

2013 HOUSE EDUCATION

HB 1204

2013 HOUSE STANDING COMMITTEE MINUTES

House Education Committee
Pioneer Room, State Capitol

HB 1204
January 23, 2013
17618

Conference Committee

Committee Clerk Signature



Minutes:

Ch. Nathe: We will open the hearing on HB 1204.

Rep. Mike Nathe: Sponsor, support; explained the bill. There is \$30 million set aside, \$10 million for UND, \$10 million for NDSU and the remaining \$10 million is for the other 9 colleges/universities. If UND and NDSU can raise \$20 million dollars at each of their schools, the State will match up to \$10 million for each school. The remaining colleges can raise up to \$1 million dollars and the State will match up to \$500,000 grant. As we go through here, you will see how it all works. In order to get the project qualified and started, they would have to come up with \$50,000 in cash or monetary pledges. It explains there in section 1, subsection 2a, if all the money has not been granted, if the schools have not been able to raise their share and there are remaining funds, one of the other two schools could go after that remaining balance if that should be the case. Anything that is not awarded before January 1, 2015, would apply. Section 2, has to do with the 9 schools. If they raise \$1 million each, each school is eligible for a \$500,000 matching grant from the State. In their case, they would need to raise pledges of \$25,000 to qualify for the projects. Section 3 talks about the liability for the pledge amount so if the Board approves this, and says they are going to give you this money, you told us that you're going to raise \$10 million. If you do not raise \$10 million, then the institutional foundation is relied on to make up that difference. Once they make a pledge, once they've been qualified to do it, if they don't have that money, then that institution will have to kick it out of their pocket to meet that. Section 4 is the grant review committee. It is made up of the Governor, or his designee, two members of House Approps., 2 members of Senate Approps., and 2 members appointed by the Governor, with legislative management consent. The reason for the appropriation members is because this is \$30 million. This isn't an appropriation type grant that we doing. They have a lot of background in higher education funding. So some of their advice is important here. Section 4, subsection 3, talks about that the Board will establish the rules and operations and procedures that will be developed. They will come up with the criteria. This is for educational enhancements. I'm working on amendments to better define what educational enhancements are. Once the institution has a plan to raise the money and where to use it, the president of that university makes the grant application request to the Board. It does not go through the Higher Ed office, it goes from the President to this grant review committee board. The committee will then go line by line through the request and what they are to be used for, the committee will

decide whether they qualify or not. Section 5 is grant review committee compensation. There will be numerous meetings going through these grants will be a bit of work for the members, so it covers them in that section. Section 6 talks about educational enhancements and I am working on an amendment to better define what that is. You see the appropriation of \$30 million and again this is a two year, 1 biennium bill. We have a reporting requirement in there to find out later on how successful this has been. What have been the benefits, if it's highly successful, I see this coming up next session, maybe with an even higher dollar amount. This bill is looking at \$90 million worth of educational enhancements with the state picking up a 1/3 of that cost. That's what it boils down to.

Rep. B. Koppelman: Under this bill, are the dollars that we are encouraging to be raised through the foundations, are those dollars that have been consistently raised and used for this purpose, or is this a new mission.

Rep. Nathe: You will hear from some of the foundation people today; this bill really encourages private donation, private giving to their colleges. These are private dollars that the schools in the past have used for other projects. This will go toward capital construction project, endowed chairs, bringing in speakers; anything to enhance the quality of education that we have now.

Rep. Rust: Would you talk about section 3.

Rep. Nathe: Section 3, if a school raises most of the money, any remaining balance will have to be covered by the school's foundation.

Rep. Meier: How did you come up with the dollar amounts, especially for the other schools, other than the first two.

Rep. Nathe: It really came down to the research universities and their fundraising ability. The research universities have high needs. We wanted to start out with a number. It is higher for the two larger colleges because they are the research universities and they could require more and they can raise that money. It may be harder for some of the smaller colleges to raise that kind of money.

Rep. Meier: Is it fair to say that you had some concern with the smaller schools being able to raise the funds.

Rep. Nathe: This is a trial project. If we can find out that these small schools can raise that sort of money, then next session we come back and do another bill and raise the limits. We're taking baby steps here first. This bill is patterned after a law in Wyoming that has been extremely successful.

Vice Chair Schatz: Thank you. Further testimony on HB 1204.

Tim O'Keefe, CEO, Univ of ND Alumnae Association and Foundation: Support. Our CFO, Laura Block, to join you in support of HB 1204, as well as the Governor's proposal regarding the match. I would start out by suggesting that there isn't

anything that separates us from the rest of the world more so than philanthropy. We are a society of givers, we're not a society of takers. Those values and the philanthropy behind it are a major part of the reason that we think the match program will be so successful. There is nothing more powerful in philanthropy than a public/private partnership as defined by a match program. This concept isn't new. It has been executed in 28 other states that have implemented some form of a match program supporting higher education, all of whom have reported remarkable success. Most of those states began their program rather modestly, such as this bill implies, and built on their success through increasing dollar amounts as their economy allowed. In some cases, states continued to implement the program even in some of the most tough economic times such as back in 2008. Higher education in ND has an aging infrastructure with many of the buildings built to accommodate, baby boomers, such as myself are in dire need of replacement, a significant remodel and new technology. The ND Spear Campaign is a fundraising campaign we've been in at the Univ of ND that many of you may be familiar with over the last 8 years. We're in the 8th and final year of that campaign. Two-thirds of the donations, of the \$297.5 million raised to date, committed to this campaign have come from out of state. The simple reason for that is that our state and university have been great exporters of talent. Certainly the economic conditions in our state have changed dramatically and the needs placed on higher education as a consequence, certainly have followed that. The match opportunity, from our perspective, is focused for those philanthropic opportunities that exist. In the last three years, the College of Engineering and Mines at UND has gone from less than 1,000 students to over 1,700 students this semester. We have started a new program called Petroleum Engineering. At the time the program started 2 years ago, we had 5 majors in that program. The second semester they hoped it would go to 15 to 20, it went to 35. The first semester of this year, they hoped it would go to 40 or 50, it went to 104, and by next year we are expecting 250 petroleum engineering majors. Quite frankly we don't have the laboratory space to accommodate not only that program, but the many other programs in engineering and in other places throughout the University to support the economic boom that we are seeing throughout our state. College of Business and Public Administration building was built in 1968, and has changed very little since that time. Competitively if you look throughout the region, virtually every university, public and many private in the 5 state region, have had College of Business built in the last 10 years. Our College of Business pool of prospects for a new building is extremely deep, but as we engage in conversations with those individuals, it's very clear to us and particularly with the state of our economy, that for their investment to come in to some of these capital projects, that they would require a form of investment from the state as well. When you look at endowments, student scholarships, and the attractive there is to that, the debt our students are carrying, the potential that is held within the match program is evidenced in the 28 other states is considerable. From an economic standpoint, it's pretty simple, a \$1 invested by the state will bring a \$2 return from the private sector. I think there are very few places where you can find that type of return.

Laura Block, CFO, University of ND Foundation: Support (see attached #1). We believe that the state can make no better investment than developing, not only the competitiveness of our University systems but in helping the margin of excellence of

our institutions. Ultimately it would benefit the students. I manage investments, managing the endowment of the University of ND. I brought existing programs that would show you how match programs work and what states are currently enjoying a match. We've seen a growing trend in matches. We've noticed the power of the match in our university. Many of you may be familiar with how companies incentivized their employees to give and they give through matching their employee's contributions. We've noticed that whenever employers expand what they offer, we see then more contributions coming in, and we understand the leverage and power of these matching programs. We had our own campaign for the university in giving hearts day, where the Dakota Impact Foundation in 2008 started an on-line match program. In the first year, they raised \$325,000; last year they raised \$1.6 million. As people become aware of the match, as people see how they can leverage their money, they are much more interested in participating. We compete with other programs that offer matches vs. our programs that perhaps do not. In our own campaign, in our kick-off, we wanted to raise the bar in philanthropic support, so we offered our own match, and came up with a unique amount of people who hadn't contributed before, campus, faculty, staff and donors who wanted to participate and wanted the leverage that the match gave them. As we get back to investments and why we believe this is a good investment in our endowment in sustainable dollars we can look to Wyoming's success. Some of these may be new initiatives, some of these are existing initiatives, some of these are existing initiatives that we've never found funding mechanisms. We think that we will command new dollars that we may never have seen. They may be from out of state dollars, in state dollars.

