

FISCAL NOTE
Requested by Legislative Council
02/24/2015

Amendment to: HB 1233

- 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				\$(24,784,000)		
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).*

Amended bill 15.0567.01001 removes \$29.7 M general fund appropriation that would be used to offset lost tuition income resulting from a tuition rate increase in 15-17. However, the bill would freeze tuition in 15-17 biennium.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 freezes tuition in 15-17 biennium, resulting in lost tuition income.

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.*

Per the higher ed funding formula, tuition rate increases ranging from 2-4.7% per year are required to offset the "student share" of employee compensation and benefit increases and estimated utility cost increases, totaling \$24,785,000 (excludes operating inflation cost). A tuition freeze would result in lost potential tuition income of \$24.784 million to cover these costs. Campuses would either have to forgo or limit these and other expenditures and/or reallocate funds from other sources to cover added costs.

- 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: Laura Glatt

Agency: ND University System

Telephone: 701-328-4116

Date Prepared: 02/25/2015

2015 HOUSE APPROPRIATIONS

HB 1233

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division Roughrider Room, State Capitol

1233
1/26/2015
Job # 22527

- Subcommittee
 Conference Committee

Marlye Skojen

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to prohibit increases in tuition rates at institutions under the control of the state board of higher education; to provide an appropriation; and to provide an expiration date.

Minutes:

Attachment #1, #2

Chairman Monson: Called the meeting to order.

Rep Kylie Oversen: From District 42 in Grand Forks: refers to Attachment #1

Chairman Monson: This morning we received a memo from Chancellor Skojen on another bill we heard that indicated to us is that the only tuition that is out of whack from the other schools in the region is the tuition paid by the students at the two year institutions. Why if what the chancellor said is accurate do you think we need to reset all of them?

Oversen: I believe it is accurate that our two year schools costs are still above regional averages and that our 4 year schools are still below regional average costs. However I don't believe that is a reason to increase the tuition rates when we have the opportunity to hold them steady for two years, which we have not done in my recollection for the 4 year schools in the past recent years. It is an opportunity to decrease that costs for our students.

Chairman Monson: In light of the price of oil and that question mark. You still think we have that ability to do this?

Oversen: I do but I don't serve on the Appropriation Committee so that is up to your committee.

Kelsy Kline Director of Student Affairs for the North Dakota Student Association: attachment # 2

Chairman Monson: You talked about the rising of costs but did not talk about the cost of books and fees. Are the fees still going up?

Kline: I do see fees the fees going up and at BSC we are raising our fees right now. I am unsure as to why we are raising our fee but can get back to you on this.

Chairman Monson: I don't know what kind of fees you are charging and what is included in fees.

Chairman Monson: Directed to Oversen - In the bill is says tuition is prohibited and then it also says in the effect during the 2015 spring semester would not keep it a total freeze.

Oversen: The way the bill is worded the current rate of tuition this spring has been the same rate as the past 2 years. So we would not allow our intuitions to raise above that rate and would the rate would stay for the next 2 years for biennium. We would look at it again the next session.

Chairman Monson: The cost tells me it would be for the next two years.

Oversen: That is correct

Rep. Dosch: Is there any concern when you freeze, tuition you are freezing it for everyone. About 50% of the students or higher are from out of state so by freezing it we are saying to the tax payer of North Dakota that we want you to subsidize tuition for out of state kids is that a concern to you?

Oversen: We are already subsidizing to a certain point because we are already paying a state share of their tuition. I think it would be unfair to raise the tuition for out of state students and not raise it for in state students. I think it should be across the board for all students. To retain and encourage out of state students is important because of our of work force shortage.

Rep. Guggisberg: A comment about subsidizing out of state students, we haven't raised the gas tax in a long time and we are using General Fund money for roads and not asking out of state companies to subsidize for roads, that is my feelings.

Chairman Monson: Closed the hearing on 1233.

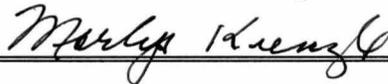
2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division Roughrider Room, State Capitol

HB 1233
1/30/2015
Job # 22916

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to prohibit increases in tuition rates at institutions under the control of the State Board of Higher Education; to provide an appropriation; and to provide an expiration date.

Minutes:

Attachment #1

Chairman Monson: Called the meeting to order. This bill is on Rep Oversen's bill on tuition freeze, which would not freeze the amount that is going to colleges but would pay the tuition from the State's General Funds. In the Governor's budget it was proposed by him that we freeze the tuition and pay for the two year colleges. Rep Oversen's pays for all students at all institutions which increase the cost to the state by 29 million dollars. I think it would be an increase of 26 million as the Governor's budget already has 2.9 million.

