

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/04/2017**

Amendment to: SB 2036

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

|                       | 2015-2017 Biennium |             | 2017-2019 Biennium |             | 2019-2021 Biennium |             |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                       | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| <b>Revenues</b>       |                    |             |                    |             |                    |             |
| <b>Expenditures</b>   |                    |             |                    |             |                    |             |
| <b>Appropriations</b> |                    |             |                    |             |                    |             |

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

|                         | 2015-2017 Biennium | 2017-2019 Biennium | 2019-2021 Biennium |
|-------------------------|--------------------|--------------------|--------------------|
| <b>Counties</b>         |                    |                    |                    |
| <b>Cities</b>           |                    |                    |                    |
| <b>School Districts</b> |                    |                    |                    |
| <b>Townships</b>        |                    |                    |                    |

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

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

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

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

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

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

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

Section 4 of the bill provides that, by August 1, the tax commissioner is required to certify to OMB the amount of credits claimed during the preceding state fiscal year broken down by the college to which they relate. In turn, OMB

shall cancel the portion of each college's current general fund appropriations authority by the credits attributable to the college.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

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

The maximum credits allowed equate to contributions of \$6.25 million per year, or \$12.5 million in contributions for the biennium. It is assumed that contributors will claim their contributions as a charitable deduction on their federal income tax returns. Contributors must add the contributions back in computing their North Dakota taxable incomes, which will result in an increase in their North Dakota tax liabilities. The net fiscal effect of these provisions will reduce state general fund revenues by an estimated \$12.3 million for the 2017-19 biennium.

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

The net effect of Sections 3 and 4 of the bill on state general fund revenues is revenue neutral.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

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

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

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

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 04/05/2017

**2017 SENATE APPROPRIATIONS**

**SB 2036**

# 2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee  
Harvest Room, State Capitol

SB 2036  
1/26/2017  
Job # 27460

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Minutes for Rose Lansing*

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

Relating to matching grants for the advancement of academics at higher education institutions under the control of the state board of higher education.

## Minutes:

Testimony Attached # 1 – 7.

**Legislative Council: Brady Larson**  
**OMB: Stephanie Gullickson**

**Chairman Holmberg:** called the committee to order on SB 2036.

## Representative Mark Sanford, District 17, Grand Forks

Testified in favor of SB 2036. No written testimony. Chaired the Interim Higher Ed Committee. The committee supports the Challenge Grants, \$23.5M. Our committee decided to leave that as a marker knowing at the time that were taking action on this that this number would be adjusted. We support it and the grant amount clearly needs to be reviewed in light of budget. This grant program was started in 2013-15 biennium with a \$29M general fund appropriation and there was another \$21M for the General Fund this current biennium, and an additional \$2.5 M coming from the Student Loan Trust Fund.

For your information, the Interim Committee looked at was funding this with the resources from that Student Loan Trust Fund, and currently there is an available balance somewhere between \$20-25M that would be available. It is not a significant number in relationship to that balance.

**Chairman Holmberg:** You haven't been privy to what this committee is doing. But keep going.

**Rep. Mark Sanford:** The committee viewed this challenge grant initiative as successful. The state has two kinds of grants, one is a scholarship called Merit CTE is one is a needs based grant and Merits Based up to \$6000 for 4 years. We also award on the needs-based \$1950 a year and that is renewable from year to year. We had this last year – awarding \$8000 in scholarships and another \$10,000 needs based grants over this time frame. We've looked at this challenge grant and emphasis on scholarships is an important component that actually is campus based. We have some state support but the campus is able to supplement

the grants and scholarships that we have as well as do other awards that are not related to them. From the basis of the interim committee, we do support this and think there should be appropriation to support it and keep the program going, and it's very effective so far, fully funded and the major emphasis is on scholarships. That is the thing that balances out very nicely what we have as existing state opportunities.

**Tammy Dolan: Chief Financial Officer, North Dakota University System**

Testified in favor of SB 2036. Testimony Attached # 1.

**Senator Oehlke:** Is there something magical for 2-1. If we did 3-1, we'd make \$100M. Why not 4-1? It is accounting thing or is it just the mentality of whoa, I can make an impact.

**Tammy Dolan:** It could've been 3-1, or 4-1, but 2-1 is what was decided in the beginning. It has worked and the institutions and foundations have been able to raise that money. I don't know if they couldn't do it 4-1, but maybe they couldn't. There is no magic behind it, just the way it was introduced.

**DeAnna Carlson Zink: Chief Executive Officer, University of North Dakota Alumni Association and Foundation**

Testified in favor of SB 2036. Testimony Attached # 2.

In response to Sen. Oehlke's question the University of North Dakota, Alumni Association Foundation we've had an opportunity to work with a variety of matches and work with donors and test out really what works well and what doesn't work as well. For donors the 2-1 match tends to work not as good as a 1-1 match, that of course is the best match you can get. 2-1 isn't much different. You can drive a lot of energy. We have used a 3-1 match and were not as successful with it. It wasn't as compelling for individual donors to drive their dollars with a 3-1 match and so we found that to be a break point in our match program time and time again.

Reading from testimony....

**Kari Knudson, Executive Director, Bismarck State College Foundation; also BSC Vice President of College Advancement**

Testified in favor of SB 2036. Testimony Attached # 3.

Would also support the 2-1, I think it has been very beneficial, and would to see that program put to use.

**Monique Anderson, Vice President of Development, North Dakota State University Foundation and Alumni Association**

Testified in favor of SB 2036. Testimony Attached # 4.

**Senator Mathern:** Someone, that had small amount but ended up a million- dollar scholarship fund. How do you book this scholarship fund? Did they put in a million dollars and or did they put in a third of that, I mean the state put in a third of that, and they put in the other 2/3rds. How is that actually in the accounting world booked?

**Monique Anderson:** They wrote a check for a million dollars' and then it matched by the state.

**Senator Mathern:** So as a resulting scholarship turn out to be the \$1.5 M. So the state has money in that specific scholarship fund.

**Monique Anderson:** \$ 1.5M; correct.

**Terry Olson, Executive Director, Williston State College Foundation**

Testified in favor of SB 2036. Testimony Attached # 5.

**Rod Backman: Covenant Consulting Group, Bismarck, North Dakota representing The University of Jamestown and The University of Mary.**

Testified in favor of SB 2036. Testimony Attached # 6.

Small private universities and colleges are excluded, so we're here to advocate for our students. We believe funding for higher education in North Dakota should focus who are residents of North Dakota, and attend North Dakota colleges. We request that you would consider an amendment to include the private universities. There is even a little bit more interesting, as this bill compared to those in the past which were general fund dollars which of course our donors and our students contribute to, but now we're looking at a funding source whose equity came from our students too. So again we respectfully request that you would make an amendment to include those students at Jamestown, and University of Mary. State dollars can go to college students as long as it's for scholarships. The private universities do not receive direct funding. State dollars can go to private college students as long as it's not specially to them and it covers both public and private and it's for scholarships. Private universities do not receive direct funding and so were here to advocate for our students.

**Senator Robinson:** (26:06) This program has been a godsend for universities in state. In a previous biennium there was more flexibility. We at Valley City State, were fortunate to take advantage of that round and leverage contributions that we received in the first couple of days, to build a 65,000 square foot wellness center. I approached one donor after this program was approved and a million bucks came to the table immediately. Leverage that with another million dollars, and we went on to raise the dollars necessary to build this facility. The initial donor has since contributed another \$4.5 M and as you've heard here, it has opened a whole new door of possibilities and we are still as of this week, getting calls from folks wondering if this program is going to be continued. I can only tell you, there's a lot of competition for charitable dollars. This program has been a big shot in the arm and you hear much of it, certainly in large universities come from out of state. From larger universities, donations have come from out-of-state. I support the bill.

**Chairman Holmberg:** Because the budgets are tight, where would your campus have more support for this scholarship program or take the money and roll and get into the operations lines of the campuses involved.

**Senator Robinson:** There has been some consideration to create an innovative approach. We'd allocate dollars for this program, if we could match them, there could be an exchange.

Obviously budgets are tight throughout the state and certainly the system and it's a tough call. The other side of this coin is if we look at tuition increases, which are likely to materialize, we really impact the value of our scholarship programs. So we are weighing all of those things as we move forward. It's very difficult to walk away from new money, out-of-state money and the growth of scholarship programs that have a direct impact on minimizing student debt. So as the days move forward, I have a meeting tomorrow afternoon on this very issue. I don't mean to be side stepping your question. We're struggling with that because this program has had a major impact on our institutions as does the General Fund support. So, I think our universities would say we'd like to know where we are with the budget for the General Fund before we rule on that. Unfortunately, we won't be able to be in that situation.

**Chairman Holmberg:** Subcommittee will be: Senators Holmberg, Krebsbach, Robinson

**Karlene Fine, Executive Director, State Industrial Commission**  
Supplying neutral testimony. Testimony Attached # 7.

**Chairman Holmberg:** Closed the hearing on SB 2036.

# 2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee  
Harvest Room, State Capitol

SB 2036  
2/13/2017  
JOB # 28283

- Subcommittee  
 Conference Committee

Committee Clerk Signature



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

A DO PASS AS AMENDED for matching grants for higher education.

## Minutes:

1. Proposed Amendment # 17.0160.02001

**Chairman Holmberg:** called the Committee to order on SB 2036. All committee members were present. Brady Larson, Legislative Council and Stephanie Gullickson, OMB were also present.

**V. Chairman Krebsbach:** presented attach. # 1 Proposed Amendment #17.0160.02001. and explained the amendment. The Burgum budget had put in \$10m for the challenge grant program and the amendment is taking it down to \$4m with the designation of \$750,000 each to UND and NDSU and the balance of the other nine institutions would share the \$2.5m.

**V. Chairman Krebsbach:** moved the amendment. 2<sup>nd</sup> by Senator Robinson.

**Chairman Holmberg:** That is listed in the amendment.

**Brady Larson:** The \$750,000 for the Research institutions and then \$275,000 for the non-research institutions. Plus, there would also be a pool of \$25,000 left over for any non-research institutions that had received their full allocation.

**Chairman Holmberg:** That had received their full allocation and had additional matching money that they could compete for?

**Brady Larson:** That would be on a first come first serve after they received all their original allocation.

**Chairman Holmberg:** Last time, there was also a pool of 500? So we have the motion and the second.

**Chairman Holmberg:** So we have the motion and a second.

**Senator Mathern:** Are you saying that the bill without the amendment has \$10m in it? I want to know what the bill is without the amendment.

**V. Chairman Krebsbach:** The Dalrymple budget had \$3m in it. It was increased to \$10m by the Burgum budget.

**Chairman Holmberg:** The bill itself that we have before us has \$23 ½ m from the interim.

**V. Chairman Krebsbach:** the interim committee had approved what was presented during this current biennium.

**Senator Mathern:** I just don't think the amount of dollars is enough that you are talking about. It is such a small amount that it isn't even worth marketing so i am going to oppose the amendment.

**Chairman Holmberg:** As you all understand we are in the process of making some reductions. The interim committee studied this and they thought that \$23, we were 29 to start with, and it went to \$213.5 in the current biennium. If you recall it was very highly supported except when the question was asked, "but, if push came to shove and we got far down the road, would you want that to be part of this kind of a process or would you like it in your base budget. It was awkward. You can't expect them to want to answer at this stage.

**V. Chairman Krebsbach:** One of the main concerns I heard from the campuses was that please, keep it alive. It's been such a good program. We want to continue in some fashion.

**Chairman Holmberg:** Would you call the roll on the amendment?

**A Roll Call vote was taken. Yea: 13; Nay: 1; Absent: 0.**

**Senator Robinson: Moved a Do Pass as Amended. 2<sup>nd</sup> by V. Chairman Krebsbach.**

**Chairman Holmberg:** Call the roll on a Do Pass as Amended on 2036.

**Senator Wanzek:** I am going to oppose the bill not because I don't like the challenge grants I am trying to represent private schools. I think the bill is better now. In visiting with our president from the private institution, the University of Jamestown, he was really somewhat labored when he said "Now we are not only seeing tax dollars compete against us, but we're using our own students' dollars to do it". Now we shifted it to a SIFF fund and they're not opposed to a challenge grants, most of this money goes for scholarships and what I've always heard from the University of Jamestown folks is Treat our students the same way you treat all the students in the state. Most of these grants go to the students, because a student chooses to go to the private school they are not included in the challenge grants. So, maybe just as a rebel representing the private schools I am going to vote no.

**Chairman Holmberg:** Of course you recognized and you mentioned it that the valid point about utilizing the student loan trust fund which they have paid into was kind of a bridge too far for you, so they made this change.

**Senator Wanzek:** They feel pretty strongly about it. Their market where they get their dollars is in the private market. Now, since we are using state money to compete against them, any private market, I struggle with that.

**Chairman Holmberg:** You are consistent with that. You had troubles last time too.

**Senator Wanzek:** I tried last time.

**Chairman Holmberg:** Call the roll on a Do Pass as Amended on 2036.

**A Roll Call vote was taken. Yea: 11; Nay: 3; Absent: 0. V. Chairman Krebsbach will carry the bill.**

The hearing was closed on SB 2036.

February 13, 2017

ET  
2-13-17  
p. 1 of 1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2036

Page 1, line 20, overstrike "seven million" and insert immediately thereafter "seven hundred fifty thousand"

Page 1, line 21, overstrike "The first two million dollars in matching grants awarded to each"

Page 1, overstrike lines 22 and 23

Page 2, line 30, overstrike "one million" and insert immediately thereafter "two hundred seventy-five thousand"

Page 3, line 11, overstrike "five hundred" and insert immediately thereafter "twenty-five"

Page 3, line 12, overstrike "one million" and insert immediately thereafter "two hundred seventy-five thousand"

Page 3, line 24, replace "**STUDENT LOAN TRUST**" with "**STRATEGIC INVESTMENT AND IMPROVEMENTS**"

Page 3, line 25, replace "student loan trust" with "strategic investment and improvements"

Page 3, line 26, replace "\$23,500,000" with "\$4,000,000"

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment reduces the appropriation for higher education challenge grants from \$23.5 million to \$4 million and changes the source of funding from the student loan trust fund to the strategic investment and improvements fund. This amendment provides for the following allocations of grant funds:

- Funding of \$750,000 for each research institution;
- Funding of \$275,000 for each nonresearch institution; and
- Funding of \$25,000 to be allocated in the order in which applications are received for nonresearch institutions that have fully utilized the original allocation of \$275,000 of grant funds.