Jim Miller, President and CEO of the NDSU Foundation: Support (see attached #2).

Ch. Nathe: Thank you.

Gordon Binek, BSC Vice President for College Advancement and Executive Director of the BSC Foundation: Support (see attached #3).

Ch. Nathe: Is the \$1 million figure too high, too low.

Gordon Binek: It offers a million dollars for each remaining colleges and universities. We would need to raise \$2 million to be eligible to get the \$1 million. It is a good start. This would be a great incentive for the companies that we would look to, to support that project.

Ch. Nathe: Is it hard to raise money for the school.

Gordon Binek: It's a good environment. Certainly ND has good fortune right now. The rest of the country is not doing so well. If you have a good project out there, a worthwhile project, you can make the case, and we have been fortunate to be successful in doing that. We have good colleges and universities in the system. We are able to make the case for support. It's not easy, it never is.

Ch. Nathe: Thank you.

Tim O'Keefe, University of ND: Support. The Univ of MN has 80% of their graduates within four hours geographically of their campus. I suspect each of our institutions faces the same challenge we do, where over 80% of our graduates are outside the four hour window. So we have to travel extensively. I think if you look through each of the 11 colleges in the system, you find that, like a lot of North Dakotans, our graduates have had extraordinary success in virtually every discipline that we have. Much of that has occurred, unfortunately, out of state and as those opportunities are returning to the state, I think the field in terms of the potential for philanthropy right now has never been better for all of the colleges in our system. The campaign that we are just concluding is the first collaborative all-campus campaign at the UND. NDSU preceded us with one of their own. You learn very quickly is that donors don't give to Tim O'Keefe or Bob Kelley or Laura Block, they want to measure impact to our students whether it be through a scholarship, a program, or a building. I'm very optimistic that as we come out of this campaign, that we will engage in another one, and certainly the most powerful tool that we would have entering into that would be the proprietary investment and involvement of the state, along with us as we go out and visit prospects across the country.

Rep. Rust: Most of the schools have foundations and are raising money and taking pledges. Are we talking about them using funds that they had already raised and us that to get this money, or is this new kinds of fundraising activities. I'm certain that most schools have a pretty fair idea of how much money their foundation is going to take in for a year. Do they use funds they have already acquired or is this new fundraising.

Jim Miller, NDSU: It is my understanding, in reading this proposed legislation that these projects would be new projects as of the date that the legislation would go into effect. Existing programs that we're currently working on would not qualify. As the bill states, these projects would have to go through a screening committee that would make a decision as to whether or not the project in question would qualify for the state matching funds.

Ch. Nathe: Correct, in section 4, subsection 3 the committee will establish rules and procedures and develop the rules and procedures. They'll come up with that. These grant requests will be over and above anything that is passed in Appropriations.

Jim Miller: The legislature was kind enough in 2011 to put into effect a favorable bill that allowed donations to take a tax credit if they were given to a qualified charity and they were for an endowment and the minimum amount was \$5,000. I've been in ND doing this work since 1982, in the last 30 days, from December 1 until December 31, I don't think I've ever seen as much activity at our Foundation with regard to contributions from North Dakotans taking advantage of this incentive that the legislature approved. We established 34 new endowments and received contributions to a lot of existing endowments, based on the incentive that was provided through the legislature. So these types of programs do work, they have significant impact on higher education and the student population of ND, and I think

all you have to do is look at the results of past legislation to see that the benefits are there.

Ch. Nathe: As far as the two research universities, as far as raising the money and the need, it would not be a problem.

Tim O'Keefe: We would be very optimistic and one of the reasons that we picked the WY example, is because there are certain similarities between our states. They are the only 4 year college in the WY system. Both states started out in relatively the same position and now WY because of their state match, have grown by leaps and bounds and the university there has 26 new buildings and continues to grow.

Gordon Binek: I think the amount is reasonable; it provides a challenge for us for our projects, but I think it is doable. I think it's going to vary a little bit among the other colleges and universities.

Rep. B. Koppelman: If this were to take off like the Mr. O'Keefe suggested it has in other states, and this time for a research university and they take advantage of the \$10 million and next time if it becomes \$20 million and so on down the road, is the long term effect that the state does not have to appropriate as much money into the budgets of some of the universities for some of the needs that are being satisfied by these programs. If you can build 26 buildings and take care of other things as well, wouldn't these be items that you wouldn't have to have money in their budgets.

Gordon Binek: From the BSC perspective, \$3 million in today's environment probably not going to build much of a building. But there are a couple of projects that we need funding for and I think it would give us great leverage to do those things. Our constituency is different than a research university; that's not unusual. Community colleges have a different fundraising composition than a research university. We're slowly but surely building that momentum and in our case, the National Energy Center of Excellence raised us to a new level. At some point in time, we could, with this type of incentive, build some buildings. It's not there now, but in the future it will be.

Ch. Nathe: Do you see, if this bill passes, that it would actually increase your fundraising efforts, do you think it would be easier even to raise more money.

Gordon Binek: Yes I do. I see it as new money. The only risk is that the Foundation would be on the hook if we don't raise the money. I think that would be the only time that we would see, that I would anticipate dipping into the resources, and quite frankly I would hate to go the foundation board of trustees and say that we missed the mark. I don't want to have to do that.

Ch. Nathe: These projects that would be brought to the committee, if we didn't have this bill, would your projects be put into a budget for the next session, to have to get appropriations for.

Gordon Binek: Yes.

Ch. Nathe: So we could expect much smaller budgets going forward.

Gordon Binek: I'm not going to go there.

Rep. Rust: In section 1 there are a couple of references to the "advancement of academics", what is the definition of that. What does that exclude.

Ch. Nathe: We're working on an amendment right now to define that.

Jim Miller, NDSU: In regard to Rep. B. Koppelman's question, it is important to realize that this wouldn't be a swapping of dollars because it becomes a zero sum game. This would be new money that would be infused into a system or the system's foundations for the benefit of brick and mortar. Studies have shown that when money is reduced by the state in light of these matching programs, that the foundations aren't necessarily as enthusiastic because of the impact on the host institution.

Ch. Nathe: Thank you. Further testimony in support.

Steve Shirley, President, Valley City State University: Support (see attached #4).

Rep. Rohr: You mentioned in your testimony about the decrease in academic programs. Can you give us an example of that.

Steve Shirley: I can only speak to our specific institution. Several years ago, we were awarded a little over \$1 million in grant funds through some federal dollars to establish the Great Plains STEM Education Center at VCSU. Those dollars are expiring at the end of this year. Over the last several years, those dollars have allowed us to do some new things in reaching out and working with K-12 partners across the on developing new curriculum, curriculum focused on STEM education. We continue those efforts to this day and are having some success. It is those kind of specialty programs for a small institution like VCSU, where this leveraging could potentially open up some new opportunities, new doors to new donors who maybe haven't contributed in the past.

Ch. Nathe: Thank you. Further testimony in support.

Rep. B. Koppelman: In the \$30 million set aside in this bill, \$29 million is earmarked for the institutions; where does the other \$1 million go to, other than the possible \$135/day stipend.

