P. Anderson: It's from their annual report. The fiscal note was 19.6%.

Rep. Mary Johnson: That might mean gross revenue and that would mean part of that goes to their expenses.

Rep. P. Anderson: I was based on 160 million that they projected would be their earnings for this last year.

Rep. Mary Johnson: On page 2 line 13 of the bill, how do you foresee the tuition waiver working on a per class situation? When the waiver is for a tuition?

Rep. P. Anderson: If a college said you can register as a senior under their program, base tuition, we would pay for that tuition as long as they are a full time student.

Rep. Mary Johnson: Failing course work is the entire program not just one class? How does it apply to individual course work that they may receive a failing grade in?

Rep. P. Anderson: You have to have a good student GPA and the course work is for certificate and regular college. They can't be failing to get the 25%.

9:50 Chairman Owens: Questions on map (**see attachment #2**) Some state legislation activity, what does that mean? They already have some scholarship programs or they are just now working on some legislation?

Rep. P. Anderson: There is something going on in the legislature or they have got some pilot programs going to figure out what they are doing in the states. Tennessee promise; that 100% and a 16% increase in community college retention, Oregon promise; has 13% increase in community colleges enrollments.

Chairman Owens: I am familiar with those programs but they are community colleges only they are not the four year colleges. I did attend a couple of meeting for the campaign for free college tuition to find out how they were funding free college tuition. I was curious if they found a new way of funding but it's simply taking taxes from somewhere else to fund this.

Rep. P. Anderson: Maybe that's the best option for North Dakota, free 2 year and technical colleges. I feel very strongly that as a state we need to be added to this map, attachment 2.

Chairman Owens: I don't know how this map was done because I know of one program in one of these states that's green that we have here in North Dakota and yet North Dakota is white. They're not counting that program so I am wondering what are they counting for these programs?

Chairman Owens: Anyone other support for HB 1273?

14:00 Lisa Johnson, Interim Vice Chancellor for Academic and Student Affairs, NDUS: (**See Attachment #4**), Started reading testimony

17:20 Rep. Pat D. Heinert: Can you talk about the program, as it's presented, who's going to be responsible for identifying what money goes to where and how it's collected if the student doesn't achieve the goals set?

Lisa Johnson: We have not had extensive conversations about managing it but our person that works largely with tuition waivers has often does in coordination with the Bank of North Dakota. That is why I included language about Tran scripted credentials. If it's not put on an academic transcript so it would be very difficult to manage that if it's not transcript in some manner.

Rep. Pat D. Heinert: Do you have a concept of the number of qualifying individuals on an annual basis? Number that would receive funding?

Lisa Johnson: We don't have that with us but we can get you the number of students affected by this. It would make a difference on how you funded it, full time, part time capacity or just that last term. I encourage considering a number of credits because the last term might be student teaching or something along those lines.

19:45 Rep. Longmuir: Why not refer to the 4-year and the 2-year institutions are post-secondary? That would encompass everything.

Lisa Johnson: I believe because the language had differentiated between 4-year and 2-year programs, it suggests coving the last year of a 4-year program or the last semester of a 2-year program.

20:55 Rep. Mary Johnson: You mentioned nursing, at 2% unemployment in the state I think our glaring problem in the state is that we don't have bodies to fill jobs. I am very curious of the breakdown of jobs available and those requiring a professional degree. I would venture to say that a majority of those jobs do not require a 2 or 4-year certificate. With this bill you don't require anyone to stay in the state to work. At work right now there's a gal from Minnesota that will be returning to her home town because they offer tuition forgiveness, my problem with these bills is that it is cooperate welfare. We want the tax payers to pay for subsidies to help fill jobs when it should be on the employers.

Lisa Johnson: I might recommend focusing on the in-demand jobs and adding perimeters requiring an associate degree and higher. I might add that we add some that are forward thinking like cyber security and those sort of things. I agree the answer isn't just paying for tuition, the university system is constrained by the fact that there is a demand for more nurses but in the governor's study one thing that showed up is that the conditions, the packages for compensation as compared to nearby states is a huge factor in retaining nursing students in North Dakota.

25:10 Rep. Ron Guggisberg: Is there a clearing house as to when these programs are developed and implemented, whether or not they met the goals they set out for. Which are working the best with specific out comes?

Lisa Johnson: I will have to see if I can find some more of that information.

Rep. Laurie Beth Hager: Do you think this would need to say excluding fees? Would fees be on basis of the student their senior year?