Date: 2-13-17  
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2036

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 17.0160.02001

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 Krebsbach    Seconded By Robinson

| Senators             | Yes | No | Senators          | Yes | No |
|----------------------|-----|----|-------------------|-----|----|
| Chairman Holmberg    | ✓   |    | Senator Mathern   |     | ✓  |
| Vice Chair Krebsbach | ✓   |    | Senator Grabinger | ✓   |    |
| Vice Chair Bowman    | ✓   |    | Senator Robinson  | ✓   |    |
| Senator Erbele       | ✓   |    |                   |     |    |
| Senator Wanzek       | ✓   |    |                   |     |    |
| Senator Kilzer       | ✓   |    |                   |     |    |
| Senator Lee          | ✓   |    |                   |     |    |
| Senator Dever        | ✓   |    |                   |     |    |
| Senator Sorvaag      | ✓   |    |                   |     |    |
| Senator Oehlke       | ✓   |    |                   |     |    |
| Senator Hogue        | ✓   |    |                   |     |    |
|                      |     |    |                   |     |    |
|                      |     |    |                   |     |    |
|                      |     |    |                   |     |    |

Total (Yes) 13 No 1

Absent 0

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

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

Date: 2-13-17  
 Roll Call Vote #: 2

**2017 SENATE STANDING COMMITTEE**  
**ROLL CALL VOTES**  
 BILL/RESOLUTION NO. 2036

Senate Appropriations 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 Robinson    Seconded By Krebsbach

| Senators             | Yes | No | Senators          | Yes | No |
|----------------------|-----|----|-------------------|-----|----|
| Chairman Holmberg    | ✓   |    | Senator Mathern   | ✓   |    |
| Vice Chair Krebsbach | ✓   |    | Senator Grabinger | ✓   |    |
| Vice Chair Bowman    |     | ✓  | Senator Robinson  | ✓   |    |
| Senator Erbele       | ✓   |    |                   |     |    |
| Senator Wanzek       |     | ✓  |                   |     |    |
| Senator Kilzer       |     | ✓  |                   |     |    |
| Senator Lee          | ✓   |    |                   |     |    |
| Senator Dever        | ✓   |    |                   |     |    |
| Senator Sorvaag      | ✓   |    |                   |     |    |
| Senator Oehlke       | ✓   |    |                   |     |    |
| Senator Hogue        | ✓   |    |                   |     |    |
|                      |     |    |                   |     |    |
|                      |     |    |                   |     |    |
|                      |     |    |                   |     |    |

Total (Yes) 10    No 3  
 Absent 0  
 Floor Assignment Krebsbach

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

**REPORT OF STANDING COMMITTEE**

**SB 2036: Appropriations Committee (Sen. Holmberg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2036 was placed on the Sixth order on the calendar.

Page 1, line 20, overstrike "seven million" and insert immediately thereafter "seven hundred fifty thousand"

Page 1, line 21, overstrike "The first two million dollars in matching grants awarded to each"

Page 1, overstrike lines 22 and 23

Page 2, line 30, overstrike "one million" and insert immediately thereafter "two hundred seventy-five thousand"

Page 3, line 11, overstrike "five hundred" and insert immediately thereafter "twenty-five"

Page 3, line 12, overstrike "one million" and insert immediately thereafter "two hundred seventy-five thousand"

Page 3, line 24, replace "**STUDENT LOAN TRUST**" with "**STRATEGIC INVESTMENT AND IMPROVEMENTS**"

Page 3, line 25, replace "student loan trust" with "strategic investment and improvements"

Page 3, line 26, replace "\$23,500,000" with "\$4,000,000"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment reduces the appropriation for higher education challenge grants from \$23.5 million to \$4 million and changes the source of funding from the student loan trust fund to the strategic investment and improvements fund. This amendment provides for the following allocations of grant funds:

- Funding of \$750,000 for each research institution;
- Funding of \$275,000 for each nonresearch institution; and
- Funding of \$25,000 to be allocated in the order in which applications are received for nonresearch institutions that have fully utilized the original allocation of \$275,000 of grant funds.

**2017 HOUSE APPROPRIATIONS**

**SB 2036**

# 2017 HOUSE STANDING COMMITTEE MINUTES

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

SB 2036  
3/14/2017  
29136

- Subcommittee  
 Conference Committee

*Virginia L Moch*

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

To amend and reenact sections 15-10-48 and 15-10-49 of the North Dakota Century Code, relating to matching grants for the advancement of academics at higher education institutions under the control of the state board of higher education; and to provide an appropriation.

### Minutes:

1-5

**Chairman Monson:** called the meeting to order SB 2036, challenge grants.

**Rep Mark Sanford District 17 in Grand Forks:** testified for SB 2036, challenge grants. Our financial situation has changed since this bill was developed. We met and decided to keep it in its original form and ask for a one-time funding for the next two years. The usage has been successful with all of it matched in the two rounds it was out. It is focused on scholarships. The senate version came to us with a \$4 million recommendation. Dalrymple recommended \$3 million and Burgum recommended \$10 million. The senate established that the research institutions would qualify for \$750,000 each in matching funds and that the nonresearching institutions would qualify for \$275,000 in a 2 to 1 match and there would be a \$25,000 pool available to any institution in nonresearching that had filled the \$275,000 allotment. When we worked on this in the interim we were impressed enough with the results to recommend its adoption. This was the preferred way to spend \$4 million. Certainly times have changed significantly financially and our committee's discussion will guide us on this.

**Tami Dolan Chief Financial Officer of the University System:** (attachment 1) 5:07-7:05 We turned \$1 into \$3 from private donations. Three testimonies follow me.

**Laura Block Chief Financial Officer of UND Alumni Association:** The matching grant is (attachment 2) 7:52-10:39 Once we have them as a donor they become a part of the donor family. The state gave us funds and private donors matched. I believe we are leaving philanthropic dollars on the table without this.

**Kari Knudson Executive Director of BSC Foundation and BSC VP of College Advancement:** (attachment 3) 11:23-14:03 The matches incentivize donors to come forward. The benefit we see is longer stronger commitments. It gives a sense of urgency.

**Chairman Monson:** Do you pool the small donations together to use for your match?

**Kari Knudson BSC:** We get a lot of small donations. They all go into an endowment fund that we give scholarships from.

**Katie Mastel NDSU Student Government:** (attachment 4) 15:15 -17:15

**Jared Melville Vice President of the NDSU Student Government:** (attachment 5) 17:35 -22:07 Getting new donors is the primary challenge facing institutions and often the 2 for 1 match amplifies the donor's decision. The best tool the colleges and universities have to make it through these crippling times is the challenge grants. We ask for support of SB 2036 and seriously considering increasing level of funding for the Challenge Grants.

**John Glover President and CEO of the NDSU Alumni Assoc. in Fargo:** I recognize it's easy to dismiss the \$4 million requested on this bill. Programs like this are crucial to making education happen for all. Upward mobility comes through education. Philanthropy is something important to these students. You've created a feeding frenzy in that you called us and disrupted philanthropy in a very positive way. We still have donors lined up waiting for the state to fund this. How many state programs do you have where you can leverage dollars with private donors? I support funding at the maximum. 28:19

**Vice Chairman Streyle:** What if we were to discontinue the grant program in favor of the donor tax credit?

**President Glover:** We had one donor who wanted to take advantage of the challenge grant in a maximum advantage. The credit would be an interesting twist, but it wouldn't have worked for our largest contributor.

**Chairman Monson:** The tax credit would only benefit those donors in the state.

**President Glover:** True. About half of our donors are from out of state at NDSU.

**Chairman Monson:** Any other questions? Any opposition to 2036? We close the hearing on 2036.

# 2017 HOUSE STANDING COMMITTEE MINUTES

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

SB2036  
3/16/2017  
29289

- Subcommittee  
 Conference Committee

*Virginia L. Moeb*

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

Relating to matching grants for the advancement of academics at higher education institutions under the control of the state board of higher education; and to provide an appropriation.

## Minutes:

The first couple minutes of this is not recorded as we switched directly from SB 2035 to SB 2036 so the time I took for file 2035 and get up 2036 missed the vote. The committee thought this was there easiest one to pass out so everyone was in agreement and they took a roll call vote to kill the bill. The motion was made by Representative Boe and seconded by Representative Schmidt. A roll call vote was taken. Yea: 7 Nay: 0 Absent: 0. DO NOT PASS carries and Representative Sanford was assigned to carry.

**Chairman Monson:** SB 2036 does have money in it.

**Vice Chairman Streyle:** I was thinking about bringing up the tax idea I floated, but if we are going to kill the bill, I don't want to put tax policy in the budget. I suppose we could though. I make a motion that we reconsider our actions where we killed the bill 2036.

**Rep Boe:** I second that.

**Chairman Monson:** Now we have SB 2036 back in front of us.

**Rep Martinson:** If they want to pass the challenge grant they will just reject the amendment anyway. It's not as though we delete the money and the money is gone forever. The amendment has to go to the floor, too. So we are going to amend the bill then recommend a do not pass. I can't see any way the challenge grants will pass when all of this is discussed in the higher ed bill.

**Vice Chairman Streyle:** We can leave it then. If they are going to be all stacked. I will withdraw my motion and we can just send it to the floor in a package.

**Chairman Monson:** This was just a motion to reconsider the DO NOT PASS. It would still be a Do Not Pass, it's just a matter of whether we take the money out or not.

**Vice Chairman Streyle:** Well, let's just leave it with the money in it.

**Chairman Monson:** So we are just leaving it as it is then. You are withdrawing the motion. The only danger we have then if somebody decides they want to flip it on the floor.

**Vice Chairman Streyle:** I'm going to start working to get that passed then.

**Chairman Monson:** We withdrew the motion and the second. It's still a do not pass. Next is bill 2054.

# 2017 HOUSE STANDING COMMITTEE MINUTES

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

SB 2036  
3/27/2017  
29715

- Subcommittee  
 Conference Committee

Committee Clerk Signature



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

Relating to matching grants for the advancement of academics at higher education institutions under the control of the state board of higher education; and to provide an appropriation

## Minutes:

1 attachment

**Chairman Monson:** Called the meeting to order on SB 2036 that deals with challenge grants. I gave it a do not pass here, we may reconsider it. Before we talk about it we should reconsider the action.

**Rep Martinson:** I move to reconsider the Do Not Pass on SB 2036.

**Chairman Monson:** We have a motion to reconsider the action whereby we gave SB 2036 a do not pass.

**Rep Sanford:** I second that.

**Chairman Monson:** Yes 6 No 0 Absent 0 Motion carried. We now have SB 2036 in front of us. Rep. Streyle has handed out an amendment that he is proposing 03003.

**Vice Chairman Streyle:** There are some errors in here. I would like to fix those first, then I will explain it. Number 6 in the amendment is suppose to be 10 million dollars total for the biennium. In the amendment where it says 10 million dollars make it 5 million dollars per year. In number 7 the 3<sup>rd</sup> line which would be under NDSU & UND that should be 3 million dollars.

The 4 year colleges should be 1 million dollars. On the next page it should be \$500,000 as well.

**Vice Chairman Streyle:** Explains the amendment with some changes: (Attachment 1) number 5 says a credit cannot exceed the income tax, so it is not a refundable tax credit. Reduce ten million for the biennium. Number 7, 6 million dollars to UND and NDSU which would mean 15 million dollars is what they could raise a piece. The 4 years would be a million dollars, 2 million total for 4 years and then one million dollars for 2 years for the biennium. It

would set up 2 years beginning January 1<sup>st</sup>. Then reduce 2 million to one million dollars. On the back page change one million dollars to a half million dollars. It is a lot easier to raise money for sports. I don't have a report in there It's a different way to look at fund raising this would be for whatever they want to use it for. I move to adopt amendment 17.0160.03003.

**Rep. Martinson:** Second the motion.

**Chairman Monson:** Who determines how they are going to use this? I think this is a good idea. I Think the intend was that the challenge grants program hasn't been successful, we can't afford to give at this time.

Rep. Streyle made a motion for 03003 plus the reporting and Rep. Martinson second the motion. We have the amendment before us here with a motion and a second all in favor with a motion to amend SB 2036 with amendment 030003 plus the addition for the reporting. Voice Vote Motion carries.

**Rep. Martinson:** I second the motion.

**Chairman Monson:** We have the amended bill SB 2036 before us.

**Representative Sanford:** Proposed to further amend SB 2036 to include that the expenditure of the resources raised would be approved by the Board of Higher Education.

**Rep Schmidt:** I second that

**Chairman Monson:** The effect of this would be that they can still spend it for anything but the Board of Higher Education would have to decide if they are spending it wisely or not. Voice vote motion carries.

**Vice Chairman Streyle:** Made a motion to Do Pass SB 2036 As Amended.

**Representative Martinson:** second it.

**Chairman Monson:** A roll call vote was taken. Yea: 6 Nay: 0 Absent: 1

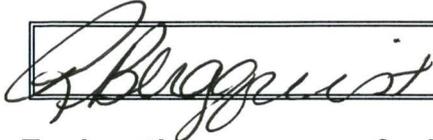
**Vice Chairman Streyle:** Floor assignment.

# 2017 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

SB 2036  
March 31<sup>st</sup> 2017  
29872

- Subcommittee  
 Conference Committee



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

Relating to matching grants for the advancement of academics at higher education institutions under the control of the state board of higher education

## Minutes:

**Representative Streyle:** SB 2036 What this amendment does; it removes the specific dates to challenge grant. It leaves the challenge grant language in code just removes the dates. It also removes the 4 million dollars that came out of the SIIF fund, it came over from the senate with that 4 million dollars, now it's unfunded. It creates a tax credit and allows for some claw backs. Minimum contribution of 25 thousand and maximum contribution 150 thousand for a married couple, half that for a single. Provides for a charitable donation to a university directly, now the credit goes to the foundation this would go directly to the university. It's a 40% tax credit, which is the same as the endowment tax credit, so this would create a 60-thousand-dollar tax credit for a married couple. It allows it to be carried forward, it is not a refundable tax credit, so it's only on tax liability. The amendment delineates which university and when they are capped.

The total cost for this is 10 million dollars for the biennium and they are capped at that so they would control the credits and as soon as they hit that cap the program is done for them. This sunset in two years then it goes away, it does say the state board shall approve lease, so there's a checks and balance. The claw back feature, with the 40% tax credit; they would keep the excess, so they would have to take 40% out of their budget and cancel the appropriation.

**Chairman Delzer:** You're not having them pay back it just cancels that part of their appropriation and returns it to the general fund.

**Representative Streyle:** There is no fiscal cost at all because of this feature. Some of the donors don't like it, the foundation does not like this but it doesn't apply to them. They've got plenty of other way to raise money and the way I look at it the foundation is more long term consistent revenue for the university; it's scholarships and that type of stuff, where this is strictly operational. You give a 150-thousand-dollar donation they put that in the engineering department because they need additional revue to grow it or sustain the program. This could raise 25 million dollars to the university system should they raise it all.