Ch. Nathe: I asked the same question. As I understand it, that will be in the pot of money if some of the schools are not able to raise enough money, so say if VCSU raises their money, they get the match; a couple of the schools do not raise enough money to get the match, that other money would be available, so that extra \$1 million would be available for some of the other schools to apply for.

Rep. B. Koppelman: That's an extra \$1 million above and beyond the leftover money from other institutions that could be competed for after that date.

Ch. Nathe: Yes. It's done in chronological order, so first-come, first-serve. Testimony in opposition. We will close the hearing.

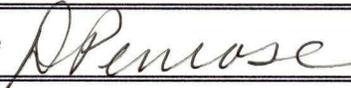
2013 HOUSE STANDING COMMITTEE MINUTES

House Education Committee
Pioneer Room, State Capitol

HB 1204
January 28, 2013
17832

Conference Committee

Committee Clerk Signature



Minutes:

Ch. Nathe: Let's take a look at HB 1204. This is the bill for the 2 to 1 match. This amount of \$30 million is in the Governor's budget. With this bill, we are going to get \$90 million worth of projects with the state picking up a 1/3 of that total. These are enhancements, things that will help educate the students, especially the smaller schools. The smaller schools can really use these funds.

Rep. J. Kelsh: Technology and endowed chairs. I'm not quite understanding what endowed chairs means.

Ch. Nathe: That is money that they can put aside to pay for a chair for somebody to come in and teach a course. They would use this money to pay for that instructor vs. coming to us and asking for an FTE. That money is used to pay for that chair.

Rep. J. Kelsh: Is this money staying strictly with the institution. The board does not have their hands on this money or cannot get their hands on these monies.

Ch. Nathe: Not at all. The money goes from the Board right to the university that is used to pay for those programs. The foundation money comes in, the state money comes in to pay for the programs. The higher education chancellor's office wanted it to run through his office and I didn't want that and that's why I put it in there as such to run right to the schools.

Rep. Heller: Speaking of that Board, since this has not been done before, who is going to make the rules, how are they going to set it up.

Ch. Nathe: On page 3, line 26, the grant review committee shall establish rules and operations and procedure and shall develop and publish the criteria upon which all requests for the matching grants will be reviewed. So the board is made up of the Governor, 2 House Approps. Members, 2 Senate Approps. Members, 2 at-large members that the Governor will pick. They will meet the first time, they will more or less make up the grand rules, how it's going to run, their criteria, publish the criteria so the schools know what they have to meet and go from there. There is also a section in here for compensation for board members, because they will be meeting quite frequently throughout the course of the year to do that. This is a two year pilot.

After two years, during next session, if we don't like the program we don't have to re-up it.

Rep. Meier: We have an amendment on our desks, who proposed the amendment.

Ch. Nathe: I did. If you remember during the hearing, I said that we would try to come up with a better definition for "academic enhancements". That was kind of broad and general.

Rep. Rust: I move the amendment.

Rep. Heilman: Second the motion.

Rep. Rohr: It goes back to the term "academic enhancements". I think from the testimony we heard, that WY has a project similar to this. Can you give us some examples of what would be exclusion criteria for that. What would we not want them to be using this money for.

Ch. Nathe: You'll notice that it doesn't say capital improvements to put up buildings. I know there was some talk from the people that supported the bill, I think they may be viewing it as a way to put up buildings. That is not in here that is something that the appropriations committee and grant review committee can decide if that is something that they want to use the money for.

Rep. Rohr: My concern is that there could be double dipping; getting money from this bill and appropriations to finance something that could enhance academics.

Ch. Nathe: That is why we have four members from appropriations on this committee, who know the history of the funding of higher education and are very familiar with what is going on there.

Rep. Rohr: So the accountability of this will incorporate the data that will come back after two years.

Ch. Nathe: There is a reporting requirement in here that they will report to Legislative Management as far as the success and results.

Rep. J. Kelsh: I'm just wondering, would investments in educational infrastructure could be loosely construed to mean buildings or what does infrastructure mean.

Ch. Nathe: I had asked for Legislative Council to give me something along these lines. I guess infrastructure could be construed many different ways. It could be buildings, networking capabilities, although we have technology listed in there. It could be a number of other different things. Are you uncomfortable with that word.

Rep. J. Kelsh: We could add, "not to include buildings" and that would make it clear. I think the purpose is to not let them build buildings that will then become property that the state has to take care of.

Rep. Meier: I think it was testified that actually the two biggest schools were in favor of having buildings.

Ch. Nathe: Yes they were, but it wasn't in there. It just talked about academic enhancements. That's why I wanted to come up with a better definition. They might be thinking that it means capital building projects and we don't.

Rep. Heilman: I have no problems with it if we wanted to do it either way. One thing to think about, we may have the long term costs of maintaining a building if we were to allow use of the dollars like this, but on the other hand, the \$30 or \$60 million buildings that are required to set up, I would rather pay a 1/3 of those costs, than the full amount of those costs and over time just pay to maintain them then to pay the full price of the building and then in addition the maintenance.

Rep. J. Kelsh: I can agree with that. But we haven't had the full discussion of what buildings are needed for education enhancements. If it doesn't come through here, you don't get that discussion.

Ch. Nathe: If we struck investments in educational infrastructure.

Rep. B. Koppelman: My impression and maybe it was in the testimony given by others, I even asked questions relating to infrastructure, if you recall, and was kind of leading in the sense that if this became a really good program and funded it in the future, if that our 1/3 share could lead to reduced requests in general fund budgets for things like buildings. Before today's discussion and the amendment, I was mostly in favor of this bill on the premise that it would do things like build infrastructure, and to me infrastructure is something that you can touch. Maybe you could argue technology, equipping classrooms, but not paying for chairs to be endowed.

Rep. J. Kelsh: I think we have gotten into enough trouble with people building buildings and gone way beyond the scope of what was intended. I move that we keep educational infrastructure, the hardware that might be needed, but "not to include buildings".

Rep. Rohr: I agree with Rep. J. Kelsh because I think we have other processes in place, where if they want to be building more bricks and mortar that they need to follow those administrative rules as they have already been created.

Rep. Heller: So what about remodeling to enhance some of their technology or to make space for a new area in this program.

Rep. J. Kelsh: I would have no problem with that. I think it is just so we don't have new construction, a \$50 million project that turns into a \$100 million building and it hasn't gone through the process of whether they need that building or not.

Rep. D. Johnson: I understand your thoughts. But in Devils Lake, the last new building was built in 1972. There are needs up there but we never make it through the process down here as far as getting what we would like to see up there. They have a really good active foundation, that is great at fundraising and I can see where something like this would help in a scenario like that.

Rep. Heilman: To that regard, I think that you can look at it in a couple of different approaches. If a college would want to put as part of their request, that as we go through the appropriations process to build a new building, that this will help support the technology and the classroom within that building, something to defray the cost. That might get a little fuzzy, but I can see that happening. For example, I was involved with the Barry Hall, new business building at NDSU, which is a fantastic facility but later on and even throughout the process they were looking for private contributors for the Gate City Bank classroom, etc. Gate City would actually provide the computers, the projectors, etc. which I would say fall under the scope of this bill. So maybe it doesn't pay for the bricks, but it pays for the stuff that goes in the building, which reduces our cost because we are leveraging Gate City's donation.

Rep. Meier: So the Committee would have the oversight over the grant. If they refused a request, it wouldn't go through.

Ch. Nathe: Right, the committee would look at their grant request and deny it.

Rep. Meier: If the committee meets monthly, then they go over what they need to review, thereafter who do they report to then.

Ch. Nathe: The committee is chaired by the Governor.

Rep. Meier: So in the interim, would the committee then report to any of the interim committees.

Ch. Nathe: Yes, there is a reporting requirement on the back where they make a report to legislative management.

