

2011 SENATE EDUCATION

SCR 4004

2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

SCR 4004
January 11, 2011
12745

Conference Committee

Committee Clerk Signature

Teresa Jorgenson

Explanation or reason for introduction of bill/resolution:

Relating to the distribution of income from the foundation aid stabilization fund; and to provide an effective date.

Minutes:

See attached testimony.

Chairman Senator Freborg opened the hearing on SCR 4004. Fiscal note attached.

Senator Grindberg, District 41, introduced SCR 4004; it is a companion bill to SB 2058. Senator Grindberg was the chair of the interim committee appointed to work on and introduce SCR 4004. Program was modeled after the state of Wyoming; they have a successful scholarship program. The idea is to increase the number of students in the state that attend college and stay in the state as part of the work force.

Student numbers are growing in the state; a significant amount coming to the northwestern part of the state. Overall premise of rewarding students, challenging them in high school, maintaining our place in the nation and world with the best educated population and workforce—this is a vital tool to move the state forward.

L. Anita Thomas, Legislative Counsel: The Workforce committee was looking for a long term sustainable source of dollars and settled on the Foundation Aid Stabilization Fund. It is a constitutional fund, and the proposal would be to use the interest or other income generated by the fund to provide the North Dakota scholarships. The principal in the fund would remain as it currently is in the constitution; it can be expended only upon the order of the governor to offset foundation aid reductions.

Chairman Freborg asked what amount is currently in the fund.

L. Anita Thomas currently the fund balance is \$134.2 million, and is generating about \$600,000 in interest.

Senator Flakoll, District 44, member on bipartisan effort on the North Dakota Youth Council; also served on the Workforce Development committee that heard recommendations and suggestions, and added more specificity to the bill. Other states are budgeting to get through the next year, the next two years—that's their focus. North

Dakota can focus on the long term—20, 40 years. North Dakota needs to be visionary in nature to ensure our future, economic stability, and grow the economy. (Testimony #1)

Senator Gary Lee: You reference Wyoming, its fund and the comparability to what is being presented today. Wyoming fund is an endowment, funded originally by a \$4 million influx of money to the endowment and they intend to keep that and supplement it with mineral funds. How does what is being presented today and what Wyoming is doing in that regard?

Senator Flakoll: (correction to amount—is \$400 million) They have different scholarships that range from \$800 to \$1600 per student based upon different parameters. Those that achieve higher get rewarded higher. Difference is that North Dakota looks with a longer scope; Wyoming puts in \$400 million which seems like a great deal today, but not sure theirs looks as far out as North Dakota's SCR 4004. Look out, how much is generated per year and keep in step with inflation. Thinks that Wyoming may run out of funds.

Chairman Freborg: What percent of students would qualify for the scholarship?

Senator Flakoll: mid 20% will meet the academic qualifications, but should change over time as students figure out about the scholarship they will work harder to meet the qualifications. May stop the students wasting their senior year of high school. ACT test score of 24 or higher is required; B average in high school. They can retake courses and the ACT test to improve scores.

Senator Gary Lee: Wyoming's goal was increased graduates and employment numbers for the state. How has it worked for them?

Senator Flakoll: Started in 2006 in Wyoming and had 1897 students qualify; in the 2008-09 year there were 2326 students.

Senator Gary Lee: Have they seen increased number of graduates from high school and trying to draw students into the state. Also trying to retain them in the state following graduation. Are those information pieces available?

Senator Flakoll: Important to note that some have not even graduated yet. There was an upturn in 2 year college graduates staying in the state.

Senator Gary Lee: Is this scholarship program only available to North Dakota residents?

Senator Flakoll: Only North Dakota graduates attending North Dakota colleges.

Senator Gary Lee: SCR 4004 doesn't address being a North Dakota high school graduate to qualify.

Senator Flakoll: This is about a funding mechanism; the committee didn't want to get too heavy handed. This is more about sustaining and funding the scholarships, and we didn't want to tie the legislature's hands. The ACT is one tool used; WorkKeys is another.

WorkKeys® is a job skills assessment system that helps employers select, hire, train, develop, and retain a high-performance workforce.

Senator Luick: What is the state average for the ACT test score?

Senator Flakoll: The state average is approximately 20.7 for the ACT.

Senator Heckaman: SB 2058 and SCR 4004 are companion bills; what happens if this resolution passes, the other one would be safe, correct? But if this resolution does not pass, what happens to the other bill?

Senator Flakoll: If this doesn't pass, the legislature would have to address the program every two years.

Senator Heckaman: Doesn't it specifically state in SB 2058 that the money would come from this fund?

Senator Flakoll: I don't believe that bill has any appropriation tied to it; wouldn't have the weight tied to it in terms of on-going funding. Any things that are not constitutional are much more subject to the ebbs and flows of the legislative session.

Would like to add the following into testimony: 20 year projections for the Foundation Aid Stabilization fund (see testimony #2). Also a memo from Legislative Council (testimony #3) and undergraduate tuition rates at the state institutions (testimony #4).

Senator Gary Lee: With all your calculations here, did you state what dollar amount would be necessary on an annual basis to fund the scholarships as we move forward into the years that are charted; 2009-2031? How much money is needed to fund the scholarships that will be requested?