This is a way to incentivize them to raise some money since we have cut them down, this could have an immediate effect on the campus.

**I'll move the amendment**

**Representative Monson: Second**

**Chairman Delzer:** Is there a way on the tax form currently?

**Representative Streyle:** The university would run a tally and once they reach the max it would close that and then they would be in touch with the tax department who would cross check it to the tax return which is what they do on the Housing Incentive Fund now so they didn't think it would be that big of a deal.

**Representative Holman:** Does this also apply for building projects?

**Representative Streyle:** It doesn't say it can't but we have to approve buildings.

**Chairman Delzer:** I know there's a bill coming out of government finance that made it so every building, even with private donation, has to go through legislative assembly.

**Representative Vigesaa:** Could the donor signify where he wants the donation to go? Perhaps just for athletic, could he do that?

**Representative Streyle:** That's been another point, it doesn't say that in here but that could be something with the state board approval. The intention was for the president to be able to prioritize the funds by need.

**Chairman Delzer:** If the donor didn't like where it was going they just wouldn't donate it.

**Representative Monson:** Page 2 number 1 minimum amount of 25 thousand, would you consider going with less? This isn't going to the foundation would small donation work or is it too much paper work for smaller donations?

**Representative Streyle:** The reason I change that it would be a 10-thousand-dollar credit, originally there was no minimum but as far as administrative purposes I didn't want to bog them down on 5 hundred dollar donations. The HIF found is 5 thousand and the endowment one is also 5 thousand so maybe that would have made more sense but I thought it would cause some more paper work.

**Representative Holman:** You took it away from foundation and moved to it operations, so would this eliminate the use of any of this money for scholarships?

**Representative Streyle:** Should the institution have scholarship money that is outside the foundation, the intent was to use this for operational and the foundation is for the long term.

**Chairman Delzer:** Further discussion?

**Voice vote, all in favor, motion carries unless want a roll call vote**

**Chairman Delzer:** We have the amended bill before us.

**Representative Streyle Do Pass as Amended**

**Representative Monson: Second**

**Representative Nathe:** Was there any discussion about leaving any money in the challenge grant?

**Representative Streyle:** I like the program we just didn't think at this time that we have the money for it. That's why we left the language in there, we can pick it up next biennium if the money is available.

**A Roll Call vote was taken. Yea: 14      Nay: 4      Absent: 3**

**Motion carries**

**Representative Streyle will carry the bill**

**Chairman Delzer:** That'll close this discussion.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2036

Page 1, line 1, after "to" insert "create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified universities; to"

Page 1, line 3, remove "and"

Page 1, line 4, after "appropriation" insert "; to provide for the cancellation of appropriation authority; to provide an effective date; and to provide an expiration date"

Page 3, after line 24, insert:

**"SECTION 3.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

**Income tax credit for contributions to a qualified university.**

1. A taxpayer is entitled to a credit against tax liability determined under section 57-38-30.3 for contributions to a qualified university.
2. For purposes of this section, "qualified university" means an institution under the control of the state board of higher education.
3. The amount of the credit to which a taxpayer is entitled is forty percent of the amount contributed by the taxpayer to a qualified university during the taxable year.
4. The maximum credit that may be claimed under this section in a taxable year is thirty thousand dollars for an individual, or sixty thousand dollars for married individuals filing a joint return. This subsection may not be interpreted to limit additional contributions by a taxpayer for which that taxpayer is not applying for a credit.
5. The credit under this section may not exceed the taxpayer's income tax liability.
6. The aggregate amount of credits allowed for contributions under this section may not exceed ten million dollars per year. If contributions qualifying for the credit exceed the available amount of credits, the credit must be allowed to taxpayers in the chronological order of their contributions to a qualified university.
7. A qualified university that is a four-year institution with a full-time equivalent annual enrollment of more than ten thousand students is limited to receiving no more than six million dollars of contributions over all taxable years for purposes of qualifying for the credit. A qualified university that is a four-year institution with a full-time equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than two million dollars of contributions over all taxable years for purposes of qualifying for the credit. A qualified university that is a two-year institution with a full-time

equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than one million dollars of contributions over all taxable years for purposes of qualifying for the credit.

8. The contribution used to calculate the credit under this section may not be used to calculate any other income tax deduction or credit allowed by law.
9. A taxpayer shall claim the credit on the taxpayer's annual state income tax return in the form and manner prescribed by the tax commissioner.

**SECTION 4.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for contributions to a qualified university under section 1 of this Act (effective for the first two taxable years beginning after December 31, 2016)."

Page 4, after line 2, insert:

**"SECTION 6. CANCELLATION OF APPROPRIATION AUTHORITY.** Prior to August first of each year, the tax commissioner shall certify to the office of management and budget the amount of credits claimed during the preceding state fiscal year under section 3 of this Act which apply to contributions to each qualified university. The director of the office of management and budget shall cancel the portion of the current biennium general fund appropriations authority for each qualified university equal to the amount of credit claims during the preceding fiscal year for contributions to the qualified university.

**SECTION 7. EFFECTIVE DATE - EXPIRATION DATE.** Sections 3 and 4 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2036

Page 1, line 1, after "to" insert "create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified universities; to"

Page 1, line 3, remove "and to provide an"

Page 1, line 4, replace "appropriation" with "to provide for the cancellation of appropriation authority; to provide for a legislative management report; to provide an effective date; and to provide an expiration date"

Page 1, line 10, overstrike "During the period beginning July 1, 2015"

Page 1, line 10, remove "2017"

Page 1, line 10, overstrike ", and ending December 31,"

Page 1, line 11, overstrike "2016"

Page 1, line 11, replace "2018" with "Subject to legislative appropriations, each biennium during the period beginning July 1 of each odd-numbered year and ending December 31 of each even-numbered year"

Page 2, line 1, overstrike "before January 1,"

Page 2, line 2, overstrike "2017"

Page 2, line 2, remove "2019"

Page 2, line 2, overstrike the first comma

Page 2, line 18, overstrike "During the period beginning July 1, 2015"

Page 2, line 18, remove "2017"

Page 2, line 18, overstrike ", and ending December 31,"

Page 2, line 19, overstrike "2016"

Page 2, line 19, replace "2018" with "Subject to legislative appropriations, each biennium during the period beginning July 1 of each odd-numbered year and ending December 31 of each even-numbered year"

Page 3, line 1, overstrike "before January 1,"

Page 3, line 2, replace "2019" with "prior to January 1 of each odd-numbered year"

Page 3, remove lines 25 through 30

Page 4, replace lines 1 and 2 with:

**"SECTION 3.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

**Income tax credit for contributions to a qualified university.**

1. A taxpayer is entitled to a credit against tax liability determined under section 57-38-30.3 for contributions to a qualified university.
2. For purposes of this section, "qualified university" means an institution under the control of the state board of higher education.
3. The amount of the credit to which a taxpayer is entitled is forty percent of the amount contributed by the taxpayer to a qualified university during the taxable year.
4. The maximum credit that may be claimed under this section in a taxable year is thirty thousand dollars for an individual, or sixty thousand dollars for married individuals filing a joint return. This subsection may not be interpreted to limit additional contributions by a taxpayer for which that taxpayer is not applying for a credit.
5. The credit under this section may not exceed the taxpayer's income tax liability.
6. The aggregate amount of credits allowed for contributions under this section may not exceed two million five hundred thousand dollars per year. If contributions qualifying for the credit exceed the available amount of credits, the credit must be allowed to taxpayers in the chronological order of their contributions to a qualified university.
7. A qualified university that is a four-year institution with a full-time equivalent annual enrollment of more than ten thousand students is limited to receiving no more than three million dollars of contributions over all taxable years for purposes of qualifying for the credit. A qualified university that is a four-year institution with a full-time equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than one million dollars of contributions over all taxable years for purposes of qualifying for the credit. A qualified university that is a two-year institution with a full-time equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than five hundred thousand dollars of contributions over all taxable years for purposes of qualifying for the credit.
8. The contribution used to calculate the credit under this section may not be used to calculate any other income tax deduction or credit allowed by law.
9. A taxpayer shall claim the credit on the taxpayer's annual state income tax return in the form and manner prescribed by the tax commissioner.
10. The state board of higher education shall approve the use of all funds received by a qualified university pursuant to this section.

**SECTION 4.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for contributions to a qualified university under section 3 of this Act (effective for the first two taxable years beginning after December 31, 2016).

**SECTION 5. CANCELLATION OF APPROPRIATION AUTHORITY.** Prior to August first of each year, the tax commissioner shall certify to the office of management and budget the amount of credits claimed during the preceding state fiscal year under section 3 of this Act which apply to contributions to each qualified university. The director of the office of management and budget shall cancel the portion of the current biennium general fund appropriations authority for each qualified university equal to the amount of credits claimed during the preceding fiscal year for contributions to the qualified university.

**SECTION 6. LEGISLATIVE MANAGEMENT REPORT.** During the 2017-18 interim, the state board of higher education shall provide a report to the legislative management regarding tax credits claimed for contributions to qualified universities, including the amount of tax credits claimed for contributions to each university and the use of funds by each university.

**SECTION 7. EFFECTIVE DATE - EXPIRATION DATE.** Sections 3 and 4 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment:

- Removes reference to specific dates from statutory provisions relating to higher education challenge grants;
- Removes the \$4 million appropriation from the strategic investment and improvements fund for higher education challenge grants;
- Creates an income tax credit for contributions to North Dakota University System institutions; and
- Cancels higher education appropriation authority equal to the amount of tax credits claimed during the preceding fiscal year.

3/31/17 D.A.  
LOPH

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2036

Page 1, line 1, after "to" insert "create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified universities; to"

Page 1, line 3, remove "and to provide an"

Page 1, line 4, replace "appropriation" with "to provide for the cancellation of appropriation authority; to provide for a legislative management report; to provide an effective date; and to provide an expiration date"

Page 1, line 10, overstrike "During the period beginning July 1, 2015"

Page 1, line 10, remove "2017"

Page 1, line 10, overstrike ", and ending December 31,"

Page 1, line 11, overstrike "2016"

Page 1, line 11, replace "2018" with "Subject to legislative appropriations, each biennium during the period beginning July 1 of each odd-numbered year and ending December 31 of each even-numbered year"

Page 2, line 1, overstrike "before January 1,"

Page 2, line 2, overstrike "2017"

Page 2, line 2, remove "2019"

Page 2, line 2, overstrike the first comma

Page 2, line 18, overstrike "During the period beginning July 1, 2015"

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Page 2, line 19, replace "2018" with "Subject to legislative appropriations, each biennium during the period beginning July 1 of each odd-numbered year and ending December 31 of each even-numbered year"

Page 3, line 1, overstrike "before January 1,"

Page 3, line 2, replace "2019" with "prior to January 1 of each odd-numbered year"

Page 3, remove lines 25 through 30

Page 4, replace lines 1 and 2 with:

**"SECTION 3.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

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2 of 4

**Income tax credit for contributions to a qualified university.**

1. A taxpayer is entitled to a credit against tax liability determined under section 57-38-30.3 for charitable contributions made after June 30, 2017, to a qualified university. To qualify for the credit under this section, a single contribution must be a cash contribution of twenty-five thousand dollars or more.
2. For purposes of this section, "qualified university" means an institution under the control of the state board of higher education, which is a tax-exempt organization under 26 U.S.C. 501(c)(3) to which contributions qualify for federal charitable income tax deductions.
3. The amount of the credit to which a taxpayer is entitled is forty percent of the amount contributed by the taxpayer to a qualified university during the taxable year.
4. The maximum credit that may be earned under this section in a taxable year is thirty thousand dollars for an individual, or sixty thousand dollars for married individuals filing a joint return. This subsection may not be interpreted to limit additional contributions by a taxpayer for which that taxpayer is not earning a credit.
5. The credit under this section may not exceed the taxpayer's income tax liability. If the amount of credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the five succeeding taxable years.
6. The contribution used to calculate the credit under this section may not be used to calculate any other income tax deduction or credit allowed by law.
7. North Dakota taxable income must be increased by the amount of the charitable contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income in any year.
8. The aggregate amount of credits allowed for contributions under this section may not exceed two million five hundred thousand dollars per year. The credit must be allowed to taxpayers in the chronological order of their contributions to a qualified university.
9. A qualified university that is:
  - a. A four-year institution with a full-time equivalent annual enrollment of more than ten thousand students is limited to receiving no more than three million dollars of contributions over all taxable years for purposes of qualifying for the credit.
  - b. A four-year institution with a full-time equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than one million dollars of contributions over all taxable years for purposes of qualifying for the credit.
  - c. A two-year institution with a full-time equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than

five hundred thousand dollars of contributions over all taxable years for purposes of qualifying for the credit.

10. Within thirty days after the date on which a taxpayer makes a contribution to the qualified university, the university shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the qualified university by that taxpayer the following:
  - a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution;
  - b. The dollar amount contributed to the qualified university; and
  - c. The date the contribution was received by the qualified university.
11. A taxpayer shall claim the credit on the taxpayer's state income tax return in the form and manner prescribed by the tax commissioner and file with the return a copy of the form issued by the qualified university under subsection 10.
12. A passthrough entity making a contribution to a qualified university under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
13. The state board of higher education shall approve the use of all funds received by a qualified university pursuant to this section.

**SECTION 4.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for contributions to a qualified university under section 3 of this Act (effective for the first two taxable years beginning after December 31, 2016).

**SECTION 5. CANCELLATION OF APPROPRIATION AUTHORITY.** Prior to August first of each year, the tax commissioner shall certify to the office of management and budget the amount of credits claimed during the preceding state fiscal year under section 3 of this Act which apply to contributions to each qualified university. The director of the office of management and budget shall cancel the portion of the current biennium general fund appropriations authority for each qualified university equal to the amount of credits claimed during the preceding fiscal year for contributions to the qualified university.

**SECTION 6. LEGISLATIVE MANAGEMENT REPORT.** During the 2017-18 interim, the state board of higher education shall provide a report to the legislative management regarding tax credits claimed for contributions to qualified universities, including the amount of tax credits claimed for contributions to each university and the use of funds by each university.

3/31/2017  
9084

**SECTION 7. EFFECTIVE DATE - EXPIRATION DATE.** Sections 3 and 4 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment:

- Removes reference to specific dates from statutory provisions relating to higher education challenge grants;
- Removes the \$4 million appropriation from the strategic investment and improvements fund for higher education challenge grants;
- Creates an income tax credit for contributions to North Dakota University System institutions; and
- Cancels higher education appropriation authority equal to the amount of tax credits claimed during the preceding fiscal year.

