

**1999 HOUSE FINANCE AND TAXATION**

**HCR 3026**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3026

House Finance and Taxation Committee

Conference Committee

Hearing Date February 3, 1999

Tape Number	Side A	Side B	Meter #
1	x		47.6
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

REP. SERENUS HOFFNER, DIST. 32, BISMARCK Introduced the bill. This resolution would direct the legislative council to study the feasibility and desirability of implementing a state college savings plan providing a state tuition tax credit or providing for a prepaid college tuition program. There are about forty three states using a form of college plans, which sometimes, helps students to prepare for the cost of college in advance. College costs are rising and will continue to happen, I am sure. Here in North Dakota, we have one of the highest percentages of students going from high school to college. This is a record we should all feel good about.

REP. MICKELSON How does this differ from Sen. Schobinger's legislation?

REP. HOFFNER I can't answer that.

REP. WARNER Is there a way they can get their money if they choose not to go to college, or choose to go to Yale or Harvard?

REP. HOFFNER That is why we need the study, I don't have the answer to that question.

REP. OLE AARSVOLD, DIST. 20, Testified in support as a co-sponsor of the bill.

My family has always valued education. My family drew scholarships and had parental support and, in my case, spousal support. This resolution would provide a creative opportunity for other families to get the kind of support they would need to educate their children, and themselves, in some cases. He stated he attended the National Council of State Legislators' meetings and one of the break out groups dealt with this issue. There were several people from several states who talked about the creative ways they were providing a measure of support for families as they moved their children through college programs. I think this is a worthwhile solution.

CAROL SIEGERT, DEPUTY STATE TREASURER, Testified in support of the resolution.

See written testimony.

TONY CLARK, STATE TAX DEPARTMENT, Testified in a neutral position. Answered Rep.

Warner's question regarding whether they would get the money back if they did not go on to college. There are different plans that are set up that would not necessarily be prepaid college tuition plans that would allow for withdrawal of the money.

REP. WARNER Asked whether there would be provisions for interest.

TONY CLARK There is a bill coming out on the senate side that would be similar to this.

Under these 529 plans a parent or grandparent could put money in and then the earnings are deferred.

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NANCY SAND, NORTH DAKOTA EDUCATION ASSOCIATION, Testified in support of the bill.

REP. WARNER TO TONY CLARK If these are in federal code, is it necessary to have a state plan to be modeled after that?

TONY CLARK States have chosen to authorize state plans. Montana has one currently. Anyone can invest in those. The only advantage for in-state residents is that some of the states have set provision to allow a tax credit, a person from North Dakota wouldn't be eligible for that. With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-3-99, Tape #2, Side A, Meter 4.0

REP. WINRICH Made a motion for a DO PASS.

REP. KROEBER Second the motion. MOTION CARRIED

13 Yes 1 No 1 Absent

REP. KROEBER Was given the floor assignment.

Please type or use black pen to complete

Date 2-3-99

Roll call vote # 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HCR 3026

House HOUSE FINANCE & TAX Committee

Subcommittee on \_\_\_\_\_ } Identify or check where appropriate  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Rep. Winrich Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
BELTER	✓		WINRICH	✓	
RENNERFELDT	✓				
CLARK	✓				
FROELICH	A				
GRANDE	✓				
GROSZ	✓				
HERBEL	✓				
KROEBER	✓				
MICKELSON	✓				
NICHOLAS	✓				
RENNER	✓				
SCHMIDT	✓				
WARNER		✓			
WIKENHEISER	✓				

Total 13 1  
(Yes) (No)

Absent 1

Floor Assignment Rep. Kroeber

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

DO NOT USE HIGHLIGHTER ON ANY FORMS

REPORT OF STANDING COMMITTEE (410)  
February 5, 1999 11:42 a.m.

Module No: HR-24-2051  
Carrier: Kroeber  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

HCR 3026: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO PASS** (13 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HCR 3026 was placed on the Eleventh order on the calendar.

**1999 SENATE FINANCE AND TAXATION**

**HCR 3026**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3026

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 3-10-99

Tape Number	Side A	Side B	Meter #
HCR 3026	X		0 - 2830
3-24-99	X		1047 - 1200
Committee Clerk Signature <i>Shirley Wald</i>			

Minutes:

Sen. Urlacher opened the hearing , roll taken. A RESOLUTION TO STUDY THE FEASIBILITY & DESIRABILITY OF IMPLEMENTING A STATE COLLEGE SAVINGS PLAN PROVIDING A STATE TUITION TAX CREDIT OR PROVIDING FOR A PREPAID COLLEGE TUITION PROGRAM.

Rep. Hoffner - Study having a State College Savings Plan. Our State has one of the highest percentages of students leaving high school, going off to College. We need to encourage that to continue. Handout passed out to Senators, submitted and attached.