Senator Flakoll: It would depend upon what the scholarship amount would be; don't anticipate it will stay at \$1500. Right now believes the fiscal note in bill SB 2058 was about \$16 million when everybody's in the pipeline. It will be a challenge in the first few years to an accurate number of scholarships. 2010 graduates are the first to qualify, so that's still a fairly tough target to hit. We estimated 1500 students and awarded to 1394. Last session provided for \$3 million and there will be some turn back which is being rolled into the program on a go forward basis; erred on the high side.

Senator Gary Lee: Is that 16 million annual?

Senator Flakoll: Believes it is for the biennium.

Senator Freborg: Is the ACT cutoff of 24 too high as it only took in 27% of the students. Is that a good number, or is the standard too rigid.

Senator Flakoll: Thinks it is an appropriate number; this is about trying and striving to do better. Person with a 24 ACT score was projected to have about a 70% chance of getting a

C or higher in college. Had about a 30% of getting a B or more in college. If we dip too low we may have people that qualify for the program but can't make it in college.

Senator Luick: If the ACT score of 24 becomes an issue, would it be possible to ramp it up and encourage current 8th graders to get to that point; to get themselves onboard. Can the current 9-10-11-12th graders have a chance to qualify for the scholarship?

Senator Flakoll: Worry about making exceptions; could set it at a lower limit and would be asked to make an exception (i.e. set it at 19, and someone with 18.85 wanting exception). They can take the ACT test again for around \$35 each time. The WorkKeys is also an acceptable measure.

Senator Luick: Am behind an incentive program, but concern is that we are only rewarding 27% of the state's students. There needs to be an incentive to the lower end (between 20.7 and 24). Not everyone is going to achieve a 24 or higher.

Senator Flakoll: Would worry that if brought down too low, there will be students that qualify for the scholarship but can't make entrance qualifications at the state colleges. Have to keep in mind there is almost \$20 million set aside in needs based grants. (see testimony #5 for higher ed scholarship and other financial incentive programs). This current program says if one studies and works hard, and performs well, we will help them out.

Senator Luick: Am 100% behind an incentive program, but this program is only rewarding 27% of the state students. Need some incentive to the students that are scoring 20.7 to 24 too. Not everyone is going to achieve 24 and above on the ACT, if state average is only 20.7?

Senator Flakoll: If we bring it down too low, we would have people qualify for the scholarship that can't make entrance qualifications at state institutions. Have to keep in mind there is already about \$20 million set aside in needs based grants. (See testimony #5) Handout providing information regarding higher ed scholarships and other financial incentive programs to North Dakota students.

Representative Thomas Beadle, District 27 and member of the Youth Council testified in favor of SCR 4004. Am a young North Dakota college graduate and freshman representative that sees the need to have a permanent funding source that may ensure the best and brightest students are retained in the state; give them a financial incentive to keep them here. Valuable investment to students and to the young people in the state who recognize there are many opportunities in North Dakota that they aren't seeing elsewhere; unemployment rate below 4%, etc.

Would like to speak to the ACT questions; one of the reasons for low test score is that most only take it once. From his experience the average increase in retaking the test was about 2 pts. There are a variety of assistants out there to assist students to study for the test and prepare so they can raise their score.

Robert Vialle, Executive Commissioner for Governmental Relations & Intercollegiate Affairs, NDSU Student Government, testified that students at NDSU support SCR 4004. Higher education is an expensive proposition; some get by but others have to work hard to finance their education—student loans, work one or more part-time job or full-time, take fewer credits, take time off or take classes on a semester basis. Reward students that do qualify; higher rigor and higher success go together. Believes we need to create a permanent sustainable fund to reward students who have proven themselves.

There being no opposition and no other testimony, the hearing was closed.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

Committee Work on SB 4004
January 18, 2011
12997

Conference Committee

Committee Clerk Signature



Note: Due to power outage, SB 4004 was recorded on job #12997 at Meter: 1:16:37.

Senator Flakoll talks on his amendment to SB 4004. He presents to committee proposed amendments to Constitutional Amendment 4004, 11.3023-01003. (Attachment #1) The other addition to that is on second line, tuition and fees would be the other proposed change to that.

The bill comes with a couple things in terms of "concerns". On one hand we have "concerns" that may be we need to look at. The bill that is introduced would require that all monies be used for that. **Ends. (Meter 1:17:33) (Job #12997).**

Continues with SB 2163 starting on (Meter 1:17: 35). Ends. (Meter 1:40:29) (Job #12997).

Discussion on SB 4004 is from notes taken by Clerk/AT

Senator Heckaman asks where does scholarship come from?

Senator Flakoll states that it comes from the General Fund.

Senator Heckaman asks if there is a trust fund?

Senator Flakoll states there is none.

Senator Heckaman asks, "On the amendment, how much does fund have to have?"

Senator Flakoll states that only the governor can make this decision. Money first goes to scholarship fund and then monies would be generated by interest off that fund.

Discussion was held in reference to the language on Senate Concurrent Resolution 4004, line 2.

Senator Lee asks if money could be manipulated on both ends?

Senator Flakoll asks if Legislature allows \$1500?

