17.0160.04000

FISCAL NOTE
Requested by Legislative Council
04/04/2017

Revised
Amendment to: SB 2036

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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			$(5,000,000)			
Expenditures						
Appropriations			$(2,500,000)		$(2,500,000)	

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 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).*

Engrossed SB 2036, First Engrossment w/ House Amendments, continues challenge grant expenditure authority, creates new income tax credit for contributing to State Board-controlled colleges, and cancels a college's appropriation equal to credits on contributions received by college.

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.*

Section 1 of bill continues expenditure authority for academic advancement matching grants equal to $750,000 per institution to NDSU and UND, for a total of $1.5 million in matching grants.

Section 2 of bill continues expenditure authority for academic advancement matching grants equal to $275,000 per institution to the other nine campuses plus an additional $25,000 to be shared among the nine campuses, for a total $2.5 million in matching grants.

Sections 1 and 2 of the bill also authorize the North Dakota University System (NDUS) office to retain up to 1/4 of 1% of the matching grant dollars awarded for administrative expenses.

Section 3 of the bill creates a new income tax credit for individuals who make a charitable contribution to a college or university under the control of the State Board of Higher Education. The credit is allowed for the 2017 and 2018 tax years only, after which the credit expires. The credit is equal to 40% of the amount contributed during the tax year, up to a maximum credit per year of $30,000 (or $60,000, for married individuals filing jointly). A single contribution must be at least $25,000 to qualify. To prevent a double benefit, the amount of the contribution for which the credit is allowed must be added back into North Dakota taxable income to the extent it reduced federal taxable income. The maximum number of credits allowed to all contributors per year is limited to $2.5 million. The amount of contributions a college may receive for which the credit is allowed is limited as follows: $3 million for each 4-year institution with annual full-time equivalent enrollment of over 10,000 students; $1 million for each 4-year institution with annual FTE enrollment of 10,000 or fewer students; and $500,000 for each 2-year institution with annual FTE enrollment of 10,000 or fewer students.

Section 4 of the bill provides that, by August 1, the tax commissioner is required to certify to OMB the amount of credits claimed during the preceding state fiscal year broken down by the college to which they relate. In turn, OMB shall cancel the portion of each college's current general fund appropriations authority by the credits attributable to the college.

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.*

Section 3 of the bill provides for an income tax credit of up to $2.5 million per year for the 2017 and 2018 tax years, for total credits of $5 million for the biennium. It is assumed that the maximum amount of contributions eligible for the credit will be obtained.

Section 4 of the bill requires OMB to cancel the portion of each college's current biennium's general fund appropriations authority by the amount of credits allowed under Section 3 of the bill that are attributable to the eligible contributions received by each college.

The net effect of Sections 3 and 4 of the bill on state general fund revenues is revenue neutral, although the impacts will most likely affect both the 2017-19 and 2019-21 biennia.

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.*

Sections 1 and 2 provide total expenditure authority of $4 million, which is a reduction of $19.5 million from the 2015-17 appropriation of $23.5 million for the challenge matching grant program.

It is assumed that the 1/4 of 1% of the $4 million of matching grant monies, or $10,000, will be spent by the NDUS office for administrative expenses each biennium, with the balance of $3,990,000 allocated to the colleges.

The bill provides that this expenditure authority is subject to legislative appropriations. (The bill does not contain an appropriation.)

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 bill does not contain an appropriation, but makes the academic advancement matching grant authority subject to legislative appropriations.

The reduction in general fund appropriations shown in 1A above is the expected amount of appropriation authority canceled by OMB due to the contributions received by the colleges and universities.

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