Date: 3-16-2017  
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2036**

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 Rep Boe Seconded By Rep Schmidt

| Representatives       | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Monson       | ✓   |    | Rep Boe         | ✓   |    |
| Vice Chairman Streyle | ✓   |    |                 |     |    |
| Rep Martinson         | ✓   |    |                 |     |    |
| Rep Sanford           | ✓   |    |                 |     |    |
| Rep Schatz            | ✓   |    |                 |     |    |
| Rep Schmidt           | ✓   |    |                 |     |    |
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Total (Yes) 7 No 0

Absent 0

Floor Assignment Rep Sanford

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

Date: 3-27-2017  
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2036**

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 Rep Martinson    Seconded By Representative Sanford

| Representatives       | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Monson       | ✓   |    | Rep Boe         | AB  |    |
| Vice Chairman Streyle | ✓   |    |                 |     |    |
| Rep Martinson         | ✓   |    |                 |     |    |
| Rep Sanford           | ✓   |    |                 |     |    |
| Rep Schatz            | ✓   |    |                 |     |    |
| Rep Schmidt           | ✓   |    |                 |     |    |
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Total (Yes) 6    No 0

Absent 1

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

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

Motion Carries

Date: 3-27-2017  
 Roll Call Vote #: 2

**2017 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2036**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: 17.0160.03003

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 Representative Streyle Seconded By Martinson

| Representatives       | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Monson       |     |    | Rep Boe         |     |    |
| Vice Chairman Streyle |     |    |                 |     |    |
| Rep Martinson         |     |    |                 |     |    |
| Rep Sanford           |     |    |                 |     |    |
| Rep Schatz            |     |    |                 |     |    |
| Rep Schmidt           |     |    |                 |     |    |
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Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

If the vote is on an amendment, briefly indicate intent: Give tax credit to ND taxpayers

Motion carries

Date: 3-27-2017  
 Roll Call Vote #: 3

**2017 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2036**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: 17.0160.03005

- 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 Representative Sanford Seconded By Representative Schmidt

| Representatives       | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Monson       |     |    | Rep Boe         |     |    |
| Vice Chairman Streyle |     |    |                 |     |    |
| Rep Martinson         |     |    |                 |     |    |
| Rep Sanford           |     |    |                 |     |    |
| Rep Schatz            |     |    |                 |     |    |
| Rep Schmidt           |     |    |                 |     |    |
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Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

If the vote is on an amendment, briefly indicate intent:  
further amend 2036 to provide oversight  
Motion carries

Date: 3-27-2017  
Roll Call Vote #: 4

**2017 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2036**

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 Rep Streyle Seconded By Rep Martinson

| Representatives       | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Monson       | ✓   |    | Rep Boe         | AB  |    |
| Vice Chairman Streyle | ✓   |    |                 |     |    |
| Rep Martinson         | ✓   |    |                 |     |    |
| Rep Sanford           | ✓   |    |                 |     |    |
| Rep Schatz            | ✓   |    |                 |     |    |
| Rep Schmidt           | ✓   |    |                 |     |    |
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Total (Yes) 6 No 0

Absent 1

Floor Assignment Rep Streyle

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

Date: 3/31/2017  
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2036**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 17.0160.03006

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 Representative Streyle Seconded By Representative Monson

| Representatives            | Yes | No | Representatives        | Yes | No |
|----------------------------|-----|----|------------------------|-----|----|
| Chairman Delzer            |     |    |                        |     |    |
| Representative Kempenich   |     |    | Representative Streyle |     |    |
| Representative: Boehning   |     |    | Representative Vigesaa |     |    |
| Representative: Brabandt   |     |    |                        |     |    |
| Representative Brandenburg |     |    |                        |     |    |
| Representative Kading      |     |    | Representative Boe     |     |    |
| Representative Kreidt      |     |    | Representative Delmore |     |    |
| Representative Martinson   |     |    | Representative Holman  |     |    |
| Representative Meier       |     |    |                        |     |    |
| Representative Monson      |     |    |                        |     |    |
| Representative Nathe       |     |    |                        |     |    |
| Representative J. Nelson   |     |    |                        |     |    |
| Representative Pollert     |     |    |                        |     |    |
| Representative Sanford     |     |    |                        |     |    |
| Representative Schatz      |     |    |                        |     |    |
| Representative Schmidt     |     |    |                        |     |    |

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

Absent \_\_\_\_\_

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

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

**Motion Carries**

Date: 3/31/2017  
Roll Call Vote #: 2

**2017 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2036**

House Appropriations 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 Representative Streyle    Seconded By Representative Monson

| Representatives            | Yes | No | Representatives        | Yes | No |
|----------------------------|-----|----|------------------------|-----|----|
| Chairman Delzer            | X   |    |                        |     |    |
| Representative Kempenich   | A   |    | Representative Streyle | X   |    |
| Representative: Boehning   |     | X  | Representative Vigesaa | X   |    |
| Representative: Brabandt   | X   |    |                        |     |    |
| Representative Brandenburg | X   |    |                        |     |    |
| Representative Kading      | A   |    | Representative Boe     | X   |    |
| Representative Kreidt      | X   |    | Representative Delmore |     | X  |
| Representative Martinson   | X   |    | Representative Holman  |     | X  |
| Representative Meier       | X   |    |                        |     |    |
| Representative Monson      | X   |    |                        |     |    |
| Representative Nathe       |     | X  |                        |     |    |
| Representative J. Nelson   | X   |    |                        |     |    |
| Representative Pollert     | X   |    |                        |     |    |
| Representative Sanford     | X   |    |                        |     |    |
| Representative Schatz      | X   |    |                        |     |    |
| Representative Schmidt     | A   |    |                        |     |    |

Total    (Yes) 14    No 4

Absent 3

Floor Assignment Representative Streyle

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

**Motion Carries**

REPORT OF STANDING COMMITTEE

SB 2036, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 4 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2036 was placed on the Sixth order on the calendar.

Page 1, line 1, after "to" insert "create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified universities; to"

Page 1, line 3, remove "and to provide an"

Page 1, line 4, replace "appropriation" with "to provide for the cancellation of appropriation authority; to provide for a legislative management report; to provide an effective date; and to provide an expiration date"

Page 1, line 10, overstrike "During the period beginning July 1, 2015"

Page 1, line 10, remove "2017"

Page 1, line 10, overstrike ", and ending December 31,"

Page 1, line 11, overstrike "2016"

Page 1, line 11, replace "2018" with "Subject to legislative appropriations, each biennium during the period beginning July 1 of each odd-numbered year and ending December 31 of each even-numbered year"

Page 2, line 1, overstrike "before January 1,"

Page 2, line 2, overstrike "2017"

Page 2, line 2, remove "2019"

Page 2, line 2, overstrike the first comma

Page 2, line 18, overstrike "During the period beginning July 1, 2015"

Page 2, line 18, remove "2017"

Page 2, line 18, overstrike ", and ending December 31,"

Page 2, line 19, overstrike "2016"

Page 2, line 19, replace "2018" with "Subject to legislative appropriations, each biennium during the period beginning July 1 of each odd-numbered year and ending December 31 of each even-numbered year"

Page 3, line 1, overstrike "before January 1,"

Page 3, line 2, replace "2019" with "prior to January 1 of each odd-numbered year"

Page 3, remove lines 25 through 30

Page 4, replace lines 1 and 2 with:

**"SECTION 3.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

**Income tax credit for contributions to a qualified university.**

1. A taxpayer is entitled to a credit against tax liability determined under section 57-38-30.3 for charitable contributions made after June 30, 2017, to a qualified university. To qualify for the credit under this section, a single contribution must be a cash contribution of twenty-five thousand dollars or more.
2. For purposes of this section, "qualified university" means an institution under the control of the state board of higher education, which is a tax-exempt organization under 26 U.S.C. 501(c)(3) to which contributions qualify for federal charitable income tax deductions.
3. The amount of the credit to which a taxpayer is entitled is forty percent of the amount contributed by the taxpayer to a qualified university during the taxable year.
4. The maximum credit that may be earned under this section in a taxable year is thirty thousand dollars for an individual, or sixty thousand dollars for married individuals filing a joint return. This subsection may not be interpreted to limit additional contributions by a taxpayer for which that taxpayer is not earning a credit.
5. The credit under this section may not exceed the taxpayer's income tax liability. If the amount of credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the five succeeding taxable years.
6. The contribution used to calculate the credit under this section may not be used to calculate any other income tax deduction or credit allowed by law.
7. North Dakota taxable income must be increased by the amount of the charitable contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income in any year.
8. The aggregate amount of credits allowed for contributions under this section may not exceed two million five hundred thousand dollars per year. The credit must be allowed to taxpayers in the chronological order of their contributions to a qualified university.
9. A qualified university that is:
  - a. A four-year institution with a full-time equivalent annual enrollment of more than ten thousand students is limited to receiving no more than three million dollars of contributions over all taxable years for purposes of qualifying for the credit.
  - b. A four-year institution with a full-time equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than one million dollars of contributions over all taxable years for purposes of qualifying for the credit.
  - c. A two-year institution with a full-time equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than five hundred thousand dollars of contributions over all taxable years for purposes of qualifying for the credit.
10. Within thirty days after the date on which a taxpayer makes a contribution to the qualified university, the university shall file with each contributing

taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the qualified university by that taxpayer the following:

- a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution;
  - b. The dollar amount contributed to the qualified university; and
  - c. The date the contribution was received by the qualified university.
11. A taxpayer shall claim the credit on the taxpayer's state income tax return in the form and manner prescribed by the tax commissioner and file with the return a copy of the form issued by the qualified university under subsection 10.
  12. A passthrough entity making a contribution to a qualified university under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
  13. The state board of higher education shall approve the use of all funds received by a qualified university pursuant to this section.

**SECTION 4.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for contributions to a qualified university under section 3 of this Act (effective for the first two taxable years beginning after December 31, 2016).

**SECTION 5. CANCELLATION OF APPROPRIATION AUTHORITY.** Prior to August first of each year, the tax commissioner shall certify to the office of management and budget the amount of credits claimed during the preceding state fiscal year under section 3 of this Act which apply to contributions to each qualified university. The director of the office of management and budget shall cancel the portion of the current biennium general fund appropriations authority for each qualified university equal to the amount of credits claimed during the preceding fiscal year for contributions to the qualified university.

**SECTION 6. LEGISLATIVE MANAGEMENT REPORT.** During the 2017-18 interim, the state board of higher education shall provide a report to the legislative management regarding tax credits claimed for contributions to qualified universities, including the amount of tax credits claimed for contributions to each university and the use of funds by each university.

**SECTION 7. EFFECTIVE DATE - EXPIRATION DATE.** Sections 3 and 4 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment:

- Removes reference to specific dates from statutory provisions relating to higher education challenge grants;

- Removes the \$4 million appropriation from the strategic investment and improvements fund for higher education challenge grants;
- Creates an income tax credit for contributions to North Dakota University System institutions; and
- Cancels higher education appropriation authority equal to the amount of tax credits claimed during the preceding fiscal year.

**2017 TESTIMONY**

**SB 2036**

### Senate Bill 2036

Senate Appropriations Committee

January 26, 2017

Tammy Dolan, Chief Financial Officer

701.328.4116 | [tammy.dolan@ndus.edu](mailto:tammy.dolan@ndus.edu)

Chair Holmberg and Committee Members: My name is Tammy Dolan and I am here today to testify in support of Senate Bill 2036. The bill amends NDCC 15-10-48 to continue the education challenge matching grant program and appropriates \$23,500,000 from the student loan trust fund.

The 2013 Legislative Assembly established the challenge grant program. The program was designed to stimulate the spirit of philanthropy at the state's colleges and universities. Funds could be used for scholarships, endowed chairs, technology, research and educational infrastructure. Every \$1 in state funding was required to be matched with \$2 in eligible, private donations. A \$29.0 million general fund appropriation was provided with \$10.0 million designated each to NDSU and UND and \$1.0 million to each of the other campuses.

The \$29.0 million in state funds was matched by \$62.7 million in private donations - for total of \$91.7 million. Educational infrastructure comprised 46% of the total awards, while student scholarships accounted for 42%. The remaining dollars were directed to endowed chairs, technology and research.

The 2015 Legislative Assembly continued the program and clarified that the main focus of the program should be student scholarships. A \$23.5 million appropriation was provided, of which \$21.0 million was from the general fund and \$2.5 million was from the student loan trust fund. \$7,000,000 was designated each to UND and NDSU and \$1,000,000 each to the remaining nine institutions. An additional \$500,000 was provided for any two or four-year school that fully utilized the original allocation. The appropriation was reduced to \$22,124,500 as a result of the 2015-17 budget allotment.

The final Challenge Grant Review Committee meeting was held January 24, 2017, and all funds have now been awarded. The \$22.1 million in state funds was matched by \$47.6 million in private donations - for total of \$69.7 million. Student scholarships accounted for 71% of the total, and 24% was used for endowed chairs. The remaining 5% was utilized for technology, research and educational infrastructure.

Several university foundation representatives are here to provide evidence as to the success of this program at their institutions.

I ask for a **Do Pass on SB2036** and am available to answer your questions.

Thank you.