Senator Lee states that it could be raised from \$1500 to \$2000.

Senator Flakoll states that 20% of current rate is \$1231.

Senator Heckaman asks if this could prevent private 4-year schools from participating?

Senator Heckaman states she has received "flack" from people going to private schools.

Discussion ensues on cost of going to particular schools in ND.

Senator Freborg asks if money is for students or colleges?

Senator Heckaman asks if there is data on where these students are attending?

Senator Flakoll states that YES there is information on university system in SB 2058.
There is a handout that entails the breakouts.

Senator Freborg states that they will continue to look at amendment.
Close of discussion on amendment on SB 4004.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

Committee Work on SCR 4004
January 24, 2011
13272

Conference Committee

Committee Clerk Signature



Minutes:

See attached amendments

Discussion on other bills out: SB 2163 amendments were correct as the code in that section is dealing with the Department of Human Services. The committee (Senators G. Lee, Schaible, Marcellais) is working on the comparison of the bullying bills in regards to SB 2167. Sent a draft up to Legislative Council office so Senator Marcellais can see what was discussed by Senator G. Lee and Senator Schaible.

Senator Flakoll presented his amendments to SCR 4004; version #2. Motion by **Senator Flakoll** to amend 11.3023.01004 to SCR 4004 (written version with verbal addition of "and fees" behind "tuition"); second by **Senator Luick**.

Trying to lessen the concern—one hand is the worry about the top end of this, and the Foundation Aid Stabilization Fund that Senator Luick of those \$\$ were required to go out for the Performance & Merit based scholarship. To alleviate that concern, this amendment caps the amount of the scholarship to "not go above 50% of the statewide average of tuition *and fees* at the 4 year campuses. Explained of the current tuition rate and how it would be affected. Any monies over and above not used for the performance based scholarships funds first on a student by student basis, could: a) go to either the general fund or to the (with legislative authority) each of the residents of the state's 18 years and above, so we could do similar to what Alaska does. Taking some of the oil money and giving it back to the resident population of the state. That is the top end. On the bottom end to provide for his concern that at least some of the dollars go towards it, and make sure to keep the six year rolling commitment to fund the scholarship, a number of 20% to 50% of the statewide average for tuition and fees, could be used for the student scholarship that was set up last session with HB 1400.

Twenty percent of the *current* amount would be \$1231 minimum and the maximum would be \$3079. Allows it to float with inflation in 20, 40, 60 or 100 years, as opposed to putting a firm dollar amount in there.

Senator Gary Lee: Have an 03 version of your amendment from last week; we did not move on that one, correct?

Senator Flakoll: We have not acted on any of the other amendments that have been drafted. This is the first one that there is a motion to accept. Couple of other ones dealt

with the same issues; the 03 version probably had the bottom on it (20%) but no cap. This one caps it at 50% so we really know much more closely what we can do. Then this one also gives the option of the excess going to the General Fund or send to the people.

Senator Heckaman: What would happen if three years in a row there was enough money in this to do 50% and then the fourth year there wasn't enough to do 20%? Is there a backup plan or is there assurance this will carry enough to do that?

Senator Flakoll: Would need a bridge going forward as this starts. That's what is in bill 2150—from Land and Minerals Fund. Problem with that is it goes on cycles and we have reached a fairly high capacity in terms of the leases out there. When they sign a lease, and the money goes to the Land and Minerals Fund, the "problem" is that it is a onetime payment. Can get peaks and valleys much more so than this type of funding; more stability and provides the guarantee of funding.

Senator Heckaman: Was there any thought about any amount not necessary to move that into the needs based scholarships, or are you confident that the needs based scholarships are okay? Instead of sending this back to the general fund or people.

Senator Flakoll: In either way it could help people that have a need. On one hand, it goes into the general fund—likely the default plan. It would take legislative action to do otherwise. If it goes back to the people, everyone 18 and above could benefit.

Motion by **Senator Flakoll** is for a Do Pass on the amendment .01004 (with a verbal amendment to add "and fees" behind tuition) to SCR 4004; second by **Senator Luick**. Motion carried 6-1-0.

Senator Flakoll moved for a Do Pass as Amended (including tuition and fees) on SCR 4004 and rerefer to Appropriations. Second by **Senator Heckaman**. Need to make sure that "tuition and fees" be included in the amendment.

Senator Luick: Where would the language be added to "tuition and fees". **Senator Flakoll:** The written amendment .01004 only states tuition; should state "tuition and fees". The 04 amendment, page 1 line 25 portion—the 3rd line down reads "average undergraduate tuition at four year" etc. As amended it would read "average undergraduate tuition and fees at the four year" etc.

Senator Lee: Not going to support the motion for the resolution to be put in the Constitution. Been a long time supporter of scholarships in general, but to put this into the Constitution, which will essentially put it there forever, and we may at some point in our future have priorities that might exceed a scholarship program. Think it is a real possibility considering what is happening in other parts of the country. My vote will be in opposition to the resolution.