Rep. Dosch: There is the other bill that is going to put the tuition back in the hands of the Legislatures. If that occurs I am not sure we need this.

Chairman Monson: The question here is if this is fair to cap the tuition. The governor's bill is to have our tuition be in line with the two year colleges in the region. The four year college tuition is below the other in the region.

Rep. Martinson: Other than the issue of student afford ability, why do we care what the others in the region charge?

Chairman Monson: To me it would mean we are chasing out student in the other colleges in the region.

Rep. Martinson: If our students go out of state they will be paying out of state tuition so what is the benefit of that?

Rep Boe: When talking about setting the tuition rates, when we switched to the model that we are going to pay based on the credit hours wouldn't the colleges have a business model that they are trying to maximize how many students they could get by reasonable tuition and the issue would take care of itself?

Rep. Dosch: That is exactly right and the institutions are still setting their own tuition rates. Now they are saying we want a 22% tuition rate but you pay it. We are not controlling the spending of Higher Ed at all by doing this we are just shifting who is paying it.

Chairman Monson: This bill would pay for a large number of kids from out of state kids in the large two universities in the east.

Rep. Guggisberg: Let's freeze the tuition for everyone what do we care what the other colleges are doing in the region? This will give us the opportunity to retain

Rep. Martinson: I don't disagree with you on that at all. I just want to give the people a reason why we are doing it. I would like to know the number of out of state tuitions paid.

Vice Chairman Streyle: We are trying to find this out before session is out.

Rep. Guggisberg: We are helping in state and out of state students but what we need are students to stay here because we need work force.

Rep. Dosch: To freeze the tuition we need to have control of the funding. When we are looking at controlling funding for Higher Ed, the only way would be to have control of the tuition rates. In 10 years the funding for Higher Ed has gone from 400 million to over a billion. The only way to control the cost of Education is to control our General Fund Dollars and our tuition setting.

Chairman Monson: The number Rep Boe mention was that all cost.

Brady Larson: That is General Fund of Appropriations.

Rep. Boe: We could take this money out of here and save this bill to set this tuition so we can go back to this bill if we need to.

Larson: If the bill you referencing is on the calendar today and that bill just takes the authority away from the Board to set the tuition but then there is the question as to how the legislature would set the tuition rates. In 2009 -11 the legislature set the rates through a section of the bill similar to this. In that case it allowed a small increase. There may need to be a section a bill somewhere providing for what the tuition rates increases may be.

Chairman Monson: Will we be able to see the bill so we can reconcile the bills?

Larson: HB 1303 is on the 11th order so if that bill passes today it will go over to the Senate but HB 1303 states that Board of Higher Ed would set of the tuition rates.

Vice Chairman Streyle: I have an amendment we for sure to take the money out it.

Chairman Monson: Are you making a motion?

Vice Chairman Streyle: yes to amend with the hand out (See Attachment #1)

Rep. Boe: Seconded the motion.

Chairman Monson: motion to remove "to provide an appropriation"

Roll call to amend 7 yes 1 no 0 absent.

Chairman Monson: Do you want to hold this bill Rep Dosch?

Rep Dosch: I would want this to be a committee decisions.

Chairman Monson: We can wait until Monday.

Meeting adjourned.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Education and Environment Division
Roughrider Room, State Capitol

HB 1233
2/17/2015
23978

- Subcommittee
 Conference Committee

Committee Clerk Signature

Gavi Andruska

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to prohibit increases in tuition rates at institutions under the control of the state board of higher education; to provide an appropriation; and to provide an expiration date.

Minutes:

--

Chairman Monson: Called the meeting to order.

Rep. Boe: Made a motion to Do Pass as amended and seconded by Guggisberg. Roll Call was taken: Yes 4, No 3, absent 1; Rep. Boe will carry to the full committee.

Rep. Dosch: For the same argument as the previous Bill this ties our hands when we are looking at the overall funding.

Meeting closed.

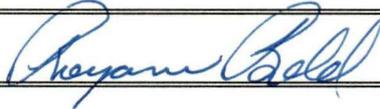
2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1233
2/20/2015
Job #24225

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to prohibit increases in tuition rates at institutions under the control of the state board of higher education; to provide an appropriation; and to provide an expiration date.

Minutes:

Chairman Delzer opened the hearing on HB 1233.

Representative Boe explained the amendment 15.0567.01001

Rep. Boe: We amended the appropriation out of it, so Section 2 is gone. Basically all it does, it says "tuition increase is prohibited."

Chairman Jeff Delzer: Discussion on the amendment?

Rep. Boe: I will move the amendment.

Rep. Schmidt: Second.

Chairman Delzer: Discussion on the amendment? Seeing none.

VOICE VOTE TAKEN.