**North Dakota University System  
2013-15 Challenge Grant Summary  
As of January 5, 2015**

| Institution  | (A)<br>Original<br>HB1204<br>Appropriation | (B)<br>Funding Source<br>General Fund | (C)<br>Awards<br>through<br>January 5,<br>2015 | (D)<br>Balance as of<br>January 5, 2015<br>to Pooled<br>Funding | (E)<br>Pooled Funding<br>Distribution | (F)<br>Pooled<br>Funding<br>Awarded<br>January 5,<br>2015 | (G)<br>Total Funding<br>Awarded as of<br>January 5,<br>2015 | (H)<br>Final Balance<br>as of January 5,<br>2015 |
|--------------|--|---------------------------------------|--|---|---------------------------------------|---|---|--|
|              | BSC  | \$ 1,000,000                          | \$ 1,000,000                                   | \$ 1,000,000  | \$ -                                  | \$ 131,524  | \$ 131,524  | \$ 1,131,524                                     |
| DCB          | \$ 1,000,000                               | \$ 1,000,000                          | \$ 364,028                                     | \$ 635,973  | \$ -                                  | \$ -  | \$ 364,028  | \$ -   |
| DSU*         | \$ 1,000,000                               | \$ 1,000,000                          | \$ 949,547                                     | \$ 50,453   | \$ -                                  | \$ -  | \$ 949,547  | \$ -   |
| LRSC         | \$ 1,000,000                               | \$ 1,000,000                          | \$ 1,000,000                                   | \$ -  | \$ 99,092                             | \$ 99,092   | \$ 1,099,092  | \$ -   |
| MaSU         | \$ 1,000,000                               | \$ 1,000,000                          | \$ 691,395                                     | \$ 308,605  | \$ -                                  | \$ -  | \$ 691,395  | \$ -   |
| MiSU         | \$ 1,000,000                               | \$ 1,000,000                          | \$ 999,246                                     | \$ 754  | \$ 509,597                            | \$ 509,597  | \$ 1,508,843  | \$ -   |
| NDSCS        | \$ 1,000,000                               | \$ 1,000,000                          | \$ 1,000,000                                   | \$ -  | \$ 110,252                            | \$ 110,252  | \$ 1,110,252  | \$ -   |
| NDSU         | \$10,000,000                               | \$ 10,000,000                         | \$ 10,000,000                                  | \$ -  | \$ -                                  | \$ -  | \$ 10,000,000   | \$ -   |
| UND          | \$10,000,000                               | \$ 10,000,000                         | \$ 10,000,000                                  | \$ -  | \$ -                                  | \$ -  | \$ 10,000,000   | \$ -   |
| VCSU         | \$ 1,000,000                               | \$ 1,000,000                          | \$ 1,000,000                                   | \$ -  | \$ 152,319                            | \$ 152,319  | \$ 1,152,319  | \$ -   |
| WSC          | \$ 1,000,000                               | \$ 1,000,000                          | \$ 993,000                                     | \$ 7,000  | \$ -                                  | \$ -  | \$ 993,000  | \$ -   |
| <b>Total</b> | <b>\$ 29,000,000</b>                       | <b>\$ 29,000,000</b>                  | <b>\$ 27,997,216</b>                           | <b>\$ 1,002,784</b>   | <b>\$ 1,002,784</b>                   | <b>\$ 1,002,784</b>                                       | <b>\$ 29,000,000</b>  | <b>\$ -</b>                                      |

\*The awarded amount of \$949,547 for DSU has yet to be drawn down from the General Fund as issues of receivership for the previous foundation are still being sorted.

**2013 - 2015 Challenge Fund Awards by Category**

| Institution  | (I)<br>Scholarships  | (J)<br>Endowed<br>Chair(s) | (K)<br>Educational<br>Infrastructure | (L)<br>Research   | (M)<br>Technology | (N)<br>Awards<br>through<br>January 2015 | (O)<br>Private<br>Donations | (P)<br>Total Awards<br>and Private<br>Donations |
|--------------|----------------------|----------------------------|--------------------------------------|-------------------|-------------------|--|-----------------------------|---|
| BSC          | \$ 1,048,399         |                            | \$ 83,125                            |                   |                   | \$ 1,131,524                             | \$ 2,264,001                | \$ 3,395,525                                    |
| DCB          | \$ 364,028           |                            |                                      |                   |                   | \$ 364,028                               | \$ 728,055                  | \$ 1,092,083                                    |
| DSU          | \$ 949,547           |                            |                                      |                   |                   | \$ 949,547                               | \$ 1,899,095                | \$ 2,848,642                                    |
| LRSC         | \$ 611,088           |                            | \$ 310,354                           |                   | \$ 177,650        | \$ 1,099,092                             | \$ 2,203,371                | \$ 3,302,463                                    |
| MaSU         | \$ 480,282           |                            | \$ 211,113                           |                   |                   | \$ 691,395                               | \$ 1,794,869                | \$ 2,486,264                                    |
| MiSU         | \$ 777,034           | \$ 63,943                  | \$ 155,318                           | \$ 397,500        | \$ 115,049        | \$ 1,508,843                             | \$ 3,285,178                | \$ 4,794,021                                    |
| NDSCS        | \$ 613,333           | \$ 118,856                 | \$ 152,563                           |                   | \$ 225,500        | \$ 1,110,252                             | \$ 2,220,055                | \$ 3,330,307                                    |
| NDSU         | \$ 4,412,294         | \$ 2,057,500               | \$ 3,385,206                         | \$ 105,000        | \$ 40,000         | \$10,000,000                             | \$ 20,049,456               | \$ 30,049,456                                   |
| UND          | \$ 2,389,669         | \$ 37,500                  | \$ 7,572,831                         |                   |                   | \$10,000,000                             | \$ 20,000,000               | \$ 30,000,000                                   |
| VCSU         | \$ 152,319           |                            | \$ 1,000,000                         |                   |                   | \$ 1,152,319                             | \$ 6,304,638                | \$ 7,456,957                                    |
| WSC          | \$ 525,000           |                            | \$ 468,000                           |                   |                   | \$ 993,000                               | \$ 1,986,000                | \$ 2,979,000                                    |
| <b>Total</b> | <b>\$ 12,322,993</b> | <b>\$ 2,277,799</b>        | <b>\$ 13,338,509</b>                 | <b>\$ 502,500</b> | <b>\$ 558,199</b> | <b>\$ 29,000,000</b>                     | <b>\$ 62,734,718</b>        | <b>\$ 91,734,718</b>                            |

2

North Dakota University System  
2015-17 Challenge Grant Summary  
As of January 24, 2017

| Institution            | (A)                                 | (B)                        |                      | (C)                        | (D)                      | (E)                                      | (F)   | (G)                            | (H)   | (I)  | (J)  | (K) |
|------------------------|-------------------------------------|----------------------------|----------------------|----------------------------|--------------------------|--|---|--------------------------------|---|--|--|-----|
|                        | Original<br>HB1151<br>Appropriation | Funding Source             |                      | February 2016<br>Allotment | August 2016<br>Allotment | Awards<br>through<br>January 24,<br>2017 | Balance as of<br>January 24,<br>2017 to Pooled<br>Funding | Pooled<br>Funding<br>Allotment | Pooled Funding<br>Awarded January<br>24, 2017 | Total Awarded<br>through January<br>24, 2017 | Final Balance as<br>of January 24,<br>2017 |     |
|                        |                                     | Student Loan<br>Trust Fund | General Fund         | 4.05%                      | 2.5%                     |  |   |                                |   |  |  |     |
| BSC                    | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ (16,847)              | \$ 946,962                               | \$ -  | \$ 245,407                     | \$ 245,407                                    | \$ 1,192,368                                 | \$ -                                       |     |
| DCB                    | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ (85,908)              | \$ 228,007                               | \$ 649,893  | \$ -                           | \$ -  | \$ 228,007                                   | \$ -                                       |     |
| DSU                    | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ (34,405)              | \$ 929,404                               | \$ -  | \$ 100,998                     | \$ 100,998                                    | \$ 1,030,401                                 | \$ -                                       |     |
| LRSC                   | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ (51,836)              | \$ 790,657                               | \$ 121,315  | \$ -                           | \$ -  | \$ 790,657                                   | \$ -                                       |     |
| MaSU                   | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ (59,622)              | \$ 904,187                               | \$ -  | \$ 125,678                     | \$ 125,678                                    | \$ 1,029,864                                 | \$ -                                       |     |
| MiSU                   | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ -                     | \$ 963,809                               | \$ -  | \$ 212,455                     | \$ 212,455                                    | \$ 1,176,263                                 | \$ -                                       |     |
| NDSCS                  | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ (27,679)              | \$ 936,130                               | \$ -  | \$ 50,005                      | \$ 50,005                                     | \$ 986,135                                   | \$ -                                       |     |
| NDSU                   | \$ 7,000,000                        | \$ 744,681                 | \$ 6,255,319         | \$ (253,340)               | \$ -                     | \$ 6,746,660                             | \$ -  | \$ -                           | \$ -  | \$ 6,746,660                                 | \$ -                                       |     |
| UND                    | \$ 7,000,000                        | \$ 744,681                 | \$ 6,255,319         | \$ (253,340)               | \$ (218,489)             | \$ 6,528,171                             | \$ -  | \$ -                           | \$ -  | \$ 6,528,171                                 | \$ -                                       |     |
| VCSU                   | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ (19,000)              | \$ 944,809                               | \$ -  | \$ 36,666                      | \$ 36,666                                     | \$ 981,475                                   | \$ -                                       |     |
| WSC                    | \$ 1,000,000                        | \$ 106,383                 | \$ 893,617           | \$ (36,191)                | \$ (11,214)              | \$ 952,595                               | \$ -  | \$ -                           | \$ -  | \$ 952,595                                   | \$ -                                       |     |
| Any 2/4-yr <i>MISU</i> | \$ 500,000                          | \$ 53,191                  | \$ 446,809           | \$ (18,096)                | \$ -                     | \$ 481,904                               | \$ -  | \$ -                           | \$ -  | \$ 481,904                                   | \$ -                                       |     |
| <b>Total</b>           | <b>\$ 23,500,000</b>                | <b>\$ 2,500,000</b>        | <b>\$ 21,000,000</b> | <b>\$ (850,500)</b>        | <b>\$ (525,000)</b>      | <b>\$ 21,353,292</b>                     | <b>\$ 771,208</b>   | <b>\$ 771,208</b>              | <b>\$ 771,208</b>                             | <b>\$ 22,124,500</b>                         | <b>\$ -</b>                                |     |

2015 - 2017 Challenge Fund Awards by Category

| Institution            | (L)                  | (M)                 | (N)                           | (O)              | (P)               | (Q)                               | (R)                  | (S)                                      |
|------------------------|----------------------|---------------------|-------------------------------|------------------|-------------------|-----------------------------------|----------------------|--|
|                        | Scholarships         | Endowed<br>Chair(s) | Educational<br>Infrastructure | Research         | Technology        | Awards<br>through<br>January 2017 | Private<br>Donations | Total Awards<br>and Private<br>Donations |
| BSC                    | \$ 1,192,368         | \$ -                | \$ -                          | \$ -             | \$ -              | \$ 1,192,368                      | \$ 2,810,834         | \$ 4,003,202                             |
| DCB                    | \$ 140,507           | \$ -                | \$ -                          | \$ -             | \$ 87,500         | \$ 228,007                        | \$ 456,014           | \$ 684,022                               |
| DSU                    | \$ 1,030,401         | \$ -                | \$ -                          | \$ -             | \$ -              | \$ 1,030,401                      | \$ 2,235,553         | \$ 3,265,954                             |
| LRSC                   | \$ 344,353           | \$ 159,522          | \$ 192,820                    | \$ -             | \$ 93,962         | \$ 790,657                        | \$ 1,581,315         | \$ 2,371,972                             |
| MaSU                   | \$ 1,013,184         | \$ -                | \$ 16,680                     | \$ -             | \$ -              | \$ 1,029,864                      | \$ 2,277,181         | \$ 3,307,046                             |
| MiSU                   | \$ 224,955           | \$ 951,309          | \$ -                          | \$ -             | \$ -              | \$ 1,176,263                      | \$ 2,817,507         | \$ 3,993,770                             |
| NDSCS                  | \$ 852,159           | \$ 12,500           | \$ 104,809                    | \$ -             | \$ 16,667         | \$ 986,135                        | \$ 2,075,324         | \$ 3,061,459                             |
| NDSU                   | \$ 3,646,962         | \$ 3,097,623        | \$ -                          | \$ 2,075         | \$ -              | \$ 6,746,660                      | \$ 13,493,319        | \$ 20,239,979                            |
| UND                    | \$ 5,109,436         | \$ 962,235          | \$ 406,500                    | \$ 50,000        | \$ -              | \$ 6,528,171                      | \$ 13,073,049        | \$ 19,601,219                            |
| VCSU                   | \$ 981,475           | \$ -                | \$ -                          | \$ -             | \$ -              | \$ 981,475                        | \$ 2,026,391         | \$ 3,007,866                             |
| WSC                    | \$ 952,595           | \$ -                | \$ -                          | \$ -             | \$ -              | \$ 952,595                        | \$ 1,905,189         | \$ 2,857,784                             |
| Any 2/4-yr <i>MISU</i> | \$ 201,963           | \$ 261,191          | \$ -                          | \$ -             | \$ 18,750         | \$ 481,904                        | \$ 2,866,426         | \$ 3,348,330                             |
| <b>Total</b>           | <b>\$ 15,690,357</b> | <b>\$ 5,444,380</b> | <b>\$ 720,809</b>             | <b>\$ 52,075</b> | <b>\$ 216,879</b> | <b>\$ 22,124,500</b>              | <b>\$ 47,618,101</b> | <b>\$ 69,742,601</b>                     |

Comments to the North Dakota Senate Appropriations Committee  
Senator Ray Holmberg, Chair

SB 2036

1-26-17

#2

Submitted by DeAnna Carlson Zink, Chief Executive Officer,  
University of North Dakota Alumni Association and Foundation  
January 26, 2017, regarding SB 2036

Chairman Holmberg and members of the Committee - good morning. I am DeAnna Carlson Zink, chief executive officer for the UND Alumni Association and Foundation. Thank you for permitting me to explain why the North Dakota Challenge Fund has been a success and why it would be a positive move to continue the program at the highest level possible.

At the UND Alumni Association & Foundation, we have seen time and time again, the benefit of the state matching grant program. For example:

- We have a 92-year-old donor who has given three \$50,000 gifts that qualified for state matches...tripling what he'd given the previous seven decades. Each time he has inquired about the availability of the grant.
- A former faculty member established an endowment with a gift of \$100,000 in order to take advantage of the state match.
- And we had a donor who went from being willing to donate \$10,000 dollars to a scholarship initiative to eventually donating \$800,000 when he learned about the state match!

These are just a handful of the hundreds of stories related to donors who have made an investment in the University of North Dakota and its students thanks to the North Dakota Higher Education Challenge Fund. The matching program is a wonderful example of making a public/private partnership work for the benefit of the state. You are not investing ALONE in higher education, but WITH private sector donors who might otherwise not take the plunge. And once we have them as part of our donor family, they tend to continue their generosity — changing lives and creating opportunities for students well into the future. This is the legacy of the Challenge Fund program!

As you know, we, at the UND Alumni Association and Foundation, have been able to utilize our entire allocations from the state with more than \$33 million dollars in gifts over the past two bienniums. Combined with 16-point-five million in matching dollars, that's almost a \$50 million dollar impact on UND students! What you may not know is that 75 percent of those gifts came from out-of-state donors. This initiative extends beyond the borders of North Dakota, helping us tap into donors from across the country who see an immediate 50 percent return of their investment in UND as very appealing.