Senator Flakoll: Can appreciate that; what the bill would do though, is help ensure we keep our commitment to the students that have met the criteria for the scholarship. Made a commitment to those students of 4 to 6 years out. If it is decided somewhere down the line, again the students did their work over a 5 year period, they get one year into the

scholarship plan and this helps ensure we live up to our obligation on this end. Need to ensure there is base funding available for this; certainly numerous things in the Constitution that dictate things that may be less important than this.

Senator Luick: Also concerned about putting this into the Constitution and being locked in. If there is something in place that we know these funds would be available, but if there is a situation where the state is facing turmoil, he is concerned.

Senator Freborg: Not opposed to paying part of the tuition, but not through the Constitution.

Senator Flakoll: Little surprised because there are people from this committee that were very supportive of the Legacy bill that locks the money up and can't be touched if needed. Yet, saying that this is not good; at least have the ability to spend it on things it has been committed to. Legacy Fund cannot be touched; lockbox, and cannot allow expenditure of any of those dollars in the event of anything catastrophic occurring. After a period of time would be able, with a super majority, utilize some of that.

Vote on motion failed. Yes – 2, No – 5, absent – 0. ((note that Senator Marcellais voted on 1/25/2011))

Senator Flakoll requested that anyone with further amendments bring them up to be discussed.

Stand at ease; will reconvene after floor session.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Education Committee
Missouri River Room, State Capitol

Committee Work on SCR 4004
January 24, 2011
13284

Conference Committee

Committee Clerk Signature



Minutes:

No attachments

Senator Gary Lee: Since Senator Flakoll's motion died, the bill is still in committee.

Senator Heckaman: Please explain that last round that was here; we didn't pass the bill?

Senator Freborg: No, it failed. **Senator Heckaman:** No, I meant we didn't vote on the bill though? **Senator Freborg:** Yes, we did; voted on Senator Flakoll's motion. It failed 2 – 4 – 1. Even if Senator Marcellais was here to vote, it wouldn't change the outcome. Do have the bill before us again.

Senator Gary Lee: Motion for a Do Not Pass as Amended on SCR 4004; second by **Senator Schaible**. No discussion on the motion. Motion carried 5 – 2 – 0; (note Senator Marcellais voted on 1/25/2011) . **Senator Gary Lee** will carry the bill.

FISCAL NOTE
 Requested by Legislative Council
 02/04/2011

Amendment to: SCR4004

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	\$500,000	\$0	\$500,000	\$0	\$500,000	\$0
Expenditures	\$0	\$0	\$500,000	\$0	\$500,000	\$0
Appropriations	\$0	\$0	\$500,000	\$0	\$500,000	\$0

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).*

This bill would make interest generated by the foundation aid stabilization fund available for scholarships. In biennium 2009-2011, this fund will earn approximately \$500,000 in interest. Unless there is a change in interest rates, earnings for 2011-2013 will be similar.

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.*

Under section 1, interest earnings must be available for scholarships. In biennium 2009-2011, this fund will earn approximately \$500,000 in interest. Unless there is a change in interest rates, earnings for 2011-2013 will be similar.

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.*

In biennium 2009-2011, this fund will earn approximately \$500,000 in interest. Unless there is a change in interest rates, earnings for 2011-2013 will be similar.

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.*

Unknown. Expenditures may equal earnings under SCR 4004.

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.*

All interest earnings from the foundation aid stabilization fund are appropriated to scholarships under SCR 4004. In biennium 2009-2011, this fund will earn approximately \$500,000 in interest. Unless there is a change in interest rates, earnings for 2011-2013 will be similar.



Name:	Carlee McLeod	Agency:	Office of State Treasurer
Phone Number:	701-328-2643	Date Prepared:	02/04/2011



FISCAL NOTE

Requested by Legislative Council
12/21/2010

Bill/Resolution No.: SCR4004

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	\$500,000	\$0	\$500,000	\$0	\$500,000	\$0
Expenditures	\$0	\$0	\$500,000	\$0	\$500,000	\$0
Appropriations	\$0	\$0	\$500,000	\$0	\$500,000	\$0

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).*

This bill would make interest generated by the foundation aid stabilization fund available for scholarships. In biennium 2009-2011, this fund will earn approximately \$500,000 in interest. Unless there is a change in interest rates, earnings for 2011-2013 will be similar.

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.*

Under section 1, interest earnings must be available for scholarships. In biennium 2009-2011, this fund will earn approximately \$500,000 in interest. Unless there is a change in interest rates, earnings for 2011-2013 will be similar.

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.*

In biennium 2009-2011, this fund will earn approximately \$500,000 in interest. Unless there is a change in interest rates, earnings for 2011-2013 will be similar.

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.*

Unknown. Expenditures may equal earnings under SCR 4004.

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.*

All interest earnings from the foundation aid stabilization fund are appropriated to scholarships under SCR 4004. In biennium 2009-2011, this fund will earn approximately \$500,000 in interest. Unless there is a change in interest rates, earnings for 2011-2013 will be similar.