Rep. Wall: I would be for leaving in investments in educational infrastructure. If we're worried about new construction, after the word infrastructure, we could add something about not including capital projects, new construction.

Ch. Nathe: I had the same thing written down, after endowed chairs, not to include new capital projects.

Rep. Rust: I like the word "new" in there because I am with Rep. J. Kelsh. I think if you have a building there already in existence, the state is already paying to maintain that building. If you want to do something to renovate that building, and maybe it's a pretty extensive renovation, that's no big deal because they already have that building, we're already paying for the upkeep and maintenance.

Rep. Rust: I move an amendment that we add "not to include new capital construction projects".

Rep. Heilman: Second the proposed amended amendment.

Ch. Nathe: We will take a voice vote on the proposed amendment to the amendment. Motion carried. We now have the amendment before us for vote, voice vote. Motion carried. We now have the amended bill before us.

Rep. Wall: I move a Do Pass on the bill as amended with a re-referral to Appropriations.

Rep. Meier: Second the motion.

**9 YES 0 NO 4 ABSENT
DO PASS AS AMENDED WITH A REREFERRAL TO APPROPRIATIONS
CARRIER: Rep. Heilman**

13.0306.02002
Title.03000

Adopted by the Education Committee

January 28, 2013

1/28/13
JSM

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1204

Page 4, line 14, after the second "of" insert "enhanced"

Page 4, line 15, replace "educational infrastructure" with "research, scholarship, technology, endowed chairs, and investments in educational infrastructure, not to include new capital construction projects"

Renumber accordingly

Date: 1/28/13
 Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES

BILL/RESOLUTION NO. 1204

House EDUCATION Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.0306.02002 03000

Action Taken: Do Pass Amended Rerefer to Appropriations
 Do Not Pass Adopt Amendment

Motion Made By Rep. Wall Seconded By Rep. Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Mike Nathe	✓		Rep. Bob Hunsakor	AB	
Rep. Mike Schatz	AB		Rep. Jerry Kelsh	✓	
Rep. Joe Heilman	✓		Rep. Corey Mock	AB	
Rep. Brenda Heller	✓				
Rep. Dennis Johnson	✓				
Rep. Ben Koppelman	AB				
Rep. Lisa Meier	✓				
Rep. Karen Rohr	✓				
Rep. David Rust	✓				
Rep. John Wall	✓				

TOTAL (YES) 9 (NO) 0 (ABSENT) 4

FLOOR ASSIGNMENT Rep. Heilman

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

REPORT OF STANDING COMMITTEE

HB 1204: Education Committee (Rep. Nathe, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (9 YEAS, 0 NAYS, 4 ABSENT AND NOT VOTING). HB 1204 was placed on the Sixth order on the calendar.

Page 4, line 14, after the second "of" insert "enhanced"

Page 4, line 15, replace "educational infrastructure" with "research, scholarship, technology, endowed chairs, and investments in educational infrastructure, not to include new capital construction projects"

Renumber accordingly

2013 HOUSE APPROPRIATIONS

HB 1204

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

HB 1204
2/7/13
Job 18513

Conference Committee

Committee Clerk Signature

Meredith Tracholt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact six new sections to chapter 15-10 of the North Dakota Century Code, relating to the provision of matching grants for the advancement of postsecondary academics; to provide an appropriation; to provide for a legislative management report; and to provide an expiration date.

Minutes:

You may make reference to "attached testimony."

Rep. Mike Nathe, District 30: Introduced the bill.

04:40

Chairman Delzer: If the review committee declines a project, is a pledge gone?

Rep. Nathe: Yes.

Chairman Delzer: What is our way to find out our return on investment?

Rep. Nathe: There is a reporting period in section 8 page 4 line 21. This is a two year pilot project, I should also mention.

Chairman Delzer: How does this differ from our Centers of Excellence?

Rep. Nathe: This would be for higher ed for educational purposes. Centers of Excellence combine public and private money with business. This would be a total investment into higher ed issues. It's to enhance things already being done. I think this is a great investment for the people of ND. The state picks up a third of the cost, with private money paying for the other two thirds. It's a great way to enhance private giving to the colleges for the state's benefit.

Rep. Monson: On section 3, if they have a pledge and it comes up short, they are liable for it. Is the institution going to just turn to the foundation and say, make it up?

Rep. Nathe: That is the way it is written, yes.

Rep. Brandenburg: Can you tell me how the review committee will work? Do they report before they do anything? After they've done it?

Rep. Nathe: They would take the request from the president of the institution and go through it line by line; if they meet all the requirements, they would distribute the grant; the progress of that grant would be outlined in the report that's given.

Rep. Brandenburg: Let's say they do a project, and then they run short by 10 or 20%. Then where do they go? Is there a fall back for that, or will we clean it up in budget section?

Rep. Nathe: If they fall short of their fundraising goal, they are on the hook. Other states have used this with great success. It has increased giving and helped tight budgets.

Rep. Kempenich: It looks like the committee is all elected, or goes through Legislative Council.

Rep. Nathe: From what I understand from council, this is boilerplate language for compensation for the members.

Chairman Delzer: Why is it \$135, and where does it say who pays whom?

Rep. Nathe: We did not discuss that part of it.

10:20

Rep. Grande: In section 9, you have an expiration date of June 30, 2015 and a sum of \$30M. In section 6, we're enhancing academic investments research, so I'm assuming you'll have a scholarship or position put in place. Are these scholarships and endowed chairs going to be ongoing expenses?

Rep. Nathe: For endowed chairs, once that money is put aside, it can be used on a constant basis to do that, so there should be no ongoing expense. When the endowment runs out, it is gone.

Chairman Delzer: We'll put this into Education & Environment division or a subcommittee for further review.

Rep. Glassheim: I see this is for the enhancement of academics, but there are no academics on the grant review committee.

Rep. Nathe: We did not discuss that. When we wrote this up, I wanted to at least have some appropriation members. You all make decisions and vote on academics or vote on things that affect academics. The two at-large members could be those people that the governor would appoint.

Rep. Kempenich: On section 6, what do you mean by enhanced?

Rep. Nathe: It is a bit open-ended. When the committee gets together, they establish rules, operation, and criteria, and it would fall underneath that. It's on page 3 lines 26-27.

Rep. Hawken: I believe this idea came up one other time, and part of the idea was we would have half the matching money to help grow our institutions. There is a lot of potential in a different idea like this. This could be something extremely helpful to the universities as well as to us. If they can fund more things, we don't have to.

Rep. Nathe: That's the angle we're coming from. That's why it is a two year pilot program. If it doesn't work, we get rid of it. If it works, we let this program prove its merit.

Chairman Delzer: \$30M can be quite a bit for a pilot project. It's listed as a grant from the board of higher ed, but it's the presidents the committee works with. Did you have testimony from the board of higher ed on this set up?

Rep. Nathe: We did not.

Chairman Delzer: Was there any discussion in the committee about that, the fact the board of higher ed has to make the monetary portion of the grant, yet the committee works with the presidents. The only thing the board has is they get told they have to make this grant. The board of higher ed is listed in sections 1, 3, 7.

Rep. Nathe: We did not have any discussion on that.

Chairman Delzer: Seeing no further questions, we'll move on to the next bill.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1204
2/23/13
19408

Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Relating to the provision of matching grants for the advancement of postsecondary academics.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: HB 1204 was a way to match funds for education. The problem I have with the bill is it is on this side and the higher ed. budget is on the other side and I think they should be combined.

Rep. Skarphol: If you can get people to raise \$2 for every \$1 we invest in something, in my mind at least, it is a good deal as long as we have sufficient perimeters around it to insure that the money is going to be utilized in a fashion that we deem appropriate. If we want to do this, we could do it in the higher ed. budget. I agree with you that this bill should have been on the same side as the budget so that the policy could have been considered when you are looking at the budget.