I urge you to keep this valuable tool in our fundraising toolbox. I encourage you to fund the program at the highest level possible, and to give us flexibility to apply the funds to meet donor expectations. Otherwise, I strongly believe we will be leaving philanthropic funds on the table. As a chief opportunity engine for the state, the University of North Dakota needs to continue to build on its reputation as a leader in innovative education. Private giving is more important than ever – especially when state revenues are challenged. It is important for this initiative to support academic programs, endowed faculty positions, and scholarships to make colleges and universities accessible to students from every walk of life.

Thank you again for allowing me to express my views, and thank you also for your continued support of this valuable program.

Comments to the North Dakota Senate Appropriations Committee  
Senator Ray Holmberg, Chair

SB 2036  
1-26-17  
#3

Submitted by: Kari Knudson, Executive Director, Bismarck State College Foundation and  
BSC Vice President of College Advancement

January 26, 2017

SB 2036

Good morning Chairman Holmberg and members of the Committee. I am Kari Knudson, Executive Director of the Bismarck State College Foundation and BSC Vice President of College Advancement. Thanks for the opportunity to testify in favor of the North Dakota Higher Education Challenge Fund.

Without a doubt, the availability of matching funds through the ND Challenge Fund is a tremendous stimulus for donations that will directly benefit students. The BSC Foundation has focused on endowed scholarships, but other areas of support to BSC could also benefit from endowed funds. Today I will share a few examples where the donors were positively impacted due to the matching funds.

Recently, a couple committed to using an IRA account to establish a \$500,000 scholarship fund over five years and was thrilled about matching funds being available. Because the IRA Rollover provision of up to \$100,000 per year has been made permanent nationally, the availability of matching funds would certainly incentivize IRA holders to make additional donations. The rollover is also eligible for the ND tax credit of 40%.

Matching funds have also been an important stimulus for out-of-state graduates. The message they are hearing is the State of North Dakota supports education and is willing to provide assistance to their alma mater if they are willing to contribute. It is a strong message that resonates well. We have an out-of-state donor who established a \$2,000,000 charitable trust in part because the present value would result in a match.

Donors have also made longer and stronger commitments than they originally considered. Plus, there is a sense of urgency to make a commitment in order to take advantage of the match. Another out-of-state grad established an \$80,000 scholarship fund, making a long-term commitment to lock in the match. In addition, a couple made the BSC Foundation the death beneficiary of a \$340,000 annuity because of the match.

Several of the donations received by the BSC Foundation are from first-time donors who have heard about the match. A \$70,000 scholarship fund was established in honor of a retired BSC professor from a large number of graduates because they knew the funds would be matched.

The BSC Foundation has been able to utilize the entire allocation of match from the state during each biennium. We have received donations of \$4.6 million and match of \$2.3 million, which is significant for BSC. This is an extraordinary program that leverages state funds with private donations to directly benefit current students and future generations.

Thanks for your support of this successful investment in education.

SB 2036

1-26-17

#4

Comments to the North Dakota Senate Appropriations Committee  
Senator Ray Holmberg, Chair

Submitted by Monique Anderson, Vice President of Development,  
North Dakota State University Foundation and Alumni Association  
January 26, 2017, regarding SB 2036

Chairman Holmberg and members of the Committee, good morning. I am Monique Anderson, Vice President of Development at North Dakota State University Foundation and Alumni Association. Thank you for giving me the chance to share with you about the impact the North Dakota Challenge Fund has had and why continuing the program at the highest level possible will encourage private stakeholders to continue to invest in higher education in North Dakota.

Due to the matching grant program, the NDSU Foundation and Alumni Association received gifts that we may not otherwise have received. We are frequently approached by donors asking about the state match. For example:

- A couple in their 80's whose largest gift had been \$500, made a gift of \$1,000,000 to establish a scholarship. Having heard about the matching grant program, they travelled to an alumni event for the express purpose of talking to someone about making their gift of a lifetime.
- The matching grant program provided an incentive for some of the largest gifts NDSU has ever received. Four gifts, each at \$2,500,000 or more established significant scholarship programs, as well as two endowed chairs.
- 

The Challenge Fund had been so impactful and inspiring during the first allocation of funding that donors were waiting to hear if it would be funded a second time. The result was that North Dakota State University was able to claim the full allocation available in the last biennium, by May 2016. Donors continue to be excited about legislative support of this public-private partnership and are asking about continued allocations.

North Dakota State University has been able to utilize our full allocation from the state with more than \$34 million dollars in gifts during the past two biennium. Combined with \$16.8 million in matching funds, more \$50 million dollars are invested in our student's and faculty's success. This program has engaged the interest of our donors equally with 50 % coming from within North Dakota and 50% from out-of-state

The success we have experienced in obtaining multiple record sized gifts is due entirely to the altruism of our donors who want make an impact on students and our North Dakota legislators who provided the incentive which multiplied the effect of those gifts. Donors are excited to partner with our institutions, helping to prepare students to meet the employment needs of North Dakota and to engage faculty at the highest level to keep North Dakota on the cutting edge of industry and agriculture. When donors are choosing among the many worthy causes which they might support, the matching grant program has persuaded donors to choose higher education in North Dakota.

I urge your continued support of this program and thank you for the opportunity to express share my views.

SB 2036

1-26-17

#5

**Comments to the North Dakota Senate Appropriations Committee  
Senator Ray Holmberg, Chair**

**Submitted by Terry Olson, Executive Director, Williston State College Foundation  
January 26, 2017  
Regarding SB 2036**

Chairman Holmberg, members of the Committee:

My name is Terry Olson. I am the Executive Director of the Williston State College Foundation. I am here to testify in support of the North Dakota Higher Education Challenge Fund.

We have been fortunate at Williston State to raise the two (2) million dollars necessary to obtain the one (1) million dollar match. These gifts have included named endowments, scholarships and general endowment scholarship dollars. We have also had transformational gifts that in combination with our existing foundation dollars have been able to offer tuition and fee scholarships to all Williams County high school graduates. This program helped make all of these possible.

In these tight economic times, I believe the thought process should be to continue to invest in these public/private partnerships. These gifts made a significant difference for our most valuable resource, our students.

If there was any request from some of the other foundation directors of the smaller colleges, it would be to consider increasing some flexibility similar to the guidelines from the 2013-2015 biennium.

I would also like to add that the Challenge Funds Committee does an outstanding job in managing and dispersing these funds.

Again thank you and I hope you will consider continuing this transformational program.

Terry Olson

SB 2036

Senate Appropriations Committee

January 26, 2017

SB 2036

#6

Testimony by Rod Backman

Chairman Holmberg & members of the committee my name is Rod Backman, I am here today representing The University of Jamestown and the University of Mary and to request an amendment.

The Matching grants program was designed to advance academics at North Dakota institutions of higher learning by matching state dollars with private dollars. It has been heralded as a great public-private partnership by at least three of the previous speakers. The only problem is it has left out the private institutions of higher learning. We are proposing an amendment to SB 2036, to include the University of Mary and the University of Jamestown. If this partnership between the private and public sector is good for higher education in North Dakota we see no reason the private institution's students should be excluded.

Some may argue there is a constitutional problem with including the private universities, however the Attorney General's opinion (2005-L-24) in September of 2005, clearly showed public grants may go to students of the private universities, provided the program was not exclusively for them, in other words it was available for both public and private students and it did not go to the institutions.

For example, the Matching Grants statute specifically includes scholarships. Therefore, transfers of the Matching Grant funds to a foundation, for the sole purpose of providing scholarships to private university students are in fact constitutional.

1

The private universities do not receive state funding, so we are here to advocate for our students. We believe funding for higher education in North Dakota should focus on funding students who are residents of North Dakota, and who attend a North Dakota college.

Including private university students in the Matching Grant program is a way to truly make this a public-private partnership. We respectfully request you consider our amendment.

To further our request for inclusion of our students, the funding source for this bill is the Student Loan Trust Fund. The equity within this fund has been generated from past student loans, of which our students have been a part and helped to build. It is only fitting that our students are a part of this program that has been funded in part by our students.

Thank You, Mr. Chairman, I would be happy to address any questions you or the committee may have.

2

SB 2036  
1-26-17  
#7

**ANALYSIS OF THE STUDENT LOAN TRUST FUND FOR THE 2015-17 AND 2017-19 BIENNIUMS  
(REFLECTING BOTH THE 1979 AND 1996 BOND RESOLUTIONS AND  
PROPOSED CHANGES AS OF JANUARY 20, 2017)**

|   | 2015-17 Biennium <sup>1</sup> |              | 2017-19 Biennium <sup>1</sup> |                |
|---|-------------------------------|--------------|-------------------------------|----------------|
|   |                               |              |                               |                |
| Beginning balance   |                               | \$34,671,256 |                               | \$17,431,512   |
| Add estimated revenues  |                               |              |                               |                |
| Fund earnings (net)   | \$325,000 <sup>2</sup>        |              | \$275,000 <sup>2</sup>        |                |
| Total revenues  |                               | \$325,000    |                               | \$275,000      |
| Total available   |                               | \$34,996,256 |                               | \$17,706,512   |
| Less estimated expenditures and transfers   |                               |              |                               |                |
| Funding for veterinary medical education program (2015 HB 1003, 2017 SB 2003)                           | \$465,307 <sup>3</sup>        |              | \$465,307 <sup>4</sup>        |                |
| Funding for North Dakota University System information technology services (2015 HB 1003; 2017 SB 2003) | 539,437 <sup>5</sup>          |              | 539,437 <sup>6</sup>          |                |
| Transfer to the North Dakota Guarantee Agency   | 10,000,000 <sup>7</sup>       |              | 0 <sup>7</sup>                |                |
| Funding for addiction counseling internship loans (2015 HB 1049)  | 200,000 <sup>8</sup>          |              | 0 <sup>8</sup>                |                |
| Funding for Dickinson State University transition (2015 HB 1003)  | 2,000,000 <sup>9</sup>        |              | 0 <sup>9</sup>                |                |
| Funding for tribal college assistance grants (2015 HB 1003; 2017 SB 2003)                               | 500,000 <sup>10</sup>         |              | 500,000 <sup>10</sup>         |                |
| Funding for tribal college workforce development grants (2015 HB 1018)                                  | 1,000,000 <sup>11</sup>       |              | 0 <sup>11</sup>               |                |
| Funding for higher education challenge grants (2015 HB 1151; 2017 SB 2036)                              | 2,500,000 <sup>12</sup>       |              | 23,500,000 <sup>12</sup>      |                |
| Funding for dental loan repayment program (2015 HB 1004 and SB 2015; 2017 SB 2004)                      | 360,000 <sup>13</sup>         |              | 360,000 <sup>13</sup>         |                |
| Funding for teacher loan repayment program (2017 SB 2243)   | 0                             |              | 6,000,000 <sup>14</sup>       |                |
| Funding for dual-credit courses pilot program (2017 SB 2244)  | 0                             |              | 700,000 <sup>15</sup>         |                |
| Total estimated expenditures and transfers  |                               | \$17,564,744 |                               | \$32,064,744   |
| Estimated ending balance  |                               | \$17,431,512 |                               | (\$14,358,232) |

<sup>1</sup>This analysis reflects the estimated revenues, expenditures, and ending balance for **both the 1979 and 1996 bond resolutions**. Prior to fiscal year 2012, permission was needed from the Ambac Assurance Corporation to use any assets from the 1996 bond resolution. There are no longer any bonds insured by the Ambac Assurance Corporation, however, there are outstanding bonds as of December 31, 2016. Debt service to bondholders has priority over all other transfers.

<sup>2</sup>The projected income for the 2015-17 and 2017-19 bienniums is based on interest rates as of December 31, 2016, and is net of the Industrial Commission and trustee expenses.

<sup>3</sup>The 2015 Legislative Assembly provided \$465,307 of funding from the student loan trust fund for the Kansas State University veterinary medical education program. This represents the same level of funding as provided in the 2013-15 biennium.

- <sup>4</sup>The 2017-19 executive budget recommendation includes \$465,307 of funding from the student loan trust fund for the Kansas State University veterinary medical education program. This represents the same level of funding as provided in the 2015-17 biennium.
- <sup>5</sup>The 2015 Legislative Assembly provided \$539,437 of funding from the student loan trust fund for the University System information technology services pool for ConnectND positions within the University System. This represents the same level of funding as provided in the 2013-15 biennium.
- <sup>6</sup>The 2017-19 executive budget recommendation includes \$539,437 of funding from the student loan trust fund for the University System information technology services pool for ConnectND positions within the University System. This represents the same level of funding as provided in the 2015-17 biennium.
- <sup>7</sup>Pursuant to the provisions of the 1996 bond resolution, the Industrial Commission may authorize transfers to the North Dakota Student Loan Guarantee Agency to maintain the reserve requirements for alternative student loan guarantees relating primarily to DEAL One loans.
- <sup>8</sup>The 2015 Legislative Assembly approved House Bill No. 1049, which provides \$200,000 of funding from the student loan trust fund for addiction counselor internship loans. The 2017-19 executive budget does not provide funding from the student loan trust fund for addiction counseling internship loans.
- <sup>9</sup>The 2015 Legislative Assembly approved House Bill No. 1003, which includes \$2 million of one-time funding from the student loan trust fund for campus leadership transition needs at Dickinson State University. The 2017-19 executive budget does not provide funding from the student loan trust fund for Dickinson State University transition costs.
- <sup>10</sup>The 2015 Legislative Assembly approved House Bill No. 1003, which includes \$500,000 of funding from the student loan trust fund for grants to tribal colleges to assist in costs associated with the enrollment of nonbeneficiary students. The 2017-19 executive budget recommendation includes \$500,000 of funding from the student loan trust fund for grants to tribal colleges to assist in costs associated with the enrollment of nonbeneficiary students, the same amount as provided for the 2015-17 biennium.
- <sup>11</sup>The 2015 Legislative Assembly approved House Bill No. 1018, which includes \$1 million of one-time funding from the student loan trust fund for tribal college workforce development grants. The 2017-19 executive budget does not provide funding from the student loan trust fund for tribal college workforce development grants.
- <sup>12</sup>The 2015 Legislative Assembly approved House Bill No. 1151, which includes \$2.5 million of funding from the student loan trust fund for higher education challenge grants. 2017 Senate Bill No. 2036, as introduced by the interim Higher Education Committee, appropriates \$23.5 million of funding from the student loan trust fund for higher education challenge grants.
- <sup>13</sup>The 2015 Legislative Assembly approved House Bill No. 1004 and Senate Bill No. 2015, which include \$360,000 of funding from the student loan trust fund for the dental loan repayment program. The 2017-19 executive budget recommendation includes \$360,000 of funding from the student loan trust fund for the dental loan repayment program, the same amount as provided for the 2015-17 biennium.
- <sup>14</sup>2017 Senate Bill No. 2243 includes \$6 million of funding from the student loan trust fund for the teacher loan forgiveness program.
- <sup>15</sup>2017 Senate Bill No. 2244 includes \$700,000 of funding from the student loan trust fund for the dual-credit courses pilot program.