Name:	Carlee McLeod	Agency:	State Treasurer's Office
Phone Number:	328-2643	Date Prepared:	01/11/2011

January 22, 2011

PROPOSED AMENDMENTS TO SENATE CONCURRENT RESOLUTION NO. 4004

Page 1, line 24, after "used" insert "in part"

Page 1, line 25, after "state" insert ". The amount available annually for each scholarship must be equal to at least twenty percent, but may not exceed fifty percent, of the statewide average undergraduate tuition at the four-year public institutions of higher education in this state. Any amount not necessary for the stated purpose is available for appropriation by the legislative assembly or for distribution by the legislative assembly to each resident of the state over the age of eighteen, notwithstanding the provisions of section 18 of article X"

Page 1, line 25, after the period insert:

"3."

and fees

Re-number accordingly

#2 SCR 4004

Date: 1-24-11
Roll Call Vote # 1C

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 4004

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) 45 No 2

Absent 0

Floor Assignment Sen G. Lee

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

REPORT OF STANDING COMMITTEE

SCR 4004: Education Committee (Sen. Freborg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SCR 4004 was placed on the Sixth order on the calendar.

Page 1, line 24, after "used" insert ", in part."

Page 1, after line 25, insert:

"3. The amount available annually for each scholarship must be equal to at least twenty percent, but may not exceed fifty percent, of the statewide average undergraduate tuition and fees at the four-year public institutions of higher education in this state. Any amount not necessary for the purpose of scholarships is available for appropriation by the legislative assembly or for distribution by the legislative assembly to each resident of the state over the age of eighteen, notwithstanding the provisions of section 18 of article X of the Constitution of North Dakota.

4."

Renumber accordingly



2011 TESTIMONY

SCR 4004

SCR 4004

Senator Tim Flakoll

District 44

January 11, 2011

Chairman Freborg and members of the Senate Education Committee. For the record I am Senator Tim Flakoll of District 44 of Fargo. I served as one of four Legislators on the bipartisan ND Youth Council where the genesis of this bill came from. I also served on the Workforce Development committee who heard our recommendation and provided more specificity to the bill and was responsible for the bill's introduction.

The Interim Workforce Development committee through unanimous vote supported this Constructional Amendment and we hope you feel likewise. It will help prepare our economy and our people for

#1 SCR 4004

the next 100 plus years and create opportunities for continued economic growth.

Two years ago this committee led efforts that took critical steps toward assuring the future of our state and its residents through the development of a knowledge based economy. Our work last session in HB 1400 provided a visionary system of academic rigor and rewards. The new program has been extremely well received and has brought great excitement to parents and families. It has sharpened their focus as the students and parents join together to achieve the eligibility requirements.

As a result of our efforts, more students are taking more rigorous classes. As an example, after year one, we are hearing of 10-20% increases in the number of students taking Advanced Placement (AP) classes.

#1 SCR 4004

Many if not most states have some sort of broad-based scholarship program or programs. Georgia has had the Hope Scholarship since 1993 and Louisiana has had its Taylor Plan since 1989. However, those plans are based on the expectation of continued revenue, such as from taxes and lotteries. But we have all seen the downturn in the national economy and those revenue streams. We are wisely proposing a different approach with SCR 4004.

Few states have scholarship programs that tie performance and accountability to them. One other state, Wyoming has funding provided outside the normal general-fund appropriations. They passed their Constitutional amendment in 2005 and initiated the program in 2006. Wyoming like North Dakota has an economy based largely on energy (oil and coal) and natural resources (agriculture). As such our economy is subject to significant peaks and valleys. While we have a great oil boom today.... we have seen that before and we all know that we have a finite amount of

#1 SCR 4004

oil in the ground. To be competitive in the future we as must prepare for that future, be it 40 years or some other point in time.

In theory SCR 4004 will allow our constituents the opportunity to vote on a sustainable funding mechanism. If the Legislature passes this Resolution we give the power to the people to make the final decision. A decision that will allow us to provide the children, grand-children and great grand-children of this state with the key to open the door of educational opportunity. It sets a process where we take the income generated from the Foundation Aid Stabilization

Fund to meet our promise to those students and their families. In essence this legislation will provide these funds in perpetuity.

#1 SCR 4004

I think the Resolution will:

- Reduce the amount of remediation – due to greater rigor in High School – saving students millions of dollars each year.
- Push students to work hard.
- Reduce the time it takes students to graduate.
- Help retain more students in the workforce in North Dakota. The initial Wyoming data shows that there has been an increase in the number of two-year graduates who stay in the state following graduation.
- It will challenge and reward students.
- It will increase the ACT test scores of students in a cohort.
- Keep our promise to students – assure them that if they do what we ask that we will not pull our support out from under them.
- Help reduce the amount of student loans – (ND has been near the top in the nation)
- Great for all people including the middle class who often do not qualify for scholarships

Chairman Freborg and committee members, SCR 4004 is a piece of legislation that is historic and positive in nature and I ask for your support.

End

#1 SCR 4004

Foundation Aid Stabilization fund

20 year projections

December, 2010 deposits of \$3.76 million in the Foundation Aid Stabilization Fund

\$134.2 million - estimated fund balance at end of 2009-2011 biennium

\$99.9 million - estimated executive forecast for growth in fund for 2011-2013 biennium

\$234.1 million - estimated fund balance at the end of 2011-2013 biennium.