Lisa Johnson: I don't think it would hurt to include that, at the university system level we just talked about this. We are doing more to reduce fees and have that more inclusive in the tuition.

27:10 Rep. Dennis Johnson: The amendment here shows they will include tribal colleges? As the bill reads now it doesn't include them.

Lisa Johnson: It most likely would be managed by BND. I think if they want to include them they should be included by name into the bill for clarification.

28:55 Eric Hanson: I am the student body president at the University of North Dakota; to say that I am in opposition to this and other scholarships and things like that for students wouldn't be true, I think just not in this form. One thing is if we want to reduce the cost of higher education we'd rather see those dollars go in through the appropriation process where we have money going towards our annual operating funds where there are always cuts. One of the things we look at is work force and the largest needs isn't our ND kids going to college it's also bring in kids from out of state. We are working on a bill in the Senate, that bill would have some work requirements. One of the biggest turn offs for out of state students is that we don't have a lot for students their freshman year, it's more for the sophomore or older students. Parents and students are making decisions on the scholarships that are available to them. Another scholarship program that is for after the fact doesn't do much for our recruiting.

32:40 Rep. Mary Johnson: Can you tell me the percent of students that represent out of state student enrollment? At least at UND?

Eric Hanson: I don't know the exact number but UND does have the largest amount of out of state students.

Rep. Mary Johnson: There are more students from out of state then from ND going to UND?

Eric Hanson: That is correct.

Rep. Ron Guggisberg: How do you come to decisions on measures? Do you take a vote as a student body?

Eric Hanson: Not voted on by student body by any means but student leadership will definitely take a stand but one of the major project that our student government has been working on is filling a bill that would include some work force requirements.

Rep. Ron Guggisberg: So the answer is no? This is something you decided.

Eric Hanson: Yes, I am speaking as a representative of some leadership and individually as a citizen of ND.

36:05 Eric Hardemeyer; President of the Bank of North Dakota: I am not here to oppose the bill but I do want to clarify and answer some questions. To answer Representative Johnson's question about profitability, the BND has set a record profit over past 15 years. This year we had a profit of roughly 159 million. We project that over the next 2-years to have about 300 million of net profit, so this bill represents 62 million of that profit. That would be about 20% of our profits. I want to point out the impact on BND on the collective number of bills in HB 1014 there's 196 million dollars' worth the capital coming to support the general fund, buy down programs and venture capital. There's a 10-million-dollar bill in IBL, total as of today the BND is being asked to fund 268.7 million. So the number of 20% would actually be about 89% of our earnings after the other programs.

Rep. Pat D. Heinert: On the administration of the program and it sounded like that was going onto the BND; would you have current staff available to take of that need?

Eric Hardemeyer: A number of these bills will tax our staff ability, at some point we would have to look at our resources. I would have to say looking at the collective bills I would have to say no we do not have the staff.

Vice Chair Schreiber-Beck: Anything other question? Hearing none we will close the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau Room, State Capitol

HB 1273
1/16/2019
30917 (17:50-19:42)

- Subcommittee
 Conference Committee

Committee Clerk: Bev Monroe by Donna Whetham
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Explanation or reason for introduction of bill/resolution:

Relating to the creation of a senior year tuition waiver program for North Dakota students attending North Dakota university system institutions.

Minutes:

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Chairman Owens: Opened the hearing on HB 1273.

Rep. Heinert: I move a Do Not Pass on 1273.

Rep. Zubke: Seconded.

Chairman Owens: Any discussion? Seeing none. Call the roll.

Roll call vote: Yes 12. No 2. Absent 0. Do not pass on HB 1273 carries.

Rep. Heinert: Carries the bill.

Hearing closed.

Date: 1/14/19
Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1273**

House 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 Rep. P. Heinert Seconded By Rep. D. Zubke

Representatives	Yes	No	Representatives	Yes	No
Chairman M. Owens	✓		Rep. Guggisberg		✓
V. Chair. Schreiber-Beck	✓		Rep. Hager		✓
Rep. Heinert	✓				
Rep. Hoverson	✓				
Rep. D. Johnson	✓				
Rep. M. Johnson	✓				
Rep. Johnston	✓				
Rep. Longmuir	✓				
Rep. Marschall	✓				
Rep. Pyle	✓				
Rep. Strinden	✓				
Rep. Zubke	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. P. Heinert

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

REPORT OF STANDING COMMITTEE

HB 1273: Education Committee (Rep. Owens, Chairman) recommends DO NOT PASS
(12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1273 was placed on the
Eleventh order on the calendar.

