

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/03/2015**

Amendment to: HB 1152

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

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

Engrossed HB 1152 creates a new income tax credit for contributing to a fund set up by a ND private college to make scholarship awards to students in health, education, or business who commit to work in an oil-producing county in ND after graduating.

- 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.*

Engrossed HB 1152 creates a new income tax credit equal to 75% of the amount contributed to a Bakken Region Scholarship Fund. The contribution must be at least \$25,000. To the extent the contribution reduces the contributor's federal taxable income, it must be added back into North Dakota taxable income. There is a 3-year carryover of an unused credit. If a student fails to fulfil the commitment, the student must repay the scholarship plus interest to the fund within 10 years. The credit is only allowed for the 2015 and 2016 tax years, after which it becomes ineffective. The total amount of credits allowed for the two tax years is limited to \$25 million.

If enacted, engrossed HB 1152 has the potential to reduce state general revenues for the 2015-17 biennium. The amount of the reduction, if any, cannot be determined because the number of taxpayers who would contribute to such a fund and the amounts contributed are unknowns. The cap on the total credits allowed limits any reduction in state general fund revenues to \$25 million for the 2015-17 biennium.

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

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 02/04/2015

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/08/2015**

Bill/Resolution No.: HB 1152

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

HB 1152 creates a new income tax credit for contributing to a fund set up by a ND nonprofit private college to make scholarship awards to bachelor degree students in health, education, or business who commit to work in an oil-producing county in North Dakota within 4 years after graduating.

- 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.*

HB 1152 creates a new income tax credit equal to the amount contributed to a scholarship fund set up by a North Dakota nonprofit private college or university for the purpose of awarding scholarships to students who commit to (1) obtain a bachelor's degree in health, education, or business and (2) complete a period of full-time employment in an oil-producing county in North Dakota within four years after obtaining the degree. The contribution must be at least \$25,000. To the extent the contribution reduces the contributor's federal taxable income, it must be added back into North Dakota taxable income. There is a 3-year carryover of an unused credit. If a student fails to fulfil the commitment, the student must repay the scholarship plus interest to the fund within 10 years.

If enacted, HB 1152 has the potential to reduce state general revenues. The amount of the reduction, if any, cannot be determined because the number of taxpayers who would contribute to such a fund and the amounts contributed are unknowns.

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

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/20/2015

2015 HOUSE FINANCE AND TAXATION

HB 1152

# 2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1152  
1/21/2015  
22300

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Mary Bruckner*

## Explanation or reason for introduction of bill/resolution:

A Bill relating to an individual, estate, trust, or corporation income tax credit for donations to a Bakken region scholarship fund maintained and administered by a nonprofit private institution of higher education.

## Minutes:

Attachment #1, 2, 3, 4

**Chairman Headland:** Opened hearing.

**Representative Mike Nathe:** Introduced bill. Provided written testimony. See attachment #1. Also distributed proposed amendments. See attachment #2.

**Chairman Headland:** Testimony in support of HB 1152?

**Patrick O'Meara, Chief Investment Officer and Vice President for Mission Advancement at the University of Mary:** Provided written testimony in support. See attachment #3.

**Chairman Headland:** The bill is trying to accomplish a program that is much needed in western North Dakota. My concern is the way the language is set up and the amount of available credit. It really becomes a program solely funded by the state because of the dollar for dollar credit available. I'm wondering the reason for that design. If we're going to pursue that and the state is going to pick up the tab would a grant to the university accomplish the same thing?

**Patrick O'Meara:** The University of Mary would always be pleased with any grant the state wants to give us. We like the design of this bill because it has a market dynamic where businesses are funding those programs that are going to be providing benefit to them. We understand that many of the representatives we talked to would like a cap and that may be coming through in the amendment process. We like the market dynamic where businesses are supporting programs that are sending students to them that they desire. It's a responsive program. You said that it would be funded solely by North Dakota. Currently, the University of Mary is providing \$9.3 million of private scholarship aid to students today. We are asking for additional support to the type of work that we are already doing. Of that

\$9.3 million that we're offering today 70% of our graduates of the School of Education stayed in western North Dakota, including Mandan, Bismarck, and west. We are already sending folks out there. Our current incoming freshman class was 50% out of state folks for the first time in our history. We're bringing people and they are staying here. We want to do that to a greater effect so the state would be adding to us significantly. I understand the question about the 100% credit solely funded by taxpayers who get the credit. We model this after the low income housing. We are aware there is a discussion being had as to another percentage and we are open to that discussion.