#### FUND HISTORY

The 1971 Legislative Assembly authorized the Industrial Commission to acquire and hold all unpaid government-guaranteed or reinsured student loans and North Dakota student loans belonging to the state or any of its agencies. As a result, the student loan trust fund was created which enabled the state to sell tax-exempt bonds and use the proceeds for purchasing student loans made or acquired by the Bank of North Dakota.

The student loan trust fund does not make loans to students or service loans which it acquires. The Bank of North Dakota continues to service those loans which the student loan trust fund holds.

The student loan trust fund is comprised of funds held under two general bond resolutions. The first general bond resolution includes funds from bonds issued in 1979, 1988, 1989, 1992, and 2004. The second general bond resolution--referred to as the 1996 bond resolution--includes funds from bonds issued in 1996, 1997, 1998, and 2000. All bond issuances prior to 2004 were insured by Ambac Assurance Corporation. There are no longer any outstanding bonds insured by Ambac Assurance Corporation.

Under both of the bond resolutions, assets may only be used for:

- Purchase of student loans.
- Payment of debt service to bondholders.
- Providing financial assistance to the North Dakota Student Loan Guarantee Agency.
- Payment of any rebate liability to the federal government.
- Administration of the student loan trust fund.

After all bonds in the 1979 and 1996 bond resolutions have matured, been redeemed or defeased and all expenses paid, and the resolutions closed, any remaining assets held under the bond resolutions would be transferred to the Industrial Commission for use at its discretion and as allowed by law. As of December 31, 2016, \$1 million in bonds remains outstanding. In order to use assets held under the 1979 and 1996 general bond resolutions for a purpose other than those stated in the general bond resolution, the administrator of the student loan trust fund must receive a certification from the trustee of the bond (the Bank of North Dakota) that sufficient reserves remain for bond payments and other related program costs. Prior to 2012, permission needed to be obtained from Ambac Assurance Corporation for any use of assets held in the 1996 general bond resolution. However, there are no longer any bonds insured by Ambac Assurance Corporation.

North Dakota Century Code Section 54-17-25 provides the Industrial Commission may issue subordinate or residual bonds when the commission determines that it is appropriate or expedient to do so.

February 9, 2017

2-13-17  
SP 2036

# L  
P 1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2036

Page 1, line 20, overstrike "seven million" and insert immediately thereafter "seven hundred fifty thousand"

Page 1, line 21, overstrike "The first two million dollars in matching grants awarded to each"

Page 1, overstrike lines 22 and 23

Page 2, line 30, overstrike "one million" and insert immediately thereafter "two hundred seventy-five thousand"

Page 3, line 11, overstrike "five hundred" and insert immediately thereafter "twenty-five"

Page 3, line 12, overstrike "one million" and insert immediately thereafter "two hundred seventy-five thousand"

Page 3, line 24, replace "**STUDENT LOAN TRUST**" with "**STRATEGIC INVESTMENT AND IMPROVEMENTS**"

Page 3, line 25, replace "student loan trust" with "strategic investment and improvements"

Page 3, line 26, replace "\$23,500,000" with "\$4,000,000"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment reduces the appropriation for higher education challenge grants from \$23.5 million to \$4 million and changes the source of funding from the student loan trust fund to the strategic investment and improvements fund. This amendment provides for the following allocations of grant funds:

- Funding of \$750,000 for each research institution;
- Funding of \$275,000 for each nonresearch institution; and
- Funding of \$25,000 to be allocated in the order in which applications are received for nonresearch institutions that have fully utilized the original allocation of \$275,000 of grant funds.

THE NDUS *EDGE*

**Engrossed Senate Bill 2036**  
House Appropriations Committee  
Education and Environment Division  
March 14, 2017  
Tammy Dolan, Chief Financial Officer  
701.328.4116 | [tammy.dolan@ndus.edu](mailto:tammy.dolan@ndus.edu)

Chair Monson and Committee Members: My name is Tammy Dolan, and I am here today to testify in support of Engrossed Senate Bill 2036. The bill amends NDCC 15-10-48 to continue the education challenge matching grant program and appropriates \$4,000,000 from the strategic investment and improvements fund.

The 2013 Legislative Assembly established the challenge grant program. The program was designed to stimulate the spirit of philanthropy at the state's colleges and universities. Funds could be used for scholarships, endowed chairs, technology, research and educational infrastructure. Every \$1 in state funding was required to be matched with \$2 in eligible, private donations. A \$29.0 million general fund appropriation was provided with \$10.0 million designated each to NDSU and UND and \$1.0 million to each of the other campuses.

The \$29.0 million in state funds was matched by \$62.7 million in private donations - for total of \$91.7 million. Educational infrastructure comprised 46% of the total awards, while student scholarships accounted for 42%. The remaining dollars were directed to endowed chairs, technology and research.

The 2015 Legislative Assembly continued the program and clarified that the main focus of the program should be student scholarships. A \$23.5 million appropriation was provided, of which \$21.0 million was from the general fund and \$2.5 million was from the student loan trust fund. \$7,000,000 was designated each to UND and NDSU and \$1,000,000 each to the remaining nine institutions. An additional \$500,000 was provided for any two or four-year school that fully utilized the original allocation. The appropriation was reduced to \$22,124,500 as a result of the 2015-17 budget allotment.

The final Challenge Grant Review Committee meeting was held January 24, 2017, and all funds have now been awarded. The \$22.1 million in state funds was matched by \$47.6 million in private donations - for total of \$69.7 million. Student scholarships accounted for 71% of the total, and 24% was used for endowed chairs. The remaining 5% was utilized for technology, research and educational infrastructure.

Several university foundation representatives are here to provide evidence as to the success of this program at their institutions.

I ask for a **Do Pass** on SB2036 and am available to answer your questions.

Thank you.

**North Dakota University System**  
**2013-15 Challenge Grant Summary**  
As of January 5, 2015

| Institution  | (A)                           | (B)                            | (C)                            | (D)   | (E)                         | (F)                                    | (G)   | (H)                                 |
|--------------|-------------------------------|--------------------------------|--------------------------------|---|-----------------------------|--|---|-------------------------------------|
|              | Original HB1204 Appropriation | Funding Source<br>General Fund | Awards through January 5, 2015 | Balance as of January 5, 2015 to Pooled Funding | Pooled Funding Distribution | Pooled Funding Awarded January 5, 2015 | Total Funding Awarded as of January 5, 2015 | Final Balance as of January 5, 2015 |
| BSC          | \$ 1,000,000                  | \$ 1,000,000                   | \$ 1,000,000                   | \$ -  | \$ 131,524                  | \$ 131,524                             | \$ 1,131,524                                | \$ -                                |
| DCB          | \$ 1,000,000                  | \$ 1,000,000                   | \$ 364,028                     | \$ 635,973                                      | \$ -                        | \$ -                                   | \$ 364,028                                  | \$ -                                |
| DSU*         | \$ 1,000,000                  | \$ 1,000,000                   | \$ 949,547                     | \$ 50,453                                       | \$ -                        | \$ -                                   | \$ 949,547                                  | \$ -                                |
| LRSC         | \$ 1,000,000                  | \$ 1,000,000                   | \$ 1,000,000                   | \$ -  | \$ 99,092                   | \$ 99,092                              | \$ 1,099,092                                | \$ -                                |
| MaSU         | \$ 1,000,000                  | \$ 1,000,000                   | \$ 691,395                     | \$ 308,605                                      | \$ -                        | \$ -                                   | \$ 691,395                                  | \$ -                                |
| MiSU         | \$ 1,000,000                  | \$ 1,000,000                   | \$ 999,246                     | \$ 754  | \$ 509,597                  | \$ 509,597                             | \$ 1,508,843                                | \$ -                                |
| NDSCS        | \$ 1,000,000                  | \$ 1,000,000                   | \$ 1,000,000                   | \$ -  | \$ 110,252                  | \$ 110,252                             | \$ 1,110,252                                | \$ -                                |
| NDSU         | \$ 10,000,000                 | \$ 10,000,000                  | \$ 10,000,000                  | \$ -  | \$ -                        | \$ -                                   | \$ 10,000,000                               | \$ -                                |
| UND          | \$ 10,000,000                 | \$ 10,000,000                  | \$ 10,000,000                  | \$ -  | \$ -                        | \$ -                                   | \$ 10,000,000                               | \$ -                                |
| VCSU         | \$ 1,000,000                  | \$ 1,000,000                   | \$ 1,000,000                   | \$ -  | \$ 152,319                  | \$ 152,319                             | \$ 1,152,319                                | \$ -                                |
| WSC          | \$ 1,000,000                  | \$ 1,000,000                   | \$ 993,000                     | \$ 7,000  | \$ -                        | \$ -                                   | \$ 993,000                                  | \$ -                                |
| <b>Total</b> | <b>\$ 29,000,000</b>          | <b>\$ 29,000,000</b>           | <b>\$ 27,997,216</b>           | <b>\$ 1,002,784</b>                             | <b>\$ 1,002,784</b>         | <b>\$ 1,002,784</b>                    | <b>\$ 29,000,000</b>                        | <b>\$ -</b>                         |

\*The awarded amount of \$949,547 for DSU has yet to be drawn down from the General Fund as issues of receivership for the previous foundation are still being sorted.

**2013 - 2015 Challenge Fund Awards by Category**

| Institution  | (I)                  | (J)                 | (K)                        | (L)               | (M)               | (N)                         | (O)                  | (P)                                |
|--------------|----------------------|---------------------|----------------------------|-------------------|-------------------|-----------------------------|----------------------|------------------------------------|
|              | Scholarships         | Endowed Chair(s)    | Educational Infrastructure | Research          | Technology        | Awards through January 2015 | Private Donations    | Total Awards and Private Donations |
| BSC          | \$ 1,048,399         |                     | \$ 83,125                  |                   |                   | \$ 1,131,524                | \$ 2,264,001         | \$ 3,395,525                       |
| DCB          | \$ 364,028           |                     |                            |                   |                   | \$ 364,028                  | \$ 728,055           | \$ 1,092,083                       |
| DSU          | \$ 949,547           |                     |                            |                   |                   | \$ 949,547                  | \$ 1,899,095         | \$ 2,848,642                       |
| LRSC         | \$ 611,088           |                     | \$ 310,354                 |                   | \$ 177,650        | \$ 1,099,092                | \$ 2,203,371         | \$ 3,302,463                       |
| MaSU         | \$ 480,282           |                     | \$ 211,113                 |                   |                   | \$ 691,395                  | \$ 1,794,869         | \$ 2,486,264                       |
| MiSU         | \$ 777,034           | \$ 63,943           | \$ 155,318                 | \$ 397,500        | \$ 115,049        | \$ 1,508,843                | \$ 3,285,178         | \$ 4,794,021                       |
| NDSCS        | \$ 613,333           | \$ 118,856          | \$ 152,563                 |                   | \$ 225,500        | \$ 1,110,252                | \$ 2,220,055         | \$ 3,330,307                       |
| NDSU         | \$ 4,412,294         | \$ 2,057,500        | \$ 3,385,206               | \$ 105,000        | \$ 40,000         | \$ 10,000,000               | \$ 20,049,456        | \$ 30,049,456                      |
| UND          | \$ 2,389,669         | \$ 37,500           | \$ 7,572,831               |                   |                   | \$ 10,000,000               | \$ 20,000,000        | \$ 30,000,000                      |
| VCSU         | \$ 152,319           |                     | \$ 1,000,000               |                   |                   | \$ 1,152,319                | \$ 6,304,638         | \$ 7,456,957                       |
| WSC          | \$ 525,000           |                     | \$ 468,000                 |                   |                   | \$ 993,000                  | \$ 1,986,000         | \$ 2,979,000                       |
| <b>Total</b> | <b>\$ 12,322,993</b> | <b>\$ 2,277,799</b> | <b>\$ 13,338,509</b>       | <b>\$ 502,500</b> | <b>\$ 558,199</b> | <b>\$ 29,000,000</b>        | <b>\$ 62,734,718</b> | <b>\$ 91,734,718</b>               |

North Dakota University System  
2015-17 Challenge Grant Summary  
As of January 24, 2017

| Institution            | (A)                           | (B)                     |                      | (C)                     | (D)                   | (E)                             | (F)  | (G)                      | (H)                                     | (I)                                    | (J)                                  | (K) |
|------------------------|-------------------------------|-------------------------|----------------------|-------------------------|-----------------------|---------------------------------|--|--------------------------|---|--|--------------------------------------|-----|
|                        | Original HB1151 Appropriation | Funding Source          |                      | February 2016 Allotment | August 2016 Allotment | Awards through January 24, 2017 | Balance as of January 24, 2017 to Pooled Funding | Pooled Funding Allotment | Pooled Funding Awarded January 24, 2017 | Total Awarded through January 24, 2017 | Final Balance as of January 24, 2017 |     |
|                        |                               | Student Loan Trust Fund | General Fund         | 4.05%                   | 2.5%                  |                                 |  |                          |   |  |                                      |     |
| BSC                    | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ (16,847)           | \$ 946,962                      | \$ -   | \$ 245,407               | \$ 245,407                              | \$ 1,192,368                           | \$ -                                 |     |
| DCB                    | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ (85,908)           | \$ 228,007                      | \$ 649,893                                       | \$ -                     | \$ -                                    | \$ 228,007                             | \$ -                                 |     |
| DSU                    | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ (34,405)           | \$ 929,404                      | \$ -   | \$ 100,998               | \$ 100,998                              | \$ 1,030,401                           | \$ -                                 |     |
| LRSC                   | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ (51,836)           | \$ 790,657                      | \$ 121,315                                       | \$ -                     | \$ -                                    | \$ 790,657                             | \$ -                                 |     |
| MaSU                   | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ (59,622)           | \$ 904,187                      | \$ -   | \$ 125,678               | \$ 125,678                              | \$ 1,029,864                           | \$ -                                 |     |
| MiSU                   | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ -                  | \$ 963,809                      | \$ -   | \$ 212,455               | \$ 212,455                              | \$ 1,176,263                           | \$ -                                 |     |
| NDSCS                  | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ (27,679)           | \$ 936,130                      | \$ -   | \$ 50,005                | \$ 50,005                               | \$ 986,135                             | \$ -                                 |     |
| NDSU                   | \$ 7,000,000                  | \$ 744,681              | \$ 6,255,319         | \$ (253,340)            | \$ -                  | \$ 6,746,660                    | \$ -   | \$ -                     | \$ -                                    | \$ 6,746,660                           | \$ -                                 |     |
| UND                    | \$ 7,000,000                  | \$ 744,681              | \$ 6,255,319         | \$ (253,340)            | \$ (218,489)          | \$ 6,528,171                    | \$ -   | \$ -                     | \$ -                                    | \$ 6,528,171                           | \$ -                                 |     |
| VCSU                   | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ (19,000)           | \$ 944,809                      | \$ -   | \$ 36,666                | \$ 36,666                               | \$ 981,475                             | \$ -                                 |     |
| WSC                    | \$ 1,000,000                  | \$ 106,383              | \$ 893,617           | \$ (36,191)             | \$ (11,214)           | \$ 952,595                      | \$ -   | \$ -                     | \$ -                                    | \$ 952,595                             | \$ -                                 |     |
| Any 2/4-yr <i>MiSU</i> | \$ 500,000                    | \$ 53,191               | \$ 446,809           | \$ (18,096)             | \$ -                  | \$ 481,904                      | \$ -   | \$ -                     | \$ -                                    | \$ 481,904                             | \$ -                                 |     |
| <b>Total</b>           | <b>\$23,500,000</b>           | <b>\$ 2,500,000</b>     | <b>\$ 21,000,000</b> | <b>\$ (850,500)</b>     | <b>\$ (525,000)</b>   | <b>\$ 21,353,292</b>            | <b>\$ 771,208</b>                                | <b>\$ 771,208</b>        | <b>\$ 771,208</b>                       | <b>\$ 22,124,500</b>                   | <b>\$ -</b>                          |     |