		Return	Return	Return	Adjusted for 2.5% inflation (actual for past 10 years is 2.574%)		
		3%	4%	5%	3%	4%	5%
	Millions	Millions	Millions	Millions	Millions	Millions	Millions
2009-2011	\$ 134.50	4.035	5.38	6.725	3.8333	5.111	6.3888
2011-2013	\$ 234.00	7.02	9.36	11.7	6.318	8.424	10.53
2013-2015	\$ 334.00	10.02	13.36	16.7	8.517	11.356	14.195
2015-2017	\$ 444.00	13.32	17.76	22.2	10.656	14.208	17.76
2017-2019	\$ 544.00	16.32	21.76	27.2	12.24	16.32	20.4
2019-2021	\$ 644.00	19.32	25.76	32.2	13.524	18.032	22.54
2021-2023	\$ 744.00	22.32	29.76	37.2	14.508	19.344	24.18
2023-2025	\$ 844.00	25.32	33.76	42.2	15.192	20.256	25.32
2025-2027	\$ 944.00	28.32	37.76	47.2	15.576	20.768	25.96
2027-2029	\$ 1,044.00	31.32	41.76	53.2	15.66	20.88	26.6
2029-2031	\$ 1,144.00	34.32	45.76	57.2	15.444	20.592	25.74

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Flakoll, Tim

From: Sandness, Sheila M.
Monday, January 10, 2011 6:10 PM
Flakoll, Tim
Cc: Knudson, Allen H.
Subject: RE: Foundation aid stabilization fund

Senator Flakoll,

Information currently available includes interest rates provided for certificates of deposit and money market demand accounts at the Bank of North Dakota during fiscal years 2007, 2008, and 2009. Interest rates on these types of investments ranged from 2.15 – 2.45 percent in 2007, 1.50 – 2.45 percent in 2008, and .40 – 1.50 percent in 2009.

Article X, Section 24 of the Constitution of North Dakota provides that the interest income of the foundation aid stabilization fund be transferred to the general fund. Interest income of the foundation aid stabilization fund transferred to the general fund from the 1999-2001 biennium through the 2009-11 biennium is as follows:

	Foundation Aid Stabilization Fund Balance at the End of the Biennium	Interest Income of the Foundation Aid Stabilization Fund Transferred to the General Fund
1999-2001	\$10,517,143	\$630,000 ¹
2001-03	\$8,991,303	\$230,000 ¹
2003-05	\$16,098,385	\$168,179
2005-07	\$29,009,838	\$964,729
2007-09	\$65,750,547	\$1,238,870
09-11	\$134,222,814 ²	\$536,000 ³

¹Estimated interest income based on actual income through May 2001 (1999-2001 biennium) and May 2003 (2001-03 biennium) and estimated amounts for June 2001 and June 2003.

²Estimated ending balance based on the executive revenue forecast.

³Estimated interest income based on actual interest income through February 2010 and estimated for the remainder of the biennium. Interest income is projected to be less than in previous bienniums because interest rates are significantly lower than in previous bienniums. In February 2010, the fund balance earned interest at .30 percent.

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Undergraduate tuition and fees - merit based scholarships

-- undergraduate data only

	Tuition/fees	Annual Scholarship	Percent of tuition/fees	Annual scholarship	Percent of tuition/fees
Bismarck State	\$ 4,029.00	\$ 1,500.00	37%	\$ 2,000.00	50%
Dickinson State	\$ 5,395.00	\$ 1,500.00	28%	\$ 2,000.00	37%
Dakota College	\$ 3,857.00	\$ 1,500.00	39%	\$ 2,000.00	52%
Lake Region State	\$ 3,908.00	\$ 1,500.00	38%	\$ 2,000.00	51%
Mayville State	\$ 5,937.00	\$ 1,500.00	25%	\$ 2,000.00	34%
Minot State	\$ 5,937.00	\$ 1,500.00	25%	\$ 2,000.00	34%
NDSCS - Wahpeton	\$ 3,913.00	\$ 1,500.00	38%	\$ 2,000.00	51%
NDSU	\$ 6,661.00	\$ 1,500.00	23%	\$ 2,000.00	30%
UND	\$ 6,934.00	\$ 1,500.00	22%	\$ 2,000.00	29%
Williston State	\$ 3,456.00	\$ 1,500.00	43%	\$ 2,000.00	58%
VCSC	\$ 6,076.00	\$ 1,500.00	25%	\$ 2,000.00	33%
4 year campuses (6)	\$ 6,157.00	\$ 1,500.00	24%	\$ 2,000.00	32%
2 year campuses (5)	\$ 3,833.00	\$ 1,500.00	39%	\$ 2,000.00	52%

HIGHER EDUCATION STUDENT SCHOLARSHIP AND OTHER FINANCIAL INCENTIVE PROGRAMS

This memorandum provides information regarding programs administered by state agencies that provide scholarships or other financial incentives to higher education students or graduates.

SCHOLARSHIP PROGRAMS

Student Financial Assistance Grants

The North Dakota state student grant program provides approximately 7,900 to 8,500 nonrepayable grants to North Dakota residents pursuing their undergraduate degree while attending a North Dakota public, private, or tribal higher education institution. The purpose of the grant is to assist students with the costs of attending a North Dakota higher education institution and reduce the amount of money students need to borrow for their education.