**Representative Strinden:** I'm very supportive of work force development scholarships and loan pay downs. Have you considered targeting the money towards high demand jobs in the Bakken rather than just any job? Is there any way in which this could also be expanded to the public schools? Why the \$25,000 bottom? If a corporation makes donations to this program is there any requirement or contract that they could enter into with students so the students would work in that corporation?

**Patrick O'Meara:** The first is targeting high demand. Healthcare, education and business are the primary focuses we're hearing. We just finished an educational survey for every employee of one of the top three oil producing companies here in western North Dakota and we heard from both employees and management that they need folks in business and basic accounting who are willing to go there and make a life there. We have a number of projects going with Greater Northwest Rural Education Association and others so we hear about those teacher demands and healthcare. We were recently told from a hospital that they had 18 resident nurses and 52 travel nurses serving their community. So those are the three critical areas but if you want to tighten that up we would be open to that. This could be opened up to the public but we believe the state has been very good at funding higher education in public education not only through general funding but also through grants. We wanted to gain access to something where we could benefit by meeting a very specific need out west. This is why we are doing this. We see this as an analogue to the challenge grant. We chose \$25,000 because we want businesses who are seeking to attract people to western North Dakota to be a target for this bill. We're not looking to go from door to door and ask mom and dad to fund this; we want businesses who have significant tax obligations who have difficulty to be the ones who step up and participate in this program. Businesses would not directly benefit from this. They would contribute to a fund then students would be drawn to college and hopefully make a commitment because part or all of their tuition is being paid for then they would apply. We are driving for the long term an educated work force out in western North Dakota who will stay for a period of time and hopefully settle.

**Representative Haak:** As a University of Jamestown graduate I can appreciate this bill. How many counties right now are producing oil? If we see the decline in oil prices continue will we get to be very specific in where we are targeting these jobs to just a few counties?

**Patrick O'Meara:** There are 17 oil producing counties out west right now. The definition of that is a single well within a county that is in operation. There's a chance it could shrink but I would say that comes to a philosophical question on how we want to respond to the cyclical nature of an up and down oil price. We will see the commodity price continue to go up and down over the life of the extraction of these natural resources in western North

Dakota. The question is do we want a migratory workforce based on the price of oil or do we want a permanent workforce who's finding a home there. We want to invest in long term residents of western North Dakota because that oil is not going away even at \$48 a barrel. It will impact our economy for the next 75 years minimum. We need to be sending an educated workforce out there.

**Chairman Headland:** Getting back to the tax credit; I think the committee understands the intent to create an incentive for business to invest into this program. Currently, is there the ability for a business that needs employees to invest in a scholarship program for the University of Mary that does not require the state to pick up the burden of the credit?

**Patrick O'Meara:** Recently Catholic Health Initiatives made a \$10 million donation to the University of Mary for precisely this reason. They got a deduction but that \$10 million was because of a chronic nursing shortage in their 95 hospitals. We set up an endowed scholarship that will perpetually be creating nurses from the University of Mary's nursing program meeting their specific needs. We want to do that but we want to do it faster. We think this chronic need that's out there, with some support by the state, is beneficial to the University of Mary, to those businesses, and to young men and women who are contemplating going to western North Dakota. It's also beneficial to the taxpayer of North Dakota because to the degree we invest between \$28-35,000 into a single individual who spends two years in western North Dakota working to the degree that they put down roots and stay, that's \$173,000 economic benefit to the state in today's dollars. It's not only good for the businesses today, it's good for the state; we're investing in future taxpayers.

**Chairman Headland:** That is certainly true but that's assuming they are just going to leave without the incentive and some will, some won't.

