Sixty-first
Legislative Assembly
of North Dakota

SENATE BILL NO. 2062

Introduced by

Legislative Council

(Workforce Committee)

A BILL for an Act to create and enact five new sections to chapter 15-62.2, a new subdivision to subsection 1 of section 57-38-01.2, and a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to creation of the North Dakota opportunity grant program for students enrolled in North Dakota institutions of higher education and of a new graduate earned income deduction; to provide for reports to the legislative council; to provide legislative intent; to provide a transfer; to provide for the preparation of legislation; to provide a continuing appropriation; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

Opportunity grant - Eligibility. A student is eligible for an opportunity grant if the student:

1. Was a resident of this state for the twelve months preceding the date the student met the graduation or high school diploma requirements under subsection 2;
2. After April 30, 2014:
   a. Graduated from a public or nonpublic high school in this state;
   b. Graduated from a high school in another state under chapter 15.1-29; or
   c. Met the requirements for a high school diploma through home education, in accordance with section 15.1-23-17;
3. Completed a high school curriculum that included at least four units of mathematics at the level of algebra I and higher and four units of science;
4. Has a minimum cumulative composite score of twenty-three or a minimum mathematics scale score of twenty-three on the test of academic achievement administered by ACT, Inc., or is enrolled in a two-year career and technical

academic program that is recognized by the department of career and technical education;

5. Submitted an application for an opportunity grant as required by the state board of higher education; and

6. a. Is continuously enrolled in a North Dakota institution of higher education and carries a course of study that is defined as "full time" by the institution;

   b. Is enrolled in an associate or baccalaureate program; and

   c. Maintains a minimum 3.0 cumulative college grade point average.

SECTION 2. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

Opportunity grant - Amount payable - Annual increase.

1. Beginning with the 2014-15 school year:

   a. If a student who is eligible for an opportunity grant enrolls in an institution of higher education under the control of the state board of higher education, for each year the student is eligible to receive an opportunity grant in the amount of sixty-five percent of the tuition charged that year at the student's institution.

   b. If a student who is eligible for an opportunity grant enrolls in a North Dakota private institution of higher education, for each year the student is entitled to receive sixty-five percent of the statewide average tuition charged that year at four-year institutions of higher education under the control of the state board of higher education.

2. Beginning with the 2015-16 school year:

   a. If a student who is eligible for an opportunity grant enrolls in an institution of higher education under the control of the state board of higher education, for each year the student is eligible to receive an opportunity grant in the amount of seventy percent of the tuition charged that year at the student's institution.

   b. If the student enrolls in a North Dakota private institution of higher education, for each year the student is entitled to receive seventy percent of the statewide average tuition charged that year at four-year institutions of higher education under the control of the state board of higher education.

3. Beginning with the 2016-17 school year:

a. If a student who is eligible for an opportunity grant enrolls in an institution of higher education under the control of the state board of higher education, for each year the student is eligible to receive an opportunity grant in the amount of seventy-five percent of the tuition charged that year at the student's institution.

b. If a student who is eligible for an opportunity grant enrolls in a North Dakota private institution of higher education, for each year the student is entitled to receive seventy-five percent of the statewide average tuition charged that year at four-year institutions of higher education under the control of the state board of higher education.

4. Beginning with the 2017-18 school year:

a. If a student who is eligible for an opportunity grant enrolls in an institution of higher education under the control of the state board of higher education, for each year the student is eligible to receive an opportunity grant in the amount of eighty percent of the tuition charged that year at the student's institution.

b. If a student who is eligible for an opportunity grant enrolls in a North Dakota private institution of higher education, for each year the student is entitled to receive eighty percent of the statewide average tuition charged that year at four-year institutions of higher education under the control of the state board of higher education.

5. Beginning with the 2018-19 school year:

a. If a student who is eligible for an opportunity grant enrolls in an institution of higher education under the control of the state board of higher education, for each year the student is eligible to receive an opportunity grant in the amount of eighty-five percent of the tuition charged that year at the student's institution.

b. If a student who is eligible for an opportunity grant enrolls in a North Dakota private institution of higher education, for each year the student is entitled to receive eighty-five percent of the statewide average tuition charged that year at four-year institutions of higher education under the control of the state board of higher education.

6. Beginning with the 2019-20 school year, and each year thereafter:

   a. If a student who is eligible for an opportunity grant enrolls in an institution of higher education under the control of the state board of higher education, for each year the student is eligible to receive an opportunity grant in the full amount of tuition charged that year at the student's institution.

   b. If a student who is eligible for an opportunity grant enrolls in a North Dakota private institution of higher education, for each year the student is entitled to receive the statewide average tuition charged that year at four-year institutions of higher education under the control of the state board of higher education.

SECTION 3. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

Opportunity grant - Credit. The opportunity grant is payable by the state board of higher education to an accredited institution in which the student is enrolled, during each year the student is enrolled, until the student completes the requirements of the associate or baccalaureate program, provided that a student for an associate program may not receive a grant for more than two consecutive years and that a student of a baccalaureate program may not receive a grant for more than four consecutive years. The grant must be credited toward any tuition charges due and payable by the student, after accounting for all other grants, scholarships, and waivers. If the grant exceeds the amount owed by the student, the excess funds must be returned to the program and the student has no further right to the funds. No grants are payable after the 2030-31 school year.