To be eligible for a grant, a student must meet all of the following requirements:

- Be a citizen or permanent resident of the United States and a North Dakota resident.
- Be a high school graduate or have a general educational development diploma.
- Meet all admissions requirements as a full-time student of an eligible institution.
- Use the grant at an eligible institution in North Dakota.
- Be enrolled as a full-time student as defined by the institution attended.
- Enroll in a program of at least one academic year as defined by the institution attended.
- Be a first-time undergraduate student during the period of award.
- Not be in default on any federal financial aid loans.
- Not owe a refund on any Title IV grants or loans.

The application for the grant program is the federal Free Application for Federal Student Aid (FAFSA) and a student may apply for the grant each year by completing the FAFSA or renewal FAFSA application. Grant awards range from \$800 to \$1,500 for an academic year.

The state student grant program received a general fund appropriation for the 2009-11 biennium of \$19,025,594 which is an increase of \$13,202,097 from the 2007-09 general fund appropriation of \$5,823,497. The program is also anticipated to receive \$348,428 of federal funding for the 2009-11 biennium.

North Dakota Scholars Program

The North Dakota scholars program is a merit-based scholarship program that provides approximately 45 to 50 new scholarships to North Dakota high school graduates who attend a North Dakota higher education institution. To be eligible for the program, a high school student must take the American College Test (ACT) between October and June of the student's junior year and score in the upper five percentile of all North Dakota students who take the ACT.

The scholars program provides a full tuition scholarship to eligible students attending a public or tribal North Dakota higher institution. A recipient who attends a private North Dakota higher education institution is eligible for a scholarship equal to the cost of tuition at a North Dakota public research institution. The scholarship is renewable for up to three years provided the recipient maintains a cumulative 3.5 grade point average.

The North Dakota scholars program received a general fund appropriation for the 2009-11 biennium of \$2,113,584 which is an increase of \$635,018 from the 2007-09 general fund appropriation of \$1,478,566.

Native American Scholarship Program

The North Dakota Native American scholarship program provides scholarships to approximately 150 to 175 eligible American Indian students per year. Scholarships range from \$500 to \$2,000 per year and a student must meet the following requirements to be eligible to receive the scholarship:

- Be an enrolled member of a federally recognized Indian tribe and a resident of North Dakota.
- Have been accepted for admission at an institution of higher learning or state vocational education program in North Dakota.
- Be enrolled full time.
- Have a grade point average of at least 2.0.

The Native American scholarship program received a general fund appropriation for the 2009-11 biennium of \$381,292 which is an increase of \$666 from the 2007-09 biennium appropriation of \$380,626.

Career and Technical Education and Academic Scholarship Programs

The 2009 Legislative Assembly created the North Dakota career and technical education scholarship program and the North Dakota academic scholarship program. To be eligible for a scholarship, a student must be a resident of the state, graduate from high school during or after the 2010-11 school year, complete the requirements for a high school diploma,

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and meet the following program requirements for one of the programs as follows:

Career and Technical Education Scholarship	Academic Scholarship
Complete one unit of algebra II	Complete one unit of algebra II and one additional unit of mathematics for which algebra II is a prerequisite
Complete two units of a coordinated study plan as recommended by the Department of Career and Technical Education	Complete two units of the same foreign language; one unit of fine arts or career and technical education; and one unit of a foreign language, fine arts, or career and technical education
Complete three additional units, two of which must be in the area of career and technical education	Complete one unit of an advanced placement course or a dual-credit course
Obtain a grade of at least "C" in each unit or one-half unit required for a diploma	Obtain a grade of at least "C" in each unit or one-half unit required for a diploma
Obtain a cumulative grade point average of at least "B"	Obtain a cumulative grade point average of at least "B"
Receive a composite score of at least 24 on the ACT or a score of at least five on each of three WorkKeys assessments	Receive a composite score of at least 24 on the ACT

Students who graduate from high school during the 2009-10 academic year are also eligible for the career and technical education or the academic scholarships. To be eligible for an academic scholarship, a student must have obtained at least a 24 on the ACT. To be eligible for a career and technical education scholarship, a student must have obtained at least a 24 on the ACT or a score of at least five on each of three WorkKeys assessments as recommended by the Department of Career and Technical Education.

Any student that meets the requirements for a career and technical education scholarship or an academic scholarship is to receive a scholarship of \$750 per semester for each semester the student is enrolled at a North Dakota higher education institution up to a maximum amount of \$6,000. The Legislative Assembly provided a \$3 million general fund appropriation for the program for the 2009-11 biennium.

OTHER FINANCIAL AID PROGRAMS

In addition to student scholarship programs, funding is also provided for other programs that reduce the educational costs of students.

Professional Student Exchange Program

The professional student exchange program provides access to out-of-state institutions for North Dakota residents seeking to enter dentistry, optometry, and veterinary medicine programs. The

North Dakota University System has established contractual relationships with the Western Interstate Commission for Higher Education, Iowa State University, and the University of Minnesota regarding these programs. The contracts provide that the University System purchase a selected number of slots in the eligible programs in other states to ensure the acceptance of North Dakota students.