**Representative Froseth:** We've got a lot of bills that go through this committee for tax credits. I know we have a few bills that will decrease the income tax to zero so what will that do to your program?

**Patrick O'Meara:** One of the bills is a phasing out of income tax and at that point we would have an opportunity to make hay while the sun shines. The other bill that takes us down to zero, the benefit of it would go away.

**Representative Schneider:** In your written testimony you say that a public college student in North Dakota costs taxpayers about \$10,000 a year. Can you give us more of a breakdown on what that figure entails?

**Patrick O'Meara:** From an appropriations standpoint broadly, it appropriation divided by students gets us to \$10,000.

**Chairman Headland:** Further testimony in support of HB 1152?

**Laney Herauf, Greater North Dakota Chamber:** Provided written testimony in support. See attachment #4. We see this as a very positive policy going forward to try and address some of the workforce needs in the western part of North Dakota.

**Chairman Headland:** The businesses that belong to the chamber; some could be benefactors to this bill. If businesses need employees why do they need a state credit to encourage them to be charitable?

**Laney Herauf:** I think that it adds more. They need employees but this would give an additional incentive toward this program. Without the tax credit they could look for other alternatives and we feel like this would be an incredibly successful alternative for students and businesses.

**Chairman Headland:** If you're a profitable business and you need employees to grow isn't that incentive enough to donate to a program that is going to provide you a workforce in a short amount of time?

**Laney Herauf:** Yes, but also with the additional incentive they may funnel more towards something like this. By donating to a program like this they would hopefully receive additional workforce in the future but there's not necessarily a guarantee toward that so the tax credit kind of covers all bases.

**Chairman Headland:** I think what you said is that businesses probably would be amenable to something less than a dollar for dollar credit. If we reduce the amount of the credit to \$.10 on the dollar do you think they would feel charitable and donate to this program or are they in the mindset that the state should pick up the tab?

**Laney Herauf:** From our perspective a dollar would be nice, \$.90 would be fine, \$.80 would be great, but \$.10 is better than nothing and \$.20 is better than \$.10.

**Representative Hatlestad:** Could a business not sign a contract with a student and pay their tuition for four years with employment guaranteed at the end and accomplish the same thing?

**Laney Herauf:** That's absolutely a route businesses could go. Businesses then have to go to campuses and try to find a particular student. When contracts are signed, what's the penalty for not enforcing it? Students will frequently sign contracts then they would be offered something better later then pay back the money. The employer is then still left in the lurch without an employee.

**Representative Klein:** Has there been any contact with these companies out in that area? Have they expressed an interest in doing this?

**Laney Herauf:** As far as I know we have been contacted by businesses aware of this bill. I haven't been a part of those conversations.

**Chairman Headland:** If we were to pass this legislation as it is in current form and it becomes law, what do you think will happen to state income tax revenues? There would be no reason not to donate to this program because your tax liability to the state is completely wiped out.

**Laney Herauf:** As referenced earlier there was mention of a cap. That would be your best course if you're concerned of the tax levels decreasing. The fiscal note didn't really seem as if that was a concern to the tax department as they were writing the fiscal note.

**Chairman Headland:** You do have to start with a \$25,000 donation so that might eliminate some people.

**Ron Ness, North Dakota Petroleum Council:** We stand in support of what University of Mary is trying to do. They are out of the box in terms of trying to fill hard to fill jobs. The hardest job to find and retain is business people with four year degrees who can do your accounting and human resources. They are opening an outreach center in Watford City and this is really trying to get things done. I believe we are going to have a lot of companies doing direct scholarships with students in their second and third year to try and bring them out and help them. I think they are trying to address a critical need in a critical area. Those wells are going to continue producing so they will need to continue to be invoicing, accounting functions, and everything so let's think long term. We would support any concept that you come up with trying to assist them in their outreach efforts to fill direct needs.

**Representative Haak:** Would you support a sunset on this bill and then we could come back and re-evaluate to see how the needs have been met?

**Ron Ness:** I think we would support anything you can do to keep them thinking this way. If it takes some state encouragement then okay but I like the concept that they want businesses to engage. I like the concept of a state grant better because it takes us out of this accounting process.