SECTION 4. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

Annual reports. The state board of higher education shall provide an annual report regarding the opportunity grants to the legislative council. At the same time the superintendent of public instruction shall provide an annual report regarding student demographics and student achievement, as evidenced by cumulative grade point averages and high school course selections.

SECTION 5. A new section to chapter 15-62.2 of the North Dakota Century Code is created and enacted as follows:

North Dakota merit award trust fund - Creation - Continuing appropriation. There is created in the state treasury a special fund known as the North Dakota merit award trust fund. The fund consists of any moneys appropriated by the legislative assembly, together with any gifts or grants received from any public or private sources. The state board of higher education shall administer the fund. The state investment board shall invest moneys in the fund in accordance with chapter 21-10, and any income earned must be deposited into the trust fund. All interest and income from the trust fund is available to the state board of higher education for the purpose of providing North Dakota opportunity grants under this Act. The state board of higher education shall return any unexpended amount in the trust fund on June 30, 2031, to the general fund in the state treasury.

SECTION 6. A new subdivision to subsection 1 of section 57-38-01.2 of the North Dakota Century Code is created and enacted as follows:

Reduced by the new graduate earned income deduction, determined as follows:

(1) The deduction is equal to the amount of earned income from sources in this state during the taxable year which is earned while the individual is a resident of this state. For purposes of this paragraph, "earned income" has the meaning provided under section 32 of the Internal Revenue Code.

(2) The individual must have been awarded:

(a) An associate degree after December 31, 2004, and before January 1, 2016; or

(b) A baccalaureate or graduate degree after December 31, 2004, and before January 1, 2018.

(3) In the case of a degree awarded:

(a) Before January 1, 2009, the qualifying degree from which eligibility under this subdivision is measured is:

[1] The most recently awarded degree; or

[2] In the case of a student with a degree awarded before January 1, 2009, who since being awarded that degree has maintained full-time student status and who has

continuously attended school to achieve an additional degree, the degree the taxpayer identifies to claim the credit; and

(b) After December 31, 2008, the qualifying degree from which eligibility under this subdivision is measured is:

[1] The first degree awarded after that date; or

[2] In the case of a student with a degree awarded after December 31, 2008, who since being awarded that degree has maintained full-time student status and who has continuously attended school to achieve an additional degree, the degree the taxpayer identifies to claim the credit.

(4) As used in this subdivision, the requirement of continuously attending school is not violated if the period between the award of a degree and the beginning of the studies for the next degree does not exceed nine months and the requirement does not require summer attendance unless the academic program otherwise requires. An interruption of studies due to military deployment does not violate the requirements of full-time student status or continuous attendance.

(5) If a taxpayer who is entitled to identify the degree for which the taxpayer will claim the credit under paragraph 3 is unsuccessful in completing the additional degree, or otherwise ceases to comply with the continuous and full-time attendance requirements, that taxpayer forfeits the credit for any year for which the credit was not claimed.

(6) The deduction is available for a period of five consecutive taxable years, with the first year being the first year immediately following the year of the award of the qualifying degree. An individual is entitled to the deduction under this subdivision only with respect to the first qualifying degree awarded to the individual under paragraph 3.

SECTION 7. A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

<u>Reduced by the amount of the new graduate earned income deduction under section 1 of this Act.</u>

SECTION 8. TRANSFER. The director of the office of management and budget shall transfer the sum of $25,000,000 from the general fund in the state treasury to the North Dakota merit award trust fund on July 1, 2009.

SECTION 9. LEGISLATIVE INTENT - FUTURE SUPPORT AND TRANSFERS. It is the intent of the legislative assembly that, beginning with the 2011-13 biennium, the North Dakota merit award trust fund be supported in the amount of $40,000,000 per biennium, $15,000,000 of that amount from the accumulated and undivided profits of the Bank of North Dakota, $10,000,000 from oil extraction tax revenues, and the remainder from the student loan trust fund and the lottery operating fund, in the proportions determined by the legislative assembly.

SECTION 10. LEGISLATIVE INTENT - ACCESS TO APPROPRIATE EDUCATION. It is the intent of the legislative assembly that the state board of public school education, the state board of higher education, the education standards and practices board, and the state board for career and technical education continue their joint efforts to establish high standards and expectations of students at all levels of the education continuum and that the boards do all things necessary and proper to ensure that the students of this state have access to challenging curricula, highly qualified teachers and instructors, and an education system that allows them to meet the promise reflected in their abilities and the demands of a twenty-first century global economy.

SECTION 11. PROMISSORY NOTE REQUIREMENTS - CONDITIONS - PREPARATION AND PRESENTATION OF LEGISLATION.

1. During the 2009-10 interim, the state board of higher education shall collaborate with the Bank of North Dakota to determine the statutory provisions that need to be enacted to:
   a. Require that before any payment may be made on behalf of a student under this Act, the student must execute a promissory note; and
   b. Establish the conditions upon which a promissory note executed by a student under this Act must be based.

2. The state board of higher education and the Bank of North Dakota shall consider all issues pertinent to the terms and conditions of repayment, including relocation to accept employment, relocation for graduate school attendance, full-time volunteer service, missionary or other religious commitments, military commitments, marital and family commitments, health concerns, and the priority of other debts.

3. The state board of higher education and the Bank of North Dakota shall prepare the proposed legislation required by this section and present the legislation to the sixty-second legislative assembly.

SECTION 12. EFFECTIVE DATE. Sections 6 and 7 of this Act are effective for taxable years beginning after December 31, 2008.