MOTION CARRIES.

Rep. Boe I will move a Do Pass As Amended.

Rep. Monson: Second.

Chairman Delzer: I agree with the essence of this. The thing that scares me about sending it over to the Senate is it's apt to come back with \$29-million in it.

Representative Monson: That's exactly what could happen. What we did in the formula in 1003 is: we've already done this. So, if you want to send this one, there is a risk it could come back with money in it.

Representative Dosch: We also passed out 1303 that gave the Legislature the authority to set tuition rates. So, we really have that. It's already passed the House. This is kind of duplicative in nature, and I don't think we need it.

Chairman Delzer: Further discussion about the motion?

ROLL CALL VOTE TAKEN

YES: 8 NO: 15 ABSENT: 0

MOTION FAILED

Chairman Delzer: What are your wishes?

Rep. Dosch: Motion for a Do Not Pass As Amended

Rep. Kempenich: Second.

ROLL CALL VOTE TAKEN

YES: 15 NO: 8 ABSENT: 0

MOTION CARRIED.

Rep. Streyle will carry.

Chairman Delzer: This was not meant to be mean to the sponsor or anything. We just really don't need to have the bill.

Chairman Delzer closed the hearing on HB 1233.

15.0567.01001
Title.02000

Prepared by the Legislative Council staff for
Representative Streyle
January 22, 2015

JS
2/23/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1233

Page 1, line 2, remove "; to provide an appropriation"

Page 1, remove lines 8 through 12

Renumber accordingly

Date: 1/30/15
 Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1233

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: move to take the money out

- 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 Streyle Seconded By Boe

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson	✓		Rep. Boe	✓	
Vice Chairman Streyle	✓		Rep. Guggisberg		✓
Rep. Dosch	✓				
Rep. Martinson	✓				
Rep. Sanford	✓				
Rep. Schmidt	✓				

Total Yes 7 No 1
 Absent 0
 Floor Assignment _____

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

01001 "to remove" to provide an appropriation"

Date: 2-17-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1233

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

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 Boe Seconded By Guggisberg

Representatives	Yes	No	Representatives	Yes	No
Chairman Monson		✓	Rep. Boe	✓	
Vice Chairman Streyle	A		Rep. Guggisberg	✓	
Rep. Dosch		✓			
Rep. Martinson	✓				
Rep. Sanford		✓			
Rep. Schmidt	✓				

Total Yes 4 No 3

Absent 1

Floor Assignment Boe

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

Date: 2/20/15

Roll Call Vote #: 3

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1233

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 15.0567.01001

Committee 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: Dosch Seconded By: Kempenich

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer	✓			Representative Nelson	✓			Representative Boe		✓	
Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim		✓	
Representative Bellew	✓			Representative Sanford		✓		Representative Guggisberg		✓	
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan		✓	
Representative Boehning	✓			Representative Silbernagel	✓			Representative Holman		✓	
Representative Dosch	✓			Representative Skarphol	✓						
Representative Kreidt	✓			Representative Streyle	✓						
Representative Martinson		✓		Representative Thoreson	✓						
Representative Monson		✓		Representative Vigasaa	✓						
	<u>7 2 0</u>				<u>8 1 0</u>				<u>0 5 0</u>		

Roll Call Results

Yes	<u>15</u>
No	<u>8</u>
Absent	<u>0</u>
Total	<u>23</u>

Major Assignment: Streyle

The vote is on an amendment, briefly indicate intent: _____

REPORT OF STANDING COMMITTEE

HB 1233: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (15 YEAS, 8 NAYS, 0 ABSENT AND NOT VOTING). HB 1233 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "; to provide an appropriation"

Page 1, remove lines 8 through 12

Renumber accordingly

2015 TESTIMONY

HB 1233

HB 1233
January 26, 2015
attachment #1

Testimony - House Bill 1233
House Appropriations Committee
Education and Environment Division
January 26, 2015

Chairman Monson and members of the Education and Environment Division of the House Appropriations committee, my name is Kylie Oversen and I represent District 42 in Grand Forks. I am here to testify in support of HB 1233 which would prohibit an increase in tuition rates at all eleven public institutions of higher education in North Dakota for the upcoming biennium.

The allocation you see on this bill, \$29.69 million, includes a tuition freeze for all eleven schools. As you already know, the executive budget recommendation does include \$2.76 million for a freeze at two year institutions. The amount shown here incorporates that amount to reflect the total cost of a tuition freeze for all institutions. Over the 2015-17 biennium, the entire amount needed to increase expenses, as requested, will be just over \$89 million. The student share of that, if there is not a tuition freeze, is what is shown in the \$29 million price tag.