**Representative Strinden:** If a medical company were to donate then more medical students would be given scholarships. Would this only then go to medical students or would it go to the business students?

**Ron Ness:** I would think the medical money would go to the medical students. I guess it's all in one fund, I stand corrected.

**Representative Klein:** In your contact with the major companies out west, what kind of feedback to you get from them?

**Ron Ness:** I have not discussed this particular bill; however, University of Mary went to Watford City and found the support in the community and the companies. They now have nightly classes; they have about 18 students going in to a four year degree option most of the tuition for these students is being paid by these companies. I think they found a demand that is there.

**Representative Froseth:** Provisions in this bill said they must commit to 12 months or 24 months if they receive a four year scholarship. A two year course would cost about \$21,000 of college tuition. For a 12 month commitment it's going to take some time to train them into that position. It seems like a 12 month commitment for a \$21,000 scholarship isn't really the right ratio.

**Ron Ness:** Many employers have a college tuition fund and they are paid back on a pro-rated scale. After four years you may get 100% recovery or it could be taken out of your final paycheck.

**Representative Mitskog:** Mr. O'Meara, have they established those private-public partnerships that would help either recruit students, bring them to your campus, and enroll them into your programs?

**Patrick O'Meara:** We have some of those right now. We also looked around the nation to see the most productive programs for attracting individuals with high demand work skills and looked specifically at Alaska. They recalibrated the number of years to which they were requiring folks stay in Alaska and it was from six years down to three years. When that happened they got a lot more applicants and they often stayed in Alaska. In Pennsylvania they were trying to get into the rural areas and the depressed areas. We looked at a number of those as models for how we designed this.

**Representative Trottier:** How important is a four year degree versus a two year degree?

**Patrick O'Meara:** From an accounting standpoint in order to progress to become a certified public accountant and to get the correct type of industry credentials that's needed generally four year degrees are the bare minimum to get started, particularly on the accounting side. Many of the high demands fields that are out there minimum degree requirements are needed. We are hearing that businesses want certificate programs that are going toward bachelor degree completion as a pre-requisite.

**Representative Trottier:** You may want to consider Watford City as a junior college.

**Patrick O'Meara:** The needs for junior colleges regarding technical skills are significant. Businesses are having difficulty recruiting people in management and that's there number one need.

**Chairman Headland:** What drives me crazy about this bill the most is that it's been driven by years of public policy that have changed the fact that people do not go to an area where there are good jobs to be held and they don't educate themselves and now we're going to have to provide the mechanism for them to do that. I know there are some people that need help but public policy has driven us to where we are today.

**Representative Hatlestad:** First I want to complement you and the individuals from Mary College for thinking outside the box and working with business to take education where they need it. Secondly, I appreciate your willingness to work with us and find a solution. Being from the west I appreciate workforce development; we need good people. I think it's important we continue to investigate and explore how we can work together to accomplish what the bill wants to accomplish. Please keep thinking outside the box.

**Representative Mitskog:** Are there private dollars being invested into the programming in Watford City?

**Patrick O'Meara:** There are private dollars being invested into that. Some of the oil companies have tuition reimbursement at 100% if it's a critical skill. In some of those cases the oil companies don't want to reimburse the student so they would pay the school directly. With less critical skills it could get reimbursed over multiple years or a loan is being forgiven.

**Representative Klein:** What would your response be to cap this at \$50 million and see what comes out?

**Patrick O'Meara:** That's fantastic; I'm game. I also think we'd be willing to do a sunset as well because we want to engage in a process where our outcomes are measurable and we want to be held responsible.

**Chairman Headland:** Further testimony in support? Is there any opposition to HB 1152? Seeing none we will close the hearing on HB 1152.

# 2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1152

2/2/2015

22979

Subcommittee

Conference Committee

Committee Clerk Signature

*May Brucher*

## Explanation or reason for introduction of bill/resolution:

A Bill relating to an individual, estate, trust, or corporation income tax credit for donations to a Bakken region scholarship fund maintained and administered by a nonprofit private institution of higher education.