Chairman Delzer: Is there an appropriation in there?

Rep. Skarphol: Yes, \$30M in Section 7. It is kind of a dilemma. If we take this policy bill and kill it, then there will be no hearing on that issue on the other side of the hall to see whether or not they endorse it.

Chairman Delzer: We could take it down to \$100,000 and kick it over.

Rep. Skarphol: We could take all of the money out, kick it over, and see if they like the policy.

Tammy Dolan, OMB: There is a \$30M appropriation in this bill. There are funds in the higher ed. budget as well.

Chairman Delzer: I don't believe there is. I think they pulled it out and put it in here.

Dolan: It was in the governor's recommendation. There is not statutory language in SB 2003, but there is a \$30M appropriation in there.

Rep. Skarphol: I think Tammy is right from the perspective that this policy was wanted to be separated by Rep. Nathe, but it does have an appropriation in it. I'm trying to imagine how he was able to pull the policy out of the higher ed. bill.

Chairman Delzer: This was part of the package for K-12.

Rep. Skarphol: Why is there \$30M in here as well as in there?

Rep. Monson: That kind of solves our dilemma, because we can strip out the money and send the language over.

Chairman Delzer: I would hope we send it out the way the policy committee did it then.

Rep. Skarphol: I agree we should take the money out. I am not necessarily sure the higher ed. folks would have the same opinion we do about what the policy should be.

Chairman Delzer: The way it came down to us is that it is not for capital construction. From discussions I have had with some of the people, what they want the most is to build buildings.

Rep. Grande: People that have contacted me said that was not the issue. Their issue was to make sure that the endowed chairs were there.

Rep. Hawken: This is Rep. Svedjan's idea from about three or four sessions ago. It was for the educational side.

Chairman Delzer: If we are going to do it, it certainly should be the educational side, but that is not what everybody is saying.

Rep. Bellew: What is an endowed chair?

Chairman Delzer: Endowed chair is where they have the money set aside to pay for the professor for a long time.

Rep. Skarphol: I would move that we would remove Section 7 from HB 1204.

Rep. Monson: seconded.

Voice vote was taken and motion carries.

Rep. Martinson: I just looked at the higher ed. bill. That \$30 million is in there. Rather than give the senate something to play with, we should just kill this one, and we will take care of the higher ed. one when we get it over here.

Rep. Hawken: I don't think most people in this body who don't sit on this committee think about where the money is. They think about it being in the budget and if the budget isn't divided between the house and the senate, it is just the budget. At the end we will put it

into the right bills. I don't think it's unusual to end up with something on one side and something on another side.

Rep. Martinson: I would expect that the governor's office would know that it is in both bills.

Rep. Kempenich: The senate thinks about this stuff every day. They kill bills for this very reason. It is a strategy.

Rep. Glassheim: I hope we send this over and get a clean bill and a clean vote on the policy. I don't know that you want four pages establishing a new committee in a budget bill. It is less important where the money is. We are not going to have it done twice.

Rep. Skarphol: If you read the grant review committee, it is everybody but the state board of higher ed.

Rep. Grande moved for a Do not pass as amended.

Rep. Martinson seconded.

Rep. Monson: Let them get a bill with no money. Let them look at the language.

Chairman Delzer: If you send it over and they pass it just the way it is, they can put the money almost anywhere. Further discussion?

Rep. Glassheim: They can't do anything unless you agree to it.

Chairman Delzer: Unless the majority of the members of the house...

Rep. Glassheim: I have a suspicion that if we don't want it, they can't do it.

A roll call vote was taken and resulted in 10-11, 1 absent. Motion fails.

Rep. Glassheim moved a Do Pass as amended.

Rep. Monson seconded.

A roll call vote was taken and resulted in **DO PASS AS AMENDED, 14-7, 1 ABSENT.**

Rep. Glassheim is the carrier.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1204
2/26/13
19459

Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Relating to the provision of matching grants for the advancement of postsecondary academics.

Minutes:

You may make reference to "attached testimony."

Rep. Skarphol moved the committee reconsider the Do Pass as amended on HB 1204.

Rep. Kempenich seconded.

Chairman Delzer: HB 1204 was the bill that dealt with entrepreneurial allocations and building buildings on the university system. We took it down to \$1 million. The concerns are that this policy should really be part of the budget bill, because it may have effects that deal with the buildings that exist in the budget bill as well.

Rep. Skarphol: I have assured the sponsor that we'll try to get this in the higher ed. budget bill. Our subsection will insure that this language, virtually in its entirety, will be in the higher ed. budget. There may be additional provisions that are not in here that may be in the budget as well as regard to it.

A voice vote was taken and motion carries.

Rep. Skarphol moved a Do Not Pass as amended.

Rep. Grande seconded.

Chairman Delzer: The amendment was to go from \$30 million to \$1 million.

A roll call vote was taken and resulted in a **DO NOT PASS AS AMENDED, 14-8**. **Rep. Skarphol** is the carrier.

FISCAL NOTE
Requested by Legislative Council
02/27/2013

Revised
 Amendment to: HB 1204

- 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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations			\$30,000,000			

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 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).*

Establishes and sets forth rules concerning matching grants for the advancement of postsecondary academics. Amendment has no fiscal impact, as SB2003 includes \$30 million for "education challenge fund".

- 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.*

Amendment has no fiscal impact. SB2003 includes \$30 million for "education challenge fund".

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.*

- 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.*

- 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.*

SB2003 includes \$30 million for "education challenge fund".

Name: Laura Glatt

Agency: ND University System Office

Telephone: 701-328-4116

Date Prepared: 02/28/2013

13.0306.03001
Title.04000

Prepared by the Legislative Council staff for
House Appropriations Committee
February 23, 2013

VK
2/24/13

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1204

Page 1, line 3, remove "to provide an appropriation;"

Page 4, remove lines 17 through 21

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes Section 7 of the bill which appropriates \$30 million from the general fund to the State Board of Higher Education to provide matching grants for the advancement of postsecondary institutions as provided in the bill.

Date: 2/23/13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1204**

House Appropriations 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 Rep. Skarphol Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streytle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

remove section 7

voice vote carrier

Date: 2/23/13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1204**

House Appropriations 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 Rep Grande Seconded By Rep. Martinson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle		X
Vice Chairman Kempenich	X		Rep. Thoreson		X
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch		X			
Rep. Grande	X		Rep. Boe		X
Rep. Hawken		X	Rep. Glassheim		X
Rep. Kreidt	X		Rep. Guggisberg		X
Rep. Martinson	X		Rep. Holman		X
Rep. Monson		X	Rep. Williams		X
Rep. Nelson					
Rep. Pollert	X				
Rep. Sanford		X			
Rep. Skarphol	X				

Total Yes 10 No 11

Absent 1

Floor Assignment _____

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

Date: 2/23/13
 Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1204**

House Appropriations 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 Rep. Glasheim Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle	X	
Vice Chairman Kempenich		X	Rep. Thoreson	X	
Rep. Bellew		X	Rep. Wieland		X
Rep. Brandenburg		X			
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glasheim	X	
Rep. Kreidt		X	Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson					
Rep. Pollert		X			
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 14 No 7

Absent 1

Floor Assignment Rep. Glasheim

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

Date: 2/26/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1204

House Appropriations 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 Rep. Skarphol Seconded By Rep. Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

voice vote carries

Date: 2/26/13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1204

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.0306.03601

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment

Rerefer to Appropriations Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe		X
Rep. Hawken		X	Rep. Glassheim		X
Rep. Kreidt	X		Rep. Guggisberg		X
Rep. Martinson		X	Rep. Holman		X
Rep. Monson	X		Rep. Williams		X
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford		X			
Rep. Skarphol	X				

Total Yes 14 No 8

Absent 0

Floor Assignment Rep. Skarphol

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

REPORT OF STANDING COMMITTEE

HB 1204, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (14 YEAS, 8 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1204 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "to provide an appropriation;"

Page 4, remove lines 17 through 21

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes Section 7 of the bill which appropriates \$30 million from the general fund to the State Board of Higher Education to provide matching grants for the advancement of postsecondary institutions as provided in the bill.