Unique to this bill is the actual prohibition on an increase in tuition rates. While the executive budget does include the appropriation for a freeze at two year institutions, it does not specifically prohibit the increase in cost to students.

For the past six years, I have been involved with the conversation regarding affordability at our public institutions. Each time, when we discuss the tuition freeze, the concept of accountability for our institutions is debated. We ask: how can we constantly increase the amount of funding to higher education, yet still hold the institutions and the system accountable for these increases? Mr. Chairman and members of the committee, that conversation is extremely important and needs to take place, now more than ever. However, that conversation is misplaced. It is much larger than a tuition freeze. When we attempt to hold our institutions accountable in their budgets by electing not to freeze tuition rates, it is only our students that feel that burden.

In 2003, the total estimated cost to attend the University of North Dakota was \$11,700. In 2013, it was \$18,800.¹ Tuition rates are only one part of this cost, but they are an important part and it is one fragment of the equation that our state can help control. If the legislature chooses not to freeze tuition at all institutions, students could be facing increases of anywhere from 2.5% to 5.8% to keep up with increases in expenses. Admittedly, freezing tuition is not a long term solution to college affordability. However, it is a step in the right direction if we are looking to decrease the financial burden for students attending North Dakota colleges.

Mr. Chairman and members of the committee, I urge to you favorably consider HB 1233 and I would be happy to answer any questions that you have.

¹ 2014 Student Affordability Report, prepared for the State Board of Higher Education, January 2014, *available at* www.ndus.edu.

Attachment #2
HB 1233
January 26, 2015

HB 1233:

Chairman Monson, and members of the committee, for the record my name is Kelsey Klein. I serve as the Director of Student Affairs for the North Dakota Student Association. I stand before you representing all 11 college institutions in support of HB 1233.

Near the top of the list of concerns faced by college students is the ever-rising cost of attending an institution of higher education. Sometimes lost in the conversation about student affordability are the components that go into that cost. The first thing that obviously comes to mind is tuition. But over and beyond that is the cost of living. And in addition to the rising cost of tuition, the cost of living for college students has risen as well.

Unfortunately, you have no way to directly hold down those costs of living. But you do have the authority to do that in the case of a tuition freeze. A tuition freeze would hold down the cost of tuition, thus helping to keep the total cost of attendance low.

Across the system, students regularly use financial aid dollars to pay tuition, but also other living expenses. In a survey conducted by the North Dakota Student Association, 1,400 NDUS students were asked how they handle the financial obligations created by attending college. The survey found that a majority of students used some of their financial aid dollars to cover living expenses such as rent, food, and medical expenses. Freezing tuition allows students to dedicate the money they would be spending on tuition to other living expenses.

Another benefit to freezing tuition is that it allows productive discussions to happen about how we go about setting tuition and requesting increases. The time typically spent debating the increase, could be better used to rethinking the way our institutions budget and set tuition rates.

Finally, the implementation of a tuition freeze would complement other efforts such as scholarships and open educational resources in an attempt to keep North Dakota graduates in state. North Dakota Universities regularly compete with the University of Minnesota, which has frozen tuition for the past two years.

I'd just like to touch on costs quickly. One of the primary threats to North Dakota students today are the rapidly rising tuition rates of their college education. Increases in costs for today's students are happening all across the board: Tuition, fees, books, resources, living expenses, etc. We realize that you, the members of the legislature cannot directly change *all* of these things, but you *can* have an impact on what students are paying for tuition in North Dakota. We believe that maintaining an affordable price is essential to recruitment, retention, and ultimately growing our state's economy. Tuition also has a direct impact on total student debt load. A present student and Student Government member has estimated he will be coming out of UND with roughly \$52,000 in student loans. That's a lot of money folks. And I know he is not the only one. Since 2005, UND & NDSU have seen a 48% increase in tuition rates- this is greater than twice the rate of annual inflation! House Bill 1233 would prohibit the State Board of Higher Education from increasing tuition at the institutions under its control and ensure that additional costs would not be placed on the backs of students.

Therefore, we urge the 64th Legislative Assembly to pass House Bill 1233 for three primary reasons. First, the tuition freeze will enable students to withstand other cost of living increases over the next few years. Second, House Bill 1233 will promote increased competitiveness with public universities in other neighboring states, thereby stimulating the North Dakota economy for decades. Finally, the tuition freeze will prevent the rapidly rising rate of student debt for North Dakota students. Thank you for the opportunity to speak with you today and we will yield to any questions from the committee.

15.0567.01001
Title.

Prepared by the Legislative Council staff for
Representative Streyle
January 22, 2015

Attachment #1

1/30/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1233

Page 1, line 2, remove "; to provide an appropriation"

Page 1, remove lines 8 through 12

Renumber accordingly