## Minutes:

Attachment #1

**Chairman Headland:** Do we have amendments?

**Representative Dockter:** Distributed proposed amendments 15.0168.03002. See attachment #1. This was the Bakken scholarship fund for private institutions. The original bill didn't have a cap; it was a credit for a dollar for dollar and didn't have a sunset. My amendments have a credit of \$.75 on the dollar and a \$25 million cap so institutions would have to receive money in the amount of about \$33 in order to get the full \$25 million. This has the sunset as the expiration date in two years. The fiscal note will come in at \$25 million because when the tax department determines they determine that the full amount will be used. It will go to appropriations so they may bring it down.

**Chairman Headland:** It doesn't have to go to appropriations because it just reduces the general fund; it does not impact any department. We've heard the amendments so is there discussion?

**Vice Chairman Owens:** Just to make it clear it's just for nonprofit private institutions of higher education, who is that?

**Representative Dockter:** It would be University of Mary, University of Jamestown and I believe United Technical College.

**Vice Chairman Owens:** So this is nothing more than ear marking for certain colleges?

**Representative Dockter:** It would be like the challenge grant but this is for private institutions in the state.

**Representative Trottier:** Would it include tribal colleges?

**Representative Dockter:** I believe they would be included.

**Chairman Headland:** I don't know that would be the case but we could get that clarified. Does it indicate the tribal colleges in the prior fiscal note? I don't know that tribal colleges are nonprofit private colleges but we can get clarification if the committee desires. I'm going to reject the amendment. I think a \$.75 credit is way more generous than any other credit we currently have on the books aside from the housing incentive fund credit. I don't believe the state should have to reward corporations for donations to programs that they end up benefiting from; they should do that out of their own goodness.

**Representative Froseth:** The amendment betters the bill because it's a \$.75 on the dollar match rather than a dollar for dollar match.

**Chairman Headland:** That is true. I just object to both versions.

**Representative Klein:** I'm going to support the amendment. I think it's a new look in a different direction. They've done some work and set up a school in Watford City. With a drop dead date let's see if it works.

**Representative Steiner:** I think with the work force needs we have to think outside the box. At Dickinson State University the businessmen came in and asked for mechanical engineering classes for existing employees. NDSU said they wouldn't do this and said the last two years they must come to Fargo. The businessmen cannot get that moved. They don't want to lose those employees; they want them taking night classes on line. They need to have the instructors come every so often but NDSU said they wouldn't do this. Why aren't our public universities not working with our business community to get this done? I'm frustrated with that and I'm going to support this bill. I don't know how to get the university system to come to the table. If Mary is willing to come to Watford City then we have to do something here. We can't wait for the university system to figure it out.

**Representative Trottier:** I really like the concept but I feel that this is somewhat of a recruitment process of the private colleges. They seem to indicate they would accept even \$.25 on the dollar. We don't need more amendments all the time but I could much easier support \$.25 rather than \$.75.

**Representative Dockter:** Either way we do it the fiscal impact would still be \$25 million but it would take \$75 million in order to reach the \$25 million.

**Chairman Headland:** I don't know why we would have to go to such a level to recruit employees. This pool of money is going to help recruit students to the college. I don't know that the state should be going to that level that you've allowed in this bill. They could have amended these two colleges into the challenge grant for a lot less. One of the institutions would have even preferred that than this because they don't see it helping them much. This is way too rich for my blood and I'm going to oppose it.

**Representative Hatlestad:** I'm concerned about tax money to a private institution. They are both religious institutions and I find that unacceptable.

**Vice Chairman Owens:** I can't earmark money to a private college.

**Chairman Headland:** It always goes back to the same question, why do we have to incent business to do the right thing? If they really need a program to help recruit employees then why should the state have to pick up the tab on that. That's the problem I have with the concept altogether.

**Representative Mitskog:** I'm troubled by NDSU's lack of response in getting out here and going on location to educate. You have to respond to the industry and you can't uproot workers. I wonder if they've explored other options with the businesses to possibly pay for a portion of the schooling of their employees. I am currently enrolled at St. Thomas and they are going to subsidize my education and pay St. Thomas \$5,000 which is a great deal for me, St. Thomas, and my company.