2013 TESTIMONY

HB 1204

University of North Dakota Foundation

*State Matching Fund and Natural
Resource Revenue Allocation Programs*

August 2012

Colorado

Senate Bill 08-218 made Federal Mineral Leasing (FML) monies available for capital construction at institutions of higher education. SB08-218 created two funds with specific purposes relating to the FML monies: the Higher Education Federal Mineral Lease Revenues Fund (Revenues Fund); and the Higher Education Maintenance and Reserve Fund (M&R Fund). Because FML revenue is mostly determined by the value of energy production it is highly volatile.

FML money is derived from two sources: 1) ongoing leasing and production activities on federal lands (approximately one-half of these funds go to the state); and 2) one-time payments for consideration for granting a FML, regardless of the company's usage of the mineral interest (referred to as a Bonus payment).

Source: Colorado Department of Higher Education

http://highered.colorado.gov/Publications/General/StrategicPlanning/Meetings/Resources/Sustain/Sustain_100511_Severance_Taxes_Mineral_Leases.pdf

Kentucky

In 1997, the Kentucky General Assembly passed House Bill 1, a plan designed to reform the state's system of higher education. The goal was to develop a "seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life."

A key element of this initiative is the Endowment Match Program which encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living and facilitate Kentucky's transition to a knowledge-based economy. The program matches state funds dollar-for-dollar with private gifts to grow endowments to fund endowed chairs, professorships, research scholars, research staff, graduate fellowships, undergraduate scholarships, research infrastructure and mission support at these institutions. This collaborative approach is critical to advancing Kentucky's research presence into national prominence.

State funds for the program are appropriated to the Research Challenge Trust Fund (RCTF) for the research institutions and to the Regional University Excellence Trust Fund (RUETF) for the

comprehensive institutions. The Endowment Match Program received surplus General Fund appropriations of \$110 million in 1998-99 and \$120 million in 2000-01. The legislature debt funded another \$120 million for the program in 2003-04.

Source: Murray State University Academic Affairs Website (see also separate attachment: Kentucky Endowment Match Program Guidelines)

<http://www.murraystate.edu/headermenu/Administration/Provost/ComprehensiveUniversityEndowmentTrustFund.aspx>

Nevada

The Silver State Matching Grant Program

Saving for higher education is a challenge for many families. That's why the State of Nevada and the SSgA Upromise 529 want to help Nevada children attain the best education possible. Don't miss out on this exciting new program!

Introducing the Silver State Matching Grant Program

Does your family have an adjusted gross income level of \$61,950 or less? Are you and your beneficiary Nevada residents? There may be extra college savings waiting for you.

How do I qualify?

Both you and the beneficiary must be Nevada residents.

You must be the account owner of a SSgA Upromise 529 account.

The beneficiary must be 13 or younger (when you are first approved for the matching grant).

Your adjusted gross income must be \$61,950 or less (see chart below).

How does the matching grant work?

If you qualify and are approved for the Program, contributions to your SSgA Upromise 529 account will be matched either dollar-for-dollar or one dollar-for-two dollars, up to \$300 per year. There is a lifetime maximum of \$1,500.

The match rate is shown in the following table:

If your household adjusted gross income is:	Your Silver State Matching Grant Program match rate is:
\$0 to \$41,300	\$1 for each \$1 contributed. (Example: you contribute \$300, we match \$300)
\$41,301 to \$61,950	\$1 for each \$2 contributed. (Example: you contribute \$600, we match \$300)

Source: Nevada SSgA Upromise 529 Plan Website

<https://uui.s.upromise.com/content/match.html?uicid=matchbanner>

Oklahoma

The state began matching private endowments to higher-education institutions in 1988 with the Endowment Fund Program, according to the Oklahoma State Regents for Higher Education policy and procedures manual.

However, in response to the 2008 financial crisis, the Legislature put a temporary stop on the endowment-matching program because the state accumulated a debt of \$364.8 million to Oklahoma's higher-education institutions.

Three years later, the debt has been reduced to \$267 million, according to the regents' November budget proposal.

Currently, the Legislature has no money to address the remaining backlog, and it won't for some time, said Rep. Denney Lee, Oklahoma House's Appropriations and Budget subcommittee on education chairwoman.

Source: The Oklahoma University Daily Newspaper, March 2011

<http://oudaily.com/news/2011/mar/28/state-debt-ou-grows-2m/>

Wyoming

The impact of the University of Wyoming Endowment Challenge Program—known as the state matching gift program—is immeasurable. Since 2001, the program's mission has been to provide additional support to the University of Wyoming by encouraging private donations, and this partnership between state support and private giving has surpassed all projections and fundamentally transformed both the bricks-and-mortar facilities and the people and programs within them.

It has impacted every aspect of the University of Wyoming—from campus infrastructure to state-of-the-art technology, from student scholarship support to faculty excellence funds, from annex remodels to the construction of new facilities, from the funding of club sports to the creation of whole academic programs. It has been a resounding success.

A remarkable 577 endowments and at least 18 facilities have been created or assisted by the program, which has supported or will support UW's students, faculty, programs, and facilities with over \$143 million in endowment and facilities matches.

Source: University of Wyoming 2011 Annual Report, State Matching Programs (see also separate attachment containing full report)

http://www.uwo.edu/foundation/files/docs/uwf_statereport_11.pdf



Ultra Petroleum's \$2 Million Gift Supports UW Energy Research

January 15, 2013 — A \$2 million gift commitment from Ultra Petroleum Corp. will support and enhance the University of Wyoming's energy research and academic program, the university announced today (Tuesday).

Ultra's gift, which will be doubled to \$4 million by the state of Wyoming's matching program, exemplifies the energy industry's ongoing and significant partnership with the state and UW. State matching funds have been transformational in elevating UW's partnership with the energy industry to benefit Wyoming's economic future.

"Ultra Petroleum proudly supports the University of Wyoming in its efforts to further the university's energy research and educational programs. This is the second financial contribution we've made, illustrating our commitment to continuing our partnership with the state of Wyoming and the university," says Michael D. Watford, chairman, president and CEO of Ultra Petroleum.

In 2009, Ultra committed \$1 million to fund the Ultra Petroleum Visiting Chair of Energy, the first of its kind at UW in the sciences and engineering disciplines. These gifts build upon Ultra's commitment to collaborate with UW to advance the state's and UW's energy agenda.

"The Wyoming Legislature and I set aside \$15 million to match donations from industry to the School of Energy Resources at the University of Wyoming. I thank Ultra and the other companies that have chosen to invest in Wyoming through gifts to UW. The joining of resources promotes leading research and provides amazing opportunities for students in Wyoming," Governor Matt Mead says.

The governor has called a special announcement at 10 a.m. Friday, Jan. 18, in the Wyoming State Capitol Rotunda to recognize Ultra Petroleum and to share news of another significant corporate partnership to support UW's energy programs.

This vital public-private partnership with Ultra Petroleum will support research into the extraction of energy resources from unconventional reservoirs. Research efforts within this program include reservoir geomechanics and hydraulic fracturing, characterization and flow, drilling and completions, and improved recovery. More specifically, this program will focus on increasing faculty expertise, research facilities and outreach.

"Governor Mead continues to travel with UW's energy leadership team to talk face-to-face with Wyoming's energy industry partners," says Ben Blalock, UW Foundation president. "These conversations involve requests for financial support, but, even more importantly, requests for partnership involvement in research and teaching. These major announcements highlight the remarkable success of this significant UW initiative."