Sen. Schobinger - Are you aware we did a study two years ago?

Rep. Hoffner - No.

Sen. Wardner - What are the mechanics of this study, and how does it work?

Rep. Hoffner - The Tax Depts. spoke on the mechanics and I really can't explain it correctly.



Sen. Wardner - Family setting aside dollars and getting a tax break. Money set aside, pre paid college tuition plan and they can not touch it.

Rep. Hoffner - If they access it a penalty is charged. There are number of ways approaching this. This plan would keep students in the State.

Rep. Aarsvold - In meetings we held two years ago, we found lots of plan out there. Most States have plans in force like this already.

Sen. Christmann - Reading the bill & hearing you talk, two different things come to mind. Are we talking about individuals or Colleges saving \$ & giving it to the school of their choice.

Rep. Aarsvold - It could work as such- Investment Board could handle the \$., or explore all the possibilities that could be available to young people.

Sen. Schobinger - Do you think we should hold off and wait for a study by Leg. Council?

Rep. Aarsvold - That's my feelings. I think its necessary for study.

Carol Seigert - Deputy State Treasurer - Testimony submitted and attached.

Jason Bernhardt - Student Association- Students do support this. We do have concerns.

Sen. Schobinger - Are you aware this was past last session.

Jason Bernhardt - We had question on that, but weren't addressed. Work with the Leg. Council.

Sen. Schobinger - 43 States have a plan already working for students. In my plan you would pick a Univ. in ND, but if you are accepted to another Univ, the funds would transfer there.

Jason Bernhardt - Our concerns are of the shortfalls, who pays for this? This is very vague in the bill. Have concerns of declining population, also paying higher tuition.

However, if the State absorbs the cost, our concerns are a lot less. In the next 10 years, there will not be enough students to keep Inst.'s open, but we do draw students from outside the State.

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Bill/Resolution Number Hcr 3026  
Hearing Date 3-10-99

Sen. Maragos - Seeing a fiscal note, in amount of 500,000 , and I was curious how was this resolved? What the merits are? A study is always worthy.

Sen. Schobinger - I think the fiscal note was around \$125,000.

Sen. Urlacher closed the hearing.

3-15-99 DISCUSSION - COMMITTEE AGREED TO HOLD THIS BILL, AND GO THROUGH IT LATER. TAPE A 2190 - 2713 .

DISCUSSION 3-24-99 TAPE #1 A, 500 - 1040. SEN. SCHOBINGER WILL PREPARE AN AMENDMENT AND TAKE IT TO LEG. COUNCIL. AMENDMENT TO ACCEPT MADE BY SEN. SCHOBINGER AND SEN. STENEHJEM SECONDED. VOICE VOTE 7-0-0.

DISCUSSION 3-24-99 TAPE A #1, 1047 - 1200. A MOTION TO ACCEPT THE NEW AMENDMENT WAS MADE BY SEN. SCHOBINGER AND SECONDED BY SEN. STENEHJEM. VOICE VOTE 6-0-0. A MOTION TO DO NOT PASS, AS AMENDED WAS MADE BY SEN. SCHOBINGER AND SECONDED BY SEN. STENEHJEM. VOTE WAS 5-1-1. SEN. SCHOBINGER WILL CARRY.

98317.0101  
Title.

0200

Prepared by the Legislative Council staff for  
Senator Schobinger

March 24, 1999

PROPOSED AMENDMENTS TO HOUSE CONCURRENT RESOLUTION NO. 3026

Page 1, line 2, replace the first "providing" with "that provides", after "credit" insert ", a scholarshare program," and remove "providing for"

Page 1, line 15, replace the first "providing" with "that provides", after "credit" insert ", a scholarshare program," and remove "providing for"

Renumber accordingly

Date: 3-24-99  
Roll Call Vote #: (2)

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 3026

Senate Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass / as amended

Motion Made By Schobinger Seconded By Stenehjem

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM	✓				
SENATOR WARDNER		✓			
SENATOR KINNOIN	✓				
SENATOR KROEPLIN					

Total (Yes) 5 No 1

Absent 1

Floor Assignment Sen. Schobinger

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

**REPORT OF STANDING COMMITTEE**

**HCR 3026: Finance and Taxation Committee (Sen. Urlacher, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (5 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HCR 3026 was placed on the Sixth order on the calendar.

Page 1, line 2, replace the first "providing" with "that provides", after "credit" insert ", a scholarshare program," and remove "providing for"

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Renumber accordingly

**1999 TESTIMONY**

**HCR 3026**

HOUSE FINANCE & TAX COMMITTEE

HOUSE CONCURRENT RESOLUTION 3026

FEBRUARY 3, 1999

Mr. Chairman, members of the Finance & Tax Committee; for the record I am Carol Siegert, Deputy State Treasurer of North Dakota. I am here to present testimony on House Concurrent Resolution 3026. The Treasurer's Office is supportive of House Concurrent Resolution 3026 and recommends that the Legislature study a prepaid tuition plan and a college savings plan in the interim to determine which vehicle is needed for educational investment in North Dakota.