**Chairman Headland:** It was expressed to me by one of the individuals with the University of Mary that the idea came from the housing incentive fund dollar for dollar tax credit that the state had provided for low income housing. They just saw a program and liked it and thought it would have been good for the institution. I don't think it's good and I don't think it's fair for the taxpayer to pick up the tab.

**Representative Klein:** I was really impressed with the principal at Shiloh when he gave us figures of how much tax dollars are saved by the homeowners by them carrying the load. That was pretty significant.

**Chairman Headland:** Different bill though I believe; same concept.

**Representative Trottier:** Representative Mitskog just convinced me to vote against this because if employers need employees so bad then they can help them get scholarships.

**Chairman Headland:** This is a revenue reduction bill of a sizeable amount that takes away our opportunity to reduce taxes for everybody; another reason for me to vote against it.

**Representative Klein:** Made a motion to adopt the amendment 03002.

**Representative Dockter:** Seconded.

**Voice vote:** Motion carried.

**Chairman Headland:** We will stop there and come back to work after the floor session.

# 2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1152  
2/2/2015  
23026

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Mary Brucker*

## Explanation or reason for introduction of bill/resolution:

A Bill relating to an individual, estate, trust, or corporation income tax credit for donations to a Bakken region scholarship fund maintained and administered by a nonprofit private institution of higher education.

## Minutes:

No attachments.

**Chairman Headland:** We have the amended bill before us. We are looking for a recommendation.

**Representative Trottier:** Made a motion for a Do Not Pass As Amended.

**Representative Hatlestad:** Seconded.

**Representative Dockter:** I think this is a good program and I think we should try it out. Maybe if I amend it down to \$5 million or \$2 million cap that each institution can only use \$1 million of it. It would only be University of Jamestown and University of Mary.

**Representative Hatlestad:** University of Mary is doing what every one of our colleges should do; they are thinking outside the box and getting after it. Then it comes back to using taxpayer money for private Catholic schools. I have to vote no.

**Chairman Headland:** It's a change in policy that the state is going to be funding private institutions of higher learning. Any other comments?

**Roll call vote:** 10 yes 4 no 0 absent  
**Motion carries for a do not pass as amended.**

**Vice Chairman Owens will carry this bill.**

8K  
2-2-15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1152

Page 1, line 4, remove the second "and"

Page 1, line 5, after "date" insert "; and to provide an expiration date"

Page 2, line 6, after "to" insert "seventy-five percent of"

Page 2, line 10, after "to" insert "seventy-five percent of"

Page 2, line 11, after "to" insert "seventy-five percent of"

Page 2, line 19, after the second "to" insert "seventy-five percent of"

Page 3, after line 17, insert:

"9. The cumulative amount of credits allowed under this section is limited to twenty-five million dollars and this limitation must be applied based on the date of the qualifying donation."

Page 3, line 22, after "**DATE**" insert "**- EXPIRATION DATE**"

Page 3, line 22, after "for" insert "the first two"

Page 3, line 23, after "2014" insert ", and is thereafter ineffective"

Renumber accordingly

Date: 2-2-15 (morning)  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1152

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0468.03000

Recommendation:  Adopt Amendment  
 Do Pass     Do Not Pass     Without Committee Recommendation  
 As Amended     Rerefer to Appropriations  
 Place on Consent Calendar  
Other Actions:  Reconsider     \_\_\_\_\_

Motion Made By Rep. Klein    Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*Voice vote = Motion carries.*

Date: 2-2-15 (afternoon)  
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1152**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0168.03002

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep. Trottier Seconded By Rep. Hatlestad

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	✓
REP DOCKTER	✓	✓	REP MITSKOG	✓	
REP TOMAN	✓		REP SCHNEIDER	✓	
REP FROSETH	✓				
REP STEINER	✓	✓			
REP HATLESTAD	✓				
REP KLEIN	✓	✓			
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Owens

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

**REPORT OF STANDING COMMITTEE**

**HB 1152: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1152 was placed on the Sixth order on the calendar.

Page 1, line 4, remove the second "and"

Page 1, line 5, after "date" insert "; and to provide an expiration date"

Page 2, line 6, after "to" insert "seventy-five percent of"

Page 2, line 10, after "to" insert "seventy-five percent of"

Page 2, line 11, after "to" insert "seventy-five percent of"

Page 2, line 19, after the second "to" insert "seventy-five percent of"

Page 3, after line 17, insert:

"9. The cumulative amount of credits allowed under this section is limited to twenty-five million dollars and this limitation must be applied based on the date of the qualifying donation."