2019 TESTIMONY

HB 1273

HB 1273
1/16/19
#1

Testimony on HB 1273 House Education Committee

Representative Pamela Anderson, District 41

January 16, 2019

Good Morning Chair Owens and Committee Members.

I introduced a similar bill last session and believe it has merit, so back again.

This bill would use Bank of North Dakota earnings to pay for senior base tuition at our institutions for students that graduated from a North Dakota high school. If your institution is a two-year school or a certificate school, 25% of the cost would be paid on behalf of the student. I believe we would have more teachers, nurses, engineer, welders- all that you offer- under this bill.

It also is a way to say "thank you" to all the parents that have paid income and property taxes through the years. This bill says if you can pay for the first three years, or 75%, of your post high school education, we will pay the rest. This means we will have fewer dropouts and more students returning to school to complete their education. Also, our students will have less student debt and will be able to purchase a home or start a family a couple years sooner.

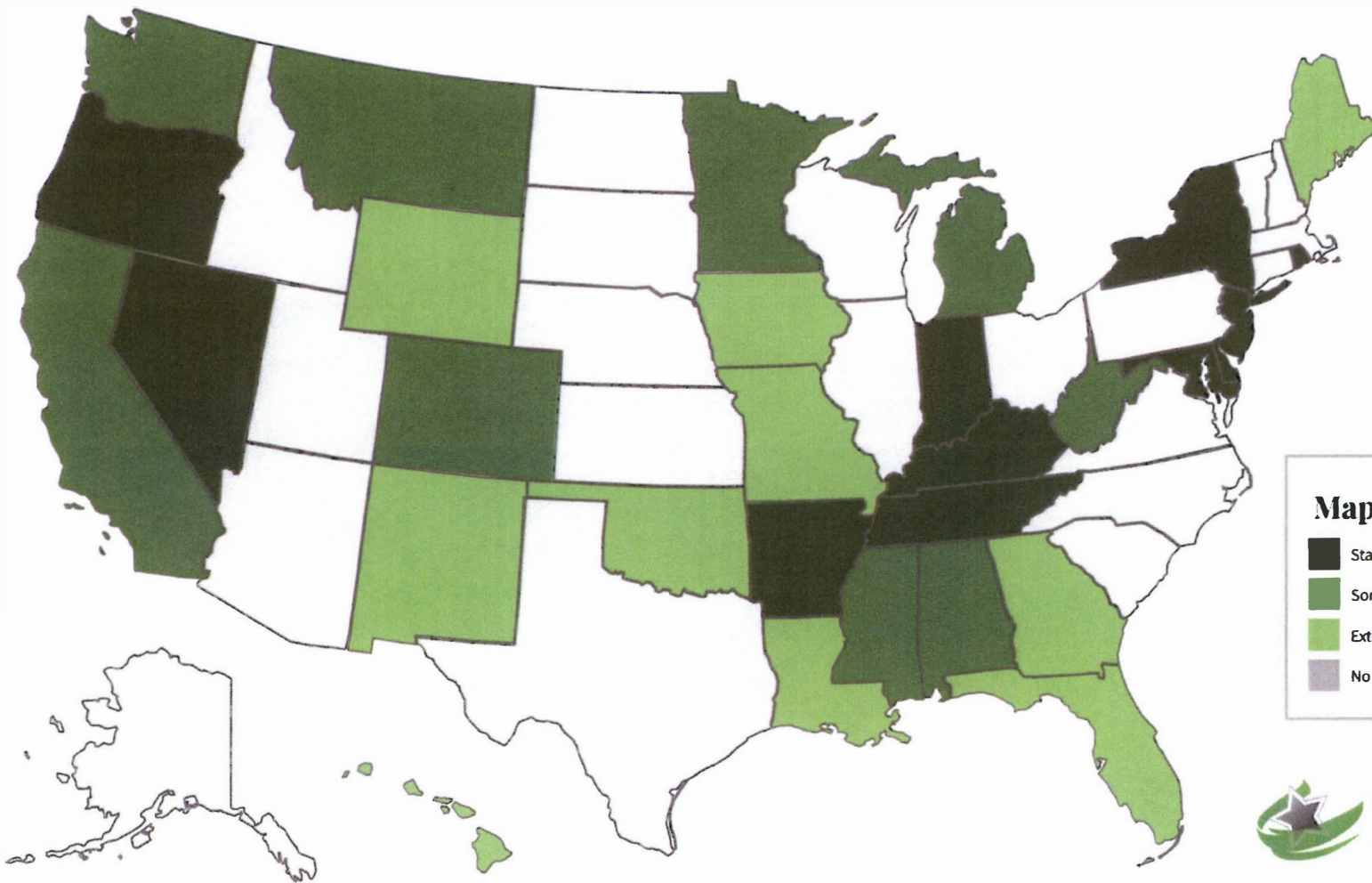
The fiscal note is large, at first glance, but it is only 19.6% of the Bank's annual earnings. The Bank's student loan portfolio is 28.6% of total loans. The cost of my bill would be less than the bank earnings on student loans and it would be an opportunity for student payments to help other students. I appreciate that everyone wants to use the Bank's earnings and the Bank needs to retain a portion of their earnings, but this "Senior Promise" (dubbed by Tammy Nolan) is exactly what is the vision of the bank. The Vision Statement is "BND is an agile partner that creates financial solutions for current and emerging economic needs." This is certainly a financial solution for our future of an educated and skilled workforce. Everyone agrees our number one challenge in our state is workforce.