In addition to these two gifts, the university announced a commitment of \$1 million from Marathon Oil in April 2012.

UW is committed to the continued advancement of its energy-related teaching, research and outreach programs through corporate partnerships. The goal of UW's strategic plan for energy programs includes commitments totaling \$15 million from corporate partners to take advantage of state matching funds. Additional public-private partnerships are being pursued.

"Ultra Petroleum continues to show its dedication in partnering with UW and Wyoming to further UW's efforts to become a national leader in energy research and education," says UW President Tom Buchanan. "This is an exceptional example of how industry, the university and the state can create vital and meaningful public-private partnerships."

This fundraising effort supports the construction of the Energy Engineering Research Facility (EERF), a new facility that will provide the necessary space and infrastructure to house and support large-scale research related to energy development, conversion and conservation. Space within this research-focused facility will be designed so that it can quickly be converted to house a variety of projects.

The EERF is tied to the work of the Governor's Energy, Engineering, STEM Integration Task Force, which recently released its strategy for creating a "Tier 1" engineering program at UW.

UW's strategic plan for energy programs focuses on three areas: unconventional reservoirs, climbing the value chain, and renewable resources. Unconventional reservoirs include oil shale and coal-bed methane that are produced using unconventional methods. "Climbing the value chain" means adding steps in Wyoming's chain of natural gas production and coal production to mitigate boom-and-bust cycles. Research into renewable resources includes increasing efficiency so that such resources are more cost effective.

Ultra Petroleum Corp. is a leading independent exploration and production company headquartered in Houston, Texas. Ultra's core properties are located in the Pinedale Anticline and Jonah natural gas field of southwestern Wyoming, and in the Marcellus shale in Pennsylvania. The company's holdings in Wyoming are unconventional deposits that, for decades, were known for their great potential despite frustrated attempts to tap into these vast reserves.

In addition to the EERF, there are two other newly constructed or soon-to-be renovated facilities related to energy research on the UW campus. Renovation and expansion of the College of Engineering and Applied Science Building will accommodate growth in enrollment and research related to undergraduates and graduate students, and the faculty members who support them. The newly constructed Energy Innovation Center houses the School of Energy Resources and the Enhanced Oil Recovery Institute, as well as a drilling simulation laboratory and a 3-D visualization laboratory, among other things.

<http://www.uwyo.edu/uw/news/2013/01/ultra-petroleums-2-million-gift-supports-uw-energy-research.html>



Private Giving to UW Reaches Historic Levels

July 17, 2008 — Private giving to the University of Wyoming reached new heights during the recent fiscal year ending June 30, as the university raised a record-setting \$43 million, the single largest fundraising year in the school's 122-year history. Additionally, a total of \$19.8 million was committed through the state's facility and endowment matching funds as a direct result of private giving.

The total gifts and pledges raised in FY 2008 elevate UW's five-year average for private giving to more than \$30 million a year, another considerable milestone for the university. The total number of contributors to UW was 24,090 alumni and friends.

"This kind of support is extraordinary in the history of Wyoming's university. Alumni and friends are stepping forward in record numbers to give to UW," says UW President Tom Buchanan. "I cannot overstate my gratitude for the incredible generosity of our public and private supporters. Due to this significant achievement, UW is better positioned than ever to be one of the nation's finest public land-grant research universities."

"Each year is bringing new levels of private support to UW," says Ben Blalock, UW Foundation president. "The UW giving records that we recently viewed as unprecedented are continually being surpassed. Wyoming's university has remarkable supporters. I am deeply grateful for the individual, corporate, and foundation giving to our school. The state of Wyoming is a key philanthropic partner. The state's matching program is incenting gifts to UW. As a result, UW is experiencing its greatest era."

This total includes \$1 million from Marian Rochelle and April Brimmer Kunz to the UW College of Law, \$1 million from the Ellbogen Foundation to the College of Education, \$1 million from Marathon Oil Corporation to support energy and education research programs, \$3 million from the Daniels Fund to the College of Business, \$5 million from BP America to support UW's energy programs, and \$5 million from Mick and Susie McMurry through the McMurry Foundation for the College of Business. Additional gifts were received in the form of major software contributions for the university's energy programs from Schlumberger and Halliburton.

"It's been another remarkable year for the University of Wyoming," says Roy Cline, UW Foundation Board chairman for FY 2008. "This is an exceptional show of support from our alumni and friends whom we greatly appreciate. Private fundraising makes a significant difference in educational excellence for our university, faculty, and students."

"The fundraising accomplishments reflect the faith our donors and alumni have in the leadership of UW and our belief that they can make a real difference for our faculty and students," says Chuck Brown, president of the UW Board of Trustees. "The future is bright for the university as we continue to build on our tremendous momentum."

Significant support for UW continues to be made available from the state's unique matching fund. Since 2001, UW has received more than \$84 million in state endowment matches and \$43 million in state matches for academic facilities.

"The university has an unbelievable partner in the state of Wyoming," adds Buchanan. "The uniqueness of the state's endowment and facilities matching programs has enabled UW to transform its physical spaces on campus, as well as prepare for the challenges ahead."

Additionally, during FY2008 the UW athletics department reached its \$16 million fundraising goal and with the Wyoming State Legislature's matching fund program will have \$32 million available for facility enhancements.

When totaled, the university has received \$144 million in state matching funds since 2001.

The UW Foundation, established in 1962, is appointed by the university Board of Trustees to raise, receive, and manage private gifts to maximize support for UW. Through private gifts, the foundation is able to enhance UW programs and projects to meet future needs.

<http://www.uwyo.edu/uw/news/2008/07/private-giving-to-uw-reaches-historic-levels.html>

Testimony in favor of HB 1204 by Jim Miller, President/CEO, NDSU Development Foundation

Chairman Nathe and members of the Education Committee.

According to the Council for the Advancement and Support of Education (CASE) there are ²⁸ ~~24~~ states in the United States as well as several Canadian Provinces, several foreign countries that have created government matching fund programs. Some 75 percent support endowments and endowed chairs and professorships; about 21 percent help fund student scholarships, capital projects, and technology efforts and about 4 percent being designed to provide resources for research initiatives.

Most government matching fund programs in the United States are targeted to two-year and four-year public institutions exclusively, but a few states operate programs that also are open to private colleges and universities.

According to the white paper, "Select Government Matching Fund Programs: An Examination of Characteristics and Effectiveness" prepared by CASE for the Sutton Trust, government matching fund programs are state-based initiatives that have proved themselves effective strategies to strengthen the capacity for raising independent income of colleges and universities, contribute to the development of a philanthropic culture that is supportive of higher education and its broader underpinning of economic development and social inclusion, and are persuasive examples of public-private partnerships, which contribute significantly to the development of innovative funding models for post-secondary institutions.

Matching grant programs have been implemented to good effect both in settings where philanthropic culture and practice is reasonably mature, as is the case in some states in the United States and to kick-start changes in individual support for education, as is the case in Canadian provinces, Singapore and Hong Kong.

90 to LOUISIANA

These programs are not a substitute for public funding, nor does evidence suggest they lead to a diminished need for public funding, at least in the short term. They are an effective use of public funds to lever in and increase private support and to build strategic links between universities and their constituencies.

Matching fund programs have generated significant sums for higher education, as evidenced by programs overall in the United States, and have provided rewarding returns on government investment.

According to the CASE study, these programs are most effective where there are adequate state funds to underpin the process, where the contextual economy is robust, and where institutional capacity to rise to the challenge is reasonably developed.

Further the CASE study says a matched grants program will be more energetically entered into by universities if it can be accompanied by assurances about such a program not leading to a moderation in other government support.