Page 3, line 22, after "DATE" insert "- EXPIRATION DATE"

Page 3, line 22, after "for" insert "the first two"

Page 3, line 23, after "2014" insert ", and is thereafter ineffective"

Renumber accordingly

**2015 TESTIMONY**

**HB 1152**

HB 1152  
1-21-15  
#1

Chairman Headland and members of the Finance and Tax Committee I am Representative Mike Nathe from District 30.

I am here to introduce HB 1152

In an effort to address the workforce challenges of Western North Dakota this bill creates a new "Bakken Region Scholarship Fund".

#### Section 1

Provides the fund will be administered by North Dakota's non-profit institutions of higher education specifically for students who commit to work full time in an oil producing county of North Dakota.

Donations must be at least \$25,000 to qualify for the credit.

#### Sections 2-5

Address the various taxpayers, corporate, individual, etc.

#### Section 6

Prevents double dipping by not allowing a ND deduction and a credit.

#### Section 7

Limits the credit to the taxpayer's liability, but does allow for a 3 year carryover of any unused credit.

#### Section 8

Provides for a conversion from a scholarship to a loan if the student fails to meet their work commitment.

#### Amendment:

I also have a proposed amendment that limits the scholarships in Section 8 to the amount of tuition. And adds a Section 9 which limits the donation to only one credit as requested by the tax department.

HB 1152  
1-21-15  
#2

PROPOSED AMENDMENTS TO HOUSE BILL 1152

Page 3, line 2, after "scholarships" insert "up to the amount of tuition"

Page 3, after line 17, insert:

"9. A donation used as the basis for the credit claimed under this section may not be used as the basis for the claim of a credit under any other provision of this chapter."

Renumber accordingly

HB 1152  
1-21-15  
#3 p.1

House Finance & Taxation Committee

January 21, 2015

HB 1152

Testimony by Patrick D. O'Meara, Chief Investment Officer and Vice President for Mission Advancement, University of Mary

Chairman Headland and members of the committee, my name is Patrick O'Meara. I want to address you in support of HB 1152.

This legislation was introduced in an effort to address the workforce demands of the Bakken region in Western North Dakota.

House Bill 1152 will establish a scholarship fund for students who commit to work in the oil producing counties of North Dakota. The scholarships will be funded by contributions from taxpayers within North Dakota to pay for tuition at accredited, private, Baccalaureate and Bachelor degree granting universities in North Dakota.

The funding will come from donations by tax payers and employers who are experiencing this shortage of workforce, as well as those who experience difficulty in recruiting a workforce to the area, because of critical regional workforce needs in providing education and healthcare. Donations must be a minimum of \$25,000, and the taxpayer will in turn receive a tax credit for the contribution.

To qualify for the scholarship, students must commit to work in one of the oil producing counties of the state in the areas of business, healthcare, and education. Should they fail to meet the work commitment, the scholarship becomes a loan that must be repaid. The loan repayment parameters, should they fail to meet the work requirement, are modeled after the teacher grant program.

Graduates must commit to a minimum of 12 months full-time work in the designated area and up to 24 months should they receive the scholarship for 4 years.

The need for strategic workforce development is critical, as others have testified this morning. This credit provides support for the programs that have already begun. It depends on businesses believing that specific returns will be yielded to them and the environment they operate in.

The University of Mary has a long tradition of serving the needs of Western North Dakota academically, culturally, and spiritually. This tradition began when the Sisters of Annunciation Monastery first stepped off the train, in Bismarck, in 1878. Notably, they began a school the following day.