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My understanding from visiting with the Higher Ed System last session, the mechanics of this bill are not difficult. The System can track North Dakota high school graduates attending our state institutions. This bill does not affect the formula or budgets of the institutions, just helps the students with their piece of paying for their education.

I passed out a map of the United States. Clearly, more and more states are assuming responsibility for student education. We need to do the same. We have a huge advantage in having a state bank with stable and growing earnings to support this investment in our future.

Thank you for your consideration of HB 1273.



Map Legend

- Statewide promise program enacted
- Some state legislative activity
- Extensive scholarship programs in place
- No promise programs planned or in place



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#2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1273

Page 1, line 3, after "institutions" insert "and participating tribal colleges and tribally controlled community colleges"

Page 1, line 12, after the underscored period insert "A tribal college or tribally controlled community college may participate in the program."

Page 1, line 13, after "program" insert "and facilitate participation by tribal colleges and tribally controlled community colleges"

Page 1, line 15, after "education" insert "and each participating tribal college or tribally controlled community college"

Page 2, line 10, after "board" insert "and each participating tribal college and tribally controlled community college"

Page 2, line 20, after "control" insert "and each participating tribal college and tribally controlled community college"

Page 2, line 20, after "institution" insert ", tribal college, or tribally controlled community college"

Renumber accordingly

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#4



HB1273

House Education Committee

January 16, 2019

Lisa A. Johnson, Interim Vice Chancellor for Academic/Student Affairs, NDUS
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Chair Owens and members of the House Education Committee: My name is Lisa Johnson, and I serve as the Interim Vice Chancellor for Academic and Student Affairs of the North Dakota University System. I'm here to provide testimony in support of House Bill 1273.

This bill, intended to incentivize student completion rates among both two-year and four-year institutions, is supported by the North Dakota University System. It aligns well in response to recommendations contained in the *Workforce Development Council Summary Report*. The Workforce Development Council comprised of employers, state agencies including K-12, CTE and the University System developed a number of recommendations to address the technical skills gap with an emphasis on two-year and technical programs and to encourage in state completion and retention of North Dakota students in a nationally competitive work environment. Further, the proposed bill supports many elements of the Governor's Main Street Initiative and the Governor's Nursing Shortage Task Force to attract and retain North Dakota students not only in nursing, but also many in demand fields with job opportunities in both rural and non-rural communities.

The proposed bill and the financial incentive to complete a baccalaureate, associate or certificate program will most likely increase existing graduation and retention rates among public, postsecondary institutions of higher education in North Dakota.

For the Committee's consideration, it was suggested that page 1, line 11 include reference to individuals who have completed a GED in terms of eligibility for the tuition waiver.

Further, because of the expanded mission of more than one NDUS institution, the Committee may wish to consider replacing reference to "four-year institutions" and "two-year institutions" with that of baccalaureate-level programs and associate-levels programs. These proposed revisions then recognize that BSC offers one or more baccalaureate degree and that several four-year institutions offer associate-level degrees.

Additional consideration might be given to working and returning adult students completing a degree or certificate in a part-time capacity. Language specifying the actual number of credit hours covered in the final year of a baccalaureate or associate program or the number of credit



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hours covered in a transcribed, credit-bearing certificate program might be more inclusive of a less traditional campus population. I specifically include reference to and recommend inclusion of the terms “transcribed” and “credit-bearing certificate programs” to suggest greater clarification in terms of what is or is not covered by the proposed tuition waiver.

I respectfully recommend a “do pass” on House Bill 1273 and am available to answer questions from the Committee.

Thank you.