The professional student exchange program received funding for the 2009-11 biennium of \$3,337,100, of which \$2,346,130 is from the general fund and \$990,970 is from the student loan trust fund. The \$3,337,100 is \$614,154 more than the 2007-09 appropriation of \$2,722,946.

Education Incentive Programs

The 2009 Legislative Assembly provided funding of \$3,176,344 from the general fund for education incentive programs, which include the technology occupation loan forgiveness program and the teacher shortage loan forgiveness program. The \$3,176,344 represents an increase of \$1,436,030 from the 2007-09 biennium appropriation of \$1,740,314.

The technology occupation student loan forgiveness program is intended to reduce student loan indebtedness for individuals who have graduated in a technology-related field and have been employed in a technology occupation in North Dakota for one year. Recipients are eligible to receive up to \$1,000 per year in continued loan forgiveness for each year they are employed in an approved technology occupation in North Dakota subject to a maximum of \$3,000. Eligibility requirements for the program include:

- Successful completion of an approved, technology-related program at a public, private, or tribal higher education institution.
- Maintaining at least a cumulative 2.5 grade point average based on a 4.0 system.
- Having a student loan from the Bank of North Dakota or other participating lender and not being in default on the loan.
- Being employed in a State Board of Higher Education-approved technology occupation in North Dakota for at least one year following graduation.

The 2009 Legislative Assembly provided statutory changes to expand the technology occupation student loan forgiveness program to include recipients pursuing studies in science, engineering, and mathematics. In addition, the maximum loan forgiveness amount will be increased to \$1,500 per year up to a maximum of \$6,000. The revised program will begin in the spring of 2010 and will be called the science, technology, engineering, and mathematics loan forgiveness program.

The teacher shortage loan forgiveness program is intended to reduce the student loan amount of an eligible recipient teaching at a grade level or content area identified by the Department of Public Instruction as having a teacher shortage. Recipients are eligible

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to receive up to \$1,000 per year for three years up to a maximum of \$3,000. Eligibility requirements for the program include:

- Having taught in a defined teacher shortage area in North Dakota.
- Having a student loan and not being in default on the loan.
- Having been licensed by the Education Standards and Practices Board.
- Having taught in a public or private school in North Dakota.
- Holding a full-time contract to teach a full academic year.

Professional Occupation Loan Forgiveness Program

The State Department of Health administers loan forgiveness programs for veterinarians, dentists, physicians, and mid-level medical practitioners who practice in rural or underserved areas of the state. The department also administers a loan forgiveness program for dentists who practice in a public health or nonprofit clinic.

The veterinarian loan repayment program provides up to \$80,000 to eligible veterinarians to repay education loans. Three veterinarians may be selected each year for the program with emphasis placed on attracting new food animal veterinarians to rural areas of the state. Total funding available to a recipient is based on the length of service obligation agreed to by the veterinarian which may range from two years to four years. The program received funding of \$350,000 from the community health trust fund for the 2009-11 biennium.

The dentist loan repayment program provides up to \$80,000 to eligible dentists to repay education loans. A recipient must practice dentistry for four years in a selected community with program preference given to dentists who serve in rural areas. Up to three dentists may be selected each year for the program. The program received funding of \$483,448 from the community health trust fund for the 2009-11 biennium.

The state physician and medical personnel community matching loan repayment program is designed to attract physicians and mid-level medical providers to North Dakota to practice in areas of need. Each physician selected for the program may receive up to \$45,000 of state funding to repay education loans and each mid-level provider selected for the program may receive up to \$30,000 of state funding to repay education loans. The program requires the eligible community served to provide matching funds for the program, and each recipient is required to practice for two years in the community. The program received \$272,500 of funding from the community health trust fund and \$75,000 from the general fund for the 2009-11 biennium.

The 2009 Legislative Assembly created a loan repayment program for dentists who practice in public health and nonprofit clinics. Selected recipients are eligible to receive up to \$60,000 to repay education loans with an agreement to serve three years as a full-time practicing dentist in a public health or nonprofit clinic that uses a sliding fee schedule to bill patients. The program received a general fund appropriation of \$180,000 for the 2009-11 biennium.

Tribal College Assistance Grants

The 2007 and 2009 Legislative Assemblies approved an appropriation of \$700,000 from the permanent oil tax trust fund to the State Board of Higher Education to provide grants to tribally controlled community colleges. The grants are to be used to offset the financial impact of the enrollment of nonbeneficiary students.

In order to qualify for a grant, a qualified institution shall submit an application to the State Board of Higher Education that documents the enrollment status of each student for whom financial assistance is sought. If an application is approved, the State Board of Higher Education is to distribute \$5,304 during each year of the biennium to the institution for each full-time equivalent nonbeneficiary student.

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January 17, 2011

PROPOSED AMENDMENTS TO SENATE CONCURRENT RESOLUTION NO. 4004

Page 1, line 24, after "used" insert "in part"

Page 1, line 25, after "state" insert ". The amount available annually for each scholarship must be equal to at least twenty percent of the statewide average undergraduate tuition at the four-year public institutions of higher education in this state. Any amount not necessary for the stated purpose is available for appropriation by the legislative assembly"

Page 1, line 25, after the period insert:

"3."

Renumber accordingly

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