2015 - 2017 Challenge Fund Awards by Category

| Institution            | (L)                 | (M)                 | (N)                        | (O)              | (P)               | (Q)                         | (R)                  | (S)                                |
|------------------------|---------------------|---------------------|----------------------------|------------------|-------------------|-----------------------------|----------------------|------------------------------------|
|                        | Scholarships        | Endowed Chair(s)    | Educational Infrastructure | Research         | Technology        | Awards through January 2017 | Private Donations    | Total Awards and Private Donations |
| BSC                    | \$ 1,192,368        | \$ -                | \$ -                       | \$ -             | \$ -              | \$ 1,192,368                | \$ 2,810,834         | \$ 4,003,202                       |
| DCB                    | \$ 140,507          | \$ -                | \$ -                       | \$ -             | \$ 87,500         | \$ 228,007                  | \$ 456,014           | \$ 684,022                         |
| DSU                    | \$ 1,030,401        | \$ -                | \$ -                       | \$ -             | \$ -              | \$ 1,030,401                | \$ 2,235,553         | \$ 3,265,954                       |
| LRSC                   | \$ 344,353          | \$ 159,522          | \$ 192,820                 | \$ -             | \$ 93,962         | \$ 790,657                  | \$ 1,581,315         | \$ 2,371,972                       |
| MaSU                   | \$ 1,013,184        | \$ -                | \$ 16,680                  | \$ -             | \$ -              | \$ 1,029,864                | \$ 2,277,181         | \$ 3,307,046                       |
| MiSU                   | \$ 224,955          | \$ 951,309          | \$ -                       | \$ -             | \$ -              | \$ 1,176,263                | \$ 2,817,507         | \$ 3,993,770                       |
| NDSCS                  | \$ 852,159          | \$ 12,500           | \$ 104,809                 | \$ -             | \$ 16,667         | \$ 986,135                  | \$ 2,075,324         | \$ 3,061,459                       |
| NDSU                   | \$ 3,646,962        | \$ 3,097,623        | \$ -                       | \$ 2,075         | \$ -              | \$ 6,746,660                | \$ 13,493,319        | \$ 20,239,979                      |
| UND                    | \$ 5,109,436        | \$ 962,235          | \$ 406,500                 | \$ 50,000        | \$ -              | \$ 6,528,171                | \$ 13,073,049        | \$ 19,601,219                      |
| VCSU                   | \$ 981,475          | \$ -                | \$ -                       | \$ -             | \$ -              | \$ 981,475                  | \$ 2,026,391         | \$ 3,007,866                       |
| WSC                    | \$ 952,595          | \$ -                | \$ -                       | \$ -             | \$ -              | \$ 952,595                  | \$ 1,905,189         | \$ 2,857,784                       |
| Any 2/4-yr <i>MiSU</i> | \$ 201,963          | \$ 261,191          | \$ -                       | \$ -             | \$ 18,750         | \$ 481,904                  | \$ 2,866,426         | \$ 3,348,330                       |
| <b>Total</b>           | <b>\$15,690,357</b> | <b>\$ 5,444,380</b> | <b>\$ 720,809</b>          | <b>\$ 52,075</b> | <b>\$ 216,879</b> | <b>\$ 22,124,500</b>        | <b>\$ 47,618,101</b> | <b>\$ 69,742,601</b>               |

Comments to the North Dakota House Appropriations Committee  
Education and Environment Division  
Rep. David Monson, Chair

Submitted by Laura Block, Chief Financial Officer  
University of North Dakota Alumni Association and Foundation  
March 14, 2017, regarding SB 2036

Chairman Monson and members of the Committee - good morning. I am Laura Block, chief financial officer for the UND Alumni Association and Foundation. Thank you for permitting me to explain why we view the North Dakota Challenge Fund as a success and why we encourage you to continue the program at the highest level possible.

At the UND Alumni Association & Foundation, we have seen time and time again, the benefit of the state matching grant program. For example:

- We have a 92-year-old donor who has given three \$50,000 gifts that qualified for state matches...tripling what he'd given the previous seven decades. Each time he has inquired about the availability of the match.
- A former faculty member established an endowment with a gift of \$100,000 in order to take advantage of the state match.
- And we had a donor who went from being willing to donate \$10,000 dollars to a scholarship initiative to eventually donating \$800,000 when he learned about the state match!

These are just a handful of the hundreds of stories related to donors who have made an investment in the University of North Dakota and its students thanks to the North Dakota Higher Education Challenge Fund. The matching program is a wonderful example of making a public/private partnership work for the benefit of the state. You are not investing ALONE in higher education, but WITH private sector donors who might otherwise not take the plunge. And once we have them as part of our donor family, they tend to continue their generosity — changing lives and creating opportunities for students well into the future. This is the legacy of the Challenge Fund program!

As you know, we, at the UND Alumni Association and Foundation, have been able to utilize our entire allocations from the state with more than \$33 million dollars in gifts over the past two bienniums. Combined with 16-point-five million in matching dollars, that's a \$50 million dollar impact on UND students! What you may not know is that 75 percent of those gifts came from out-of-state donors. This initiative helps us tap into donors from across the country who see an immediate 50 percent return of their investment in UND as very appealing.

I urge you to keep this valuable tool in our fundraising toolbox. I encourage you to fund the program at the highest level possible, and to give us flexibility to apply the funds to meet donor expectations. Otherwise, I strongly believe we will be leaving philanthropic funds on the table. As a chief opportunity engine for the state, the University of North Dakota needs to continue to build on its reputation as a leader in innovative education. Private giving is more important than ever — especially when state revenues are challenged. It is important for this initiative to support student scholarships, academic programs, and endowed faculty positions to make colleges and universities accessible to students from every walk of life.

Thank you again for allowing me to express my views, and thank you also for your continued support of this valuable program.

Comments to the North Dakota House Appropriations - Education & Environment Division  
Representative David Monson, Chair

Submitted by: Kari Knudson, Executive Director, Bismarck State College Foundation and  
BSC Vice President of College Advancement

March 14, 2017

SB 2036

Good morning Chairman Monson and members of the Committee. I am Kari Knudson, Executive Director of the Bismarck State College Foundation and BSC Vice President of College Advancement. Thanks for the opportunity to testify in favor of the North Dakota Higher Education Challenge Fund.

Without a doubt, the availability of matching funds through the ND Challenge Fund is a tremendous stimulus for donations that will directly benefit students. The BSC Foundation has been able to utilize the entire allocation of match from the state during each biennium. We have received donations of \$4.6 million and match of \$2.3 million, which is significant for BSC. The BSC Foundation has focused on endowed scholarships, but other areas of support to BSC could also benefit from the challenge funds. Today I will share a few examples where the donors were positively impacted due to the matching funds.

Recently, a couple committed to using an IRA account to establish a \$500,000 scholarship fund over five years and was incentivized by matching funds being available. Because the IRA Rollover provision of up to \$100,000 per year has been made permanent nationally, the availability of matching funds would certainly influence IRA holders to make additional donations. The rollover is also eligible for the ND tax credit of 40%.

Matching funds have also been an important stimulus for out-of-state graduates. The message they are hearing is the State of North Dakota supports education and is willing to provide assistance to their alma mater if they are willing to contribute. It is a strong message that resonates well. Donors have also made longer and stronger commitments than they originally considered. Plus, there is a sense of urgency to make a commitment in order to take advantage of the match.

An out-of-state grad established an \$80,000 scholarship fund, making a long-term commitment in order to lock in the match. In addition, a couple made the BSC Foundation the death beneficiary of a \$340,000 annuity because of the match.

Several of the donations received by the BSC Foundation are from first-time donors who have heard about the match. A \$70,000 scholarship fund was established in honor of a retired BSC professor from a large number of graduates because they knew the funds would be matched.

This is an extraordinary program that leverages state funds with private donations to directly benefit current students and future generations.

Thanks for your support of this successful investment in education.

SB 2036 Support

Katie Mastel: NDSU Student Government

Chairman Monson, members of the committee, for the record my name is Katie Mastel and I am here on behalf of NDSU Students to testify in support of Senate Bill 2036. We as students are grateful for the Challenge Fund and the fundraising it has allowed us to pursue and thus support keeping it as well as the maximum funding available as it is crucial to donations.

The Challenge Fund has been key in bringing in donations from alumni and friends of NDSU and crucial for the success of students such as myself. This mechanism allows the institution to market donating with this program in mind as getting the most out of every dollar, which incentivizes our donors to give in the highest capacity they are able.

The money donated from our alumni and friends of NDSU is directly noticed by students as it funds many scholarships such as the one I currently receive. Aside from the direct impact on us students through increased scholarship money, there are also more teaching and research funds for faculty. These dollars are very important to the overall success of NDSU.

To put the significance of the Challenge Fund in numbers, prior to the Challenge Fund, in the year 2012, the NDSU Foundation raised \$16 million dollars. For the year ending December 2016, just last year, the NDSU Foundation brought in over \$52 million dollars. This dramatic increase can be heavily attributed to the installation of the Challenge Fund. In both the '13-'15 and '15-'17 biennium NDSU obtained all allocated funds through the Challenge Fund program due to the high fundraising numbers.

Thank you for making such significant leaps in donations possible through the institution of the Challenge Fund. We hope through the huge success the Challenge Fund has yielded at NDSU and its peer institutions you will support Senate Bill 2036. We as students at NDSU thank you again for your support as always, and urge a do pass on Senate Bill 2036.

**SLAC 03-1617****A Resolution Relating to the Extension of the North Dakota Challenge Fund Grant**

**WHEREAS**, institutions under the authority of the State Board of Higher Education have greatly benefitted from the North Dakota Challenge Fund Grant; and,

**WHEREAS**, the Challenge Fund Grant provides the monetary means to fund student scholarships as well as to finance projects dedicated to the advancement of student interests; and,

**WHEREAS**, the Challenge Fund Grant encourages both institutions and outside entities to invest in North Dakota higher education; and,

**WHEREAS**, Section 15-10-48 of the North Dakota Century Code expired on December 31, 2016;

**WHEREAS**, SB 2036 presents the opportunity to extend the Challenge Fund Grant for the next biennium; so, therefore, be it

**RESOLVED**, that the North Dakota Student Association stands in support of SB 2036.

*Respectfully Submitted,*

*Jared Melville  
Vice-President of Governmental Relations*

*Calla Harper  
Director of Governmental Relations*

*Written and approved through the State Legislative Affairs Committee*

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2036

Page 1, line 1, after "to" insert "create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified universities; to"

Page 1, line 3, remove "and"

Page 1, line 4, after "appropriation" insert "; to provide for the cancellation of appropriation authority; to provide an effective date; and to provide an expiration date"

Page 3, after line 24, insert:

**"SECTION 3.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

**Income tax credit for contributions to a qualified university.**

1. A taxpayer is entitled to a credit against tax liability determined under section 57-38-30.3 for contributions to a qualified university.
2. For purposes of this section, "qualified university" means an institution under the control of the state board of higher education.
3. The amount of the credit to which a taxpayer is entitled is forty percent of the amount contributed by the taxpayer to a qualified university during the taxable year.
4. The maximum credit that may be claimed under this section in a taxable year is thirty thousand dollars for an individual, or sixty thousand dollars for married individuals filing a joint return. This subsection may not be interpreted to limit additional contributions by a taxpayer for which that taxpayer is not applying for a credit.
5. The credit under this section may not exceed the taxpayer's income tax liability.
6. The aggregate amount of credits allowed for contributions under this section may not exceed ten million dollars per year. If contributions qualifying for the credit exceed the available amount of credits, the credit must be allowed to taxpayers in the chronological order of their contributions to a qualified university.
7. A qualified university that is a four-year institution with a full-time equivalent annual enrollment of more than ten thousand students is limited to receiving no more than six million dollars of contributions over all taxable years for purposes of qualifying for the credit. A qualified university that is a four-year institution with a full-time equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than two million dollars of contributions over all taxable years for purposes of qualifying for the credit. A qualified university that is a two-year institution with a full-time

equivalent annual enrollment of ten thousand students or fewer is limited to receiving no more than one million dollars of contributions over all taxable years for purposes of qualifying for the credit.

8. The contribution used to calculate the credit under this section may not be used to calculate any other income tax deduction or credit allowed by law.
9. A taxpayer shall claim the credit on the taxpayer's annual state income tax return in the form and manner prescribed by the tax commissioner.

**SECTION 4.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for contributions to a qualified university under section 1 of this Act (effective for the first two taxable years beginning after December 31, 2016)."

Page 4, after line 2, insert:

**"SECTION 6. CANCELLATION OF APPROPRIATION AUTHORITY.** Prior to August first of each year, the tax commissioner shall certify to the office of management and budget the amount of credits claimed during the preceding state fiscal year under section 3 of this Act which apply to contributions to each qualified university. The director of the office of management and budget shall cancel the portion of the current biennium general fund appropriations authority for each qualified university equal to the amount of credit claims during the preceding fiscal year for contributions to the qualified university.

**SECTION 7. EFFECTIVE DATE - EXPIRATION DATE.** Sections 3 and 4 of this Act are effective for the first two taxable years beginning after December 31, 2016, and are thereafter ineffective."

Renumber accordingly