If a program such as ^{the one} ~~that~~ being proposed in House Bill 1204 had been in effect during the past several years, the impact on projects at NDSU would have been significant. I would cite instances were such matching funds would have been utilized to include the \$3 million Green House Campaign in our College of Agriculture, the \$500,000 Campaign to renovate the Stevens Hall Auditorium and several laboratories in Ladd and Dunbar Halls, benefitting our College of Science and Mathematics, the \$900,000 ^o Cutting Edge Campaign to renovate the food production laboratory complex for education in nutrition, dietetics and hospitality in our College of Human Development and Education, the \$35 million dollar Competitive Edge Campaign benefitting our Intercollegiate ^{Athletic} Program and a new campaign for the Center for Risk Analysis and Research and Commodity Trading and Financial Laboratory in our Department of Agribusiness and Applied Economics in Barry Hall to mention a few.

It is also important to note that every dollar raised for capital projects, such as those just referenced does have an effect on funds that can be raised for student scholarship, faculty development, equipment and general endowments.

I thank you for your attention to my comments and would encourage you to vote yes on House Bill 1204.

Mr. Chairman I would be happy to respond to questions from committee members.

Eastern Kentucky University received more than \$1.4 million and Kentucky State University received about \$464,000.

• Louisiana

Using interest generated from \$540 million the state was awarded from a legal settlement (that is, a windfall payment), the state legislature established the Endowed Chairs for Eminent Scholars Program in 1986 and then in 1990, the Endowed Professorships Program. The programs (components of a statewide initiative to improve education, including elementary and secondary schools) are aimed at supporting carefully designed research efforts for both public and private institutions, endowed chairs, infrastructure enhancement (with the exception of athletics programs), and the recruitment of outstanding graduate students.

The Endowed Chairs for Eminent Scholars program requires institutions to raise a minimum of \$600,000, which the state will match with \$400,000, thus creating an endowed chair of \$1 million. (Institutions that wish to create a \$2 million endowed chair must follow the same funding/matching parameters.) Since 1999, “less successful” institutions have been able to invert this ratio until they create three eminent scholar chairs. The average annual support fund expenditure is \$3.2 million, which is frequently supplemented with legislative appropriations.

The Endowed Professorships Program guarantees at least two professorships a year each for public and private institutions. For this program, the institution must have a minimum of \$60,000 in nonstate funds, which the state will match with \$40,000 from the state. “Less successful” institutions may invert this ratio until they attain five professorships. The average annual support fund expenditure is \$2.6 million, again frequently supplemented with legislative appropriations.

IMPACT. In 1985-86, according to the state commissioner of higher education, the number of all endowed chairs and professorships combined at all public institutions was fewer than 100. Today, that total is nearly 1,700—with about 1,600 having been established under the matching funds programs. Further, since the programs began, state institutions have received \$203 million in private contributions to create the professorships and chairs. Specifically, as a result of the programs, the market value of Louisiana State University’s endowment increased from \$79 million in 1994 to \$417 million as of 2003.

In addition to financial gains, according to a 2000 report issued by a review panel following a comprehensive overview of the Endowed Professorships Program, the

North Dakota House Bill No. 1204
Testimony to the ND House of Representatives Education Committee

Gordon Binek
Bismarck State College Vice President for College Advancement and
Executive Director of the Bismarck State College Foundation
January 23, 2013

Chairman Nathe and members of the House Education Committee, thank you for the opportunity to make comments on behalf of Bismarck State College, as well as the other colleges and universities in the North Dakota University System, regarding House Bill No. 1204. I strongly support and encourage the passage of House Bill No. 1204.

The bill creates an opportunity to fund smaller projects which support the advancement of academics at our colleges and universities. At the same time, House Bill 1204 offers the incentive of a state match for contributions. The matching component provides a strong incentive to our supporters (both in- and out-of-state). The message conveyed is: if the State has a vested interest by providing a match for the project, donors are more likely to invest as well.

The process proposed by House Bill No. 1204 ensures the validity of each project. Approval by the committee encourages donors to support the worthiness of the project, convinced that it fits the needs of the campus and will help support academics. The funding match provides the donor incentive to help ensure success.

During October 2012, Foundation representatives from ten of the system campuses met to discuss issues affecting the foundations. During this time, the concept of this legislation was thoroughly discussed and received strong support and a commitment to proceed with the introduction and support of a bill.

Funding at the requested level will provide both the resources and incentive for projects which might otherwise be difficult to complete. Bringing in private dollars at a two-for-one ratio is cost effective and productive. I urge passage of House Bill No. 1204.

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January 23, 2013
HB 1204 Testimony
Dr. Steve Shirley, VCSU president

Mr. Chairman and members of the Committee, for the record my name is Steve Shirley and I have the privilege of serving as president of Valley City State University. I appreciate the opportunity of being here today and speaking in support of House Bill 1204 which would establish a new matching grant program for postsecondary education in North Dakota, and would therefore assist in leveraging privately fundraised dollars.

As we work collectively supporting our students and creating new opportunities for them, and thereby enhancing the prospects of our state's long-term success, it is critical that all students have the ability to participate in those opportunities. A key factor in making those realities occur on all NDUS campuses is through the continual fundraising of private dollars.

Given North Dakota's current financial status, now is an ideal time for the state to leverage its ability to use state resources as an important incentive in attracting additional private dollars that might not otherwise be contributed to our colleges and universities. I want to stress this point – these matching grants can be a key component in attracting new dollars to the North Dakota University System – dollars that might not have otherwise been secured. It is also worth noting, that if these new dollars are secured with the help of the matching grants, these contributors might well continue supporting the institutions in the future. Once you get individuals or organizations to start giving, it is much easier to encourage them to maintain their giving levels. These new donors would therefore constitute new, long-term supporters who may not have ever given to our institutions in the first place without the assistance of these initial matching grants.

This could also represent an opportunity for our campuses to attract new contributions from out-of-state corporations or entities doing business in North Dakota and who do not have the incentive of making their contribution go further in their home state. We clearly have an

advantage over other states, and this new leveraging ability through matching grants would help our institutions attract dollars from a broader audience who might not otherwise consider a financial contribution to a North Dakota institution. These new financial incentives have the ability to expand the base of support and enhance the overall “buy-in” for post-secondary education. In other words, the proposed matching grant program in HB 1204 has the ability to support North Dakota’s college students by attracting new resources from new donors that simply were previously not being directed to the campuses.

Within the specific realm of our campus Foundations, planned giving officers are constantly seeking to develop new and innovative giving options in response to the aging population, the transfer of wealth, and the prospect of new corporate partners. Oftentimes, the individuals who are making decisions on how and where to contribute their resources like to have an availability of choices. The Matching Grants proposed in this bill provides those prospective donors and decision makers with a new, attractive and creative alternative.

Across the national landscape, we have also recently seen significant reductions in support for grants and contracts at the federal level. Many of these federal dollars had previously been used in the past to initiate or maintain important academic programs. For obvious reasons with our national economy, many of these funding sources have disappeared. A matching grant program facilitated by the state of North Dakota can represent an important source of investment dollars to replace those federal dollars that have disappeared – again, this is the unique opportunity we have in gaining another advantage for our state’s college students in contrast to those in surrounding states.

It is for all of these reasons and others, that I would encourage your support of House Bill 1204 establishing the Matching Grant program in support of the students and institutions of the North Dakota University System. Thank you for your attention, and I would be happy to answer any questions.

January 28, 2013

PROPOSED AMENDMENT TO HOUSE BILL NO. 1204

Page 4, replace lines 14 and 15 with "For the purposes of this Act, projects dedicated to the advancement of enhanced academics include investments in research, scholarship, technology, endowed chairs, and investments in educational infrastructure, not to include new capital construction projects."

Renumber accordingly