As the landscape in Higher Education has changed, the University of Mary seeks to maintain that nimbleness in responding to the needs of students and of businesses who seek not only technically qualified men and women, but also men and women of integrity, who will provide the ethical leadership our state demands.

The beneficiaries of the bill will be Western North Dakota businesses, schools, and healthcare providers as well as those who live and seek to make a home in those communities. The two primary participants in this program that will send graduates out west would be University of Jamestown and the University of Mary. The University of Jamestown has 1100 students in 44 majors, 1 masters and 1 doctoral program. The University of Jamestown has approximately 220 employees and a current economic impact of \$59 million. The University of Mary has approximately 3000 students in 54 majors, 10 masters and 3 doctoral programs. The University of Mary has 790 employees and an economic impact in the community of \$144 million.

Students in both communities are helping to meet the labor force needs of our businesses while they are in college and upon graduation. Combined, these two schools have approximately 4,000 students, over 1,000 employees and an economic impact over \$200 million.

A public college student in North Dakota costs taxpayers approximately \$10,000 per year. Students at the private universities receive grants and scholarship that average \$440 per year, resulting in a tax savings to North Dakota taxpayers in excess of \$37 million annually.

We believe that this bill will be a multiplier on the impact of the schools to the economy and to the state. The scholarship dollars will be repaid to the state in incremental state and local taxes over the next 35 years, assuming a starting salary of \$45,000 and if the students stay in ND. In today's dollars, the return on investment over the next 35 years is \$173,250. Adjusted for inflation (3%), the return is \$487,500.

North Dakota was built upon families homesteading here. Now, as we need to develop our knowledge based economy and the technology driven components of the natural resources opportunities out west, we need to homestead in much the same way. Let us help stake students an education as we hope they find a home to build the great state of North Dakota and to meet the critical workforce needs in the oil producing counties.

We respectfully ask for your support of HB 1152.

Mr. Chairman, I will be glad to answer any questions you or the committee may have.

Testimony of Laney Herauf  
Greater North Dakota Chamber of Commerce  
HB 1152  
January 21, 2015

Mr. Chairman and members of the committee, my name is Laney Herauf. I am the Government and Regulatory Affairs Specialist at the Greater North Dakota Chamber, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we support HB 1152.

The GNDC seeks to make the business environment in North Dakota the best business environment in the Nation. In order to this we must invest in programs that support the development of the workforce, not only now but into the future. We believe that HB 1152 will grow our current workforce; it will renew and enhance the workforce in Western North Dakota for the next 50 years.

North Dakota has experienced tremendous growth and significant challenges that come with that growth. Not the least of which is a workforce challenge. This challenge is critical in Western North Dakota, particularly the 17 oil producing counties. HB 1152 will address these needs in Healthcare, Education, and Business.

We are often approached by companies that are looking to expand in North Dakota and one of the main issues they site as a reservation to moving to North Dakota is the availability of workforce. It's not secrete that we need teachers, we need nurses, we need doctors, we need everything, our business climate is great and getting better, one of the key missing pieces is we need the well trained people to help continue to expand and diversify our economy.

The University of Mary has been here for 55 years helping to meet the needs of this region. They have been and remain innovative and responsive. The need in Western North Dakota is an educated and stable work force. Recently we have all seen the roll out of the year round campus, where a traditional 8 semester degree is available in 2.6 years and a Master's degree in 4 years. This year round campus helps motivated students enter the workforce sooner, turning tuition into wages sooner. The lifetime economic impact to the student is \$322,193 for an undergraduate degree and over \$500,000 for a master's degree.

This is the innovative thinking we need and the innovative thinking we need to support. The need for this immediate and the need is there whether Oil is \$48.00 per barrel or \$100.00 per barrel.

To help us meet those needs we are supporting this bill which is designed to fast track students to the workforce with a scholarship fund targeted to the Bakken area of North Dakota.

Thank you for allowing me to testify, we would support a DO PASS recommendation on HB 1152. I would now be happy to attempt to answer any questions.

15.0468.03002  
Title.

Prepared by the Legislative Council staff for  
Representative Dockter

January 27, 2015

HB 1152  
2-2-15

#1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1152

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