Forty-three states have some form of a program in place, but not all of them are tuition programs, 19 are prepaid tuition programs, 15 are savings plan trusts and 9 are program startups for 1998 and 1999. Each plan has merit. A college savings plan gives tax relief on both the state and federal level. A pre-paid plan allows you to buy tomorrow's tuition at today's prices. Some states have put both a savings program and a tuition program in place.

Do we need to do something for the people of North Dakota in this area? State Treasurer Gilmore believes we do. The continued concern, however, is how we do it.

If part of our goal is to increase college participation by lower income families, it is important to note that many analysts agree that efforts to increase this type of participation will at best have a marginal impact with a prepaid plan because many of these families simply do not have the disposable income needed to participate.

Another important issue to be considered is the potential risks to the state. The liability for a prepaid tuition plan would remain with the state if the plan or the stock market fails. What are the dynamics which will uniquely affect North Dakota's choice? Low population, declining economy, drop in the stock market? How can we sustain what we put in place?

House Concurrent Resolution 3026

February 3, 1999

Page Two

Treasurer Gilmore has the full assurance of the National Association of State Treasurers that they are willing to participate in an interim committee study on the subject. Mississippi State Treasurer Marshall Bennett, who heads the College Savings Plan Network, e-mailed Treasurer Gilmore to assure her that, and I quote, "A study by the North Dakota Legislature to consider both prepaid plans and savings trusts is a good idea because both offer certain advantages. I know North Dakota has a population of approximately 600,000 people. It would be good to be able to project the number of participants and the actuarial assumptions on the rate of return and tuition costs for the past and future 5 years in order to determine the extent of the state's obligation, both moral and financial, as compared to a savings plan, which has more market volatility and risks but is less obligation for the state. I encourage you to study both of these plans and come up with a consensus from your legislative and executive leaders so the good people of North Dakota can have the confidence and benefits of these plans which are sweeping the county to 43 states so far," end of quote.

A study of this nature, Treasurer Gilmore feels, would allow us to tell the people of North Dakota that we, indeed, think there is need and merit for some type of assistance in alleviating the cost of education at the college level. It will also say to them, we will assume the fiduciary responsibility of looking at the issue from all angles to assure we have the best plan for the people of North Dakota with the most likelihood of success.



SENATE FINANCE & TAX COMMITTEE

HOUSE CONCURRENT RESOLUTION 3026

MARCH 10, 1999

Mr. Chairman, members of the Senate Finance & Tax Committee; for the record I am Carol Siegert, Deputy State Treasurer of North Dakota. The State Treasurer's Office is supportive of House Concurrent Resolution 3026 and recommends that the Legislature study a prepaid tuition plan and a college savings plan in the interim to determine which vehicle is needed for educational investment in North Dakota. 1504

Forty-three states have some form of a program in place, but not all of them are tuition programs, 19 are prepaid tuition programs, 15 are savings plan trusts and 9 are program startups for 1998 and 1999. Each plan has merit. A college savings plan gives tax relief on both the state and federal level. A pre-paid plan allows you to buy tomorrow's tuition at today's prices. Some states have put both a savings program and a tuition program in place.

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House Concurrent Resolution 3026  
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HIGHER EDUCATION ENROLLMENT RATES

① HCR 3026

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	EXECUTIVE BUDGET PROPOSED RATES	
											1999-2000	2000-2001
<b>University of North Dakota, North Dakota State University</b>												
Undergraduate:												
Resident	\$1,506	\$1,806	\$1,860	\$1,860	\$1,985	\$2,110	\$2,110	\$2,110	\$2,236	\$2,362	\$2,480	\$2,604
Minnesota resident 11	1,890	2,262	2,328	2,328	2,481	2,638	2,638	2,356	2,422	2,511	2,636	2,768
Contiguous state/province 12	2,262	2,712	2,790	2,790	2,978	3,165	3,165	3,165	3,354	3,544	3,720	3,906
Other nonresident	3,768	4,824	4,968	4,968	5,300	5,634	5,634	5,634	5,970	6,306	6,622	6,953
Graduate:												
Resident	\$1,716	\$2,016	\$2,070	\$2,070	\$2,195	\$2,320	\$2,320	\$2,320	\$2,446	\$2,572	\$2,690	\$2,814
Minnesota resident 11	1,950	2,322	2,592	2,592	2,744	2,900	2,900	2,884	2,966	3,072	3,213	3,361
Contiguous state/province 12	2,574	3,024	3,120	3,120	3,293	3,480	3,480	3,480	3,670	3,858	4,035	4,221
Other nonresident	4,290	5,382	5,544	5,544	5,861	6,194	6,194	6,194	6,532	6,868	7,182	7,513
<b>UND Law School</b>												
Resident	\$1,908	\$2,208	\$2,280	\$2,280	\$2,405	\$2,530	\$2,530	\$2,530	\$2,656	\$2,782	\$2,900	\$3,024
Minnesota resident 11	1,908	2,280	2,850	2,850	3,006	3,163	3,163	2,884	2,966	3,072	3,202	3,339
Other nonresident	4,770	5,896	6,072	6,072	6,421	6,755	6,755	6,755	7,092	7,428	7,743	8,074
<b>UND School of Medicine and Health Sciences</b>												
Resident	\$7,586	\$7,928	\$8,160	\$8,160	\$8,310	\$8,460	\$8,460	\$8,460	\$9,220	\$10,050	\$10,955	\$11,940
Minnesota resident 11	7,586	8,786	10,206	10,206	10,388	10,575	10,575	9,476	9,958	10,654	11,613	12,658
Other nonresident	18,966	21,168	21,804	21,804	22,188	22,588	22,588	22,588	24,618	26,834	29,249	31,881
<b>Minot State University</b>												
Undergraduate:												
Resident	\$1,182	\$1,482	\$1,530	\$1,530	\$1,655	\$1,780	\$1,780	\$1,780	\$1,870	\$1,960	\$2,050	\$2,144
Minnesota resident 11	1,410	1,758	1,908	1,908	2,069	2,225	2,225	1,994	2,020	2,078	2,173	2,273
Contiguous state/province 12	1,410	1,758	1,908	1,908	2,069	2,225	2,225	2,225	2,338	2,450	2,563	2,680
Other nonresident	2,952	3,954	4,080	4,080	4,419	4,753	4,753	4,753	4,994	5,234	5,474	5,724
Graduate:												
Resident	\$1,716	\$2,016	\$2,076	\$2,076	\$2,201	\$2,326	\$2,326	\$2,320	\$2,446	\$2,572	\$2,690	\$2,814
Minnesota resident 11	1,950	2,322	2,592	2,592	2,751	2,908	2,908	2,884	2,966	3,072	3,213	3,361
Contiguous state/province 12	1,950	2,322	2,592	2,592	2,751	2,908	2,908	3,480	3,670	3,858	4,035	4,221
Other nonresident	3,873	5,382	5,544	5,544	5,877	6,210	6,210	6,194	6,532	6,868	7,182	7,513
<b>Dickinson State University, Mayville State University, and Valley City State University</b>												
Undergraduate:												
Resident	\$1,182	\$1,482	\$1,530	\$1,530	\$1,605	\$1,680	\$1,680	\$1,680	\$1,756	\$1,832	\$1,906	\$1,982
Minnesota resident 11	1,410	1,758	1,908	1,908	2,006	2,100	2,100	1,882	1,896	1,942	2,020	2,101
Contiguous state/province 12	1,410	1,758	1,908	1,908	2,006	2,100	2,100	2,100	2,196	2,290	2,383	2,478
Other nonresident	2,952	3,954	4,080	4,080	4,285	4,486	4,486	4,486	4,690	4,892	5,089	5,292

1989-90 1990-91 1991-92 1992-93 1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000 2000-2001

State College of Science, MSU-Bottineau, Bismarck  
State College, UND-Lake Region, and UND-Williston

Undergraduate:

Resident	\$1,152	\$1,452	\$1,452	\$1,452	\$1,502	\$1,552	\$1,552	\$1,552	\$1,552	\$1,552	\$1,592	\$1,632
Minnesota resident <sup>1</sup>	1,326	1,674	1,812	1,812	1,878	1,940	1,940	1,878	1,922	2,000	2,052	2,103
Contiguous state/province <sup>2</sup>	1,326	1,674	1,812	1,812	1,878	1,940	1,940	1,940	1,940	1,940	1,990	2,040
Other nonresident	2,880	3,876	3,876	3,876	4,010	4,144	4,144	4,144	4,144	4,144	4,251	4,357

<sup>1</sup> The Minnesota/ North Dakota reciprocity agreement calls for the higher of the two state rates.

<sup>2</sup> The contiguous states and provinces are South Dakota, Montana, Saskatchewan, and Manitoba. The contiguous state/province tuition rate is 1.5 times the resident rate for students attending the University of North Dakota, North Dakota State University, and graduate students at Minot State University. The contiguous state/province tuition rate is 1.25 times the resident rate for undergraduate students at Minot State University and at all remaining four-year and two-year institutions.