

2013 HOUSE FINANCE AND TAXATION

HCR 3018

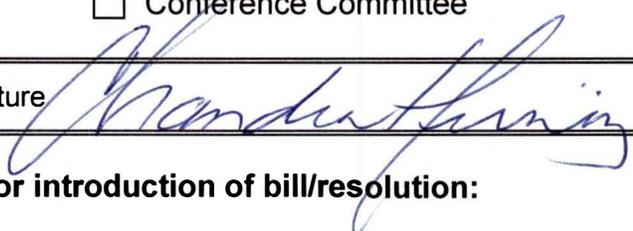
2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HCR 3018
February 6, 2013
Job 18388

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A concurrent resolution relating to transfer of a portion of the earnings of the legacy fund to the legacy scholarship fund.

Minutes:

Chairman Belter: Opened hearing on HCR 3018.

Representative Carlson, District 41: Introduced concurrent resolution. This is a Constitutional measure dealing with the Legacy Fund. Thirty percent of our oil money goes into the Legacy Fund. This is an opportunity to deal with how the fund should be used. In my estimation, that would be scholarships for North Dakota kids going to North Dakota institutions.

The resolution does two things. It is a legacy, an investment in education and the results we expect from that investment. They key to our economic growth is a quality education for our youth. Read from the resolution and explained the changes within it.

Private high schools are not considered a high school district, so there may be amendments to address all the students who attend schools that are not public high schools. Question may come up regarding institutions of higher education when are not state institutions of higher education. Questions may arise whether we should be addressing anything from this fund. I cannot think of a better investment than to invest in our children.

This is not a check to the kids; it is meant to be a check directly to the institutions for their tuition. If the students fail to meet the criteria set forward, the scholarships would no longer be available.

You may question whether the \$10 million is enough money or too much. You could argue that it is not the state's responsibility to help with higher education. The Governor's budget contains other scholarships for our children to access. This takes a resource that will go away over time and puts a large portion of money aside. By the end of the biennium, there will be over \$2 billion in the Legacy Fund.

It guarantees tuition and revenue for our institutions of higher education. One thing they are running out of is kids. When you look at declining enrollment and the large number of nonresident students coming to North Dakota and everyone competing worldwide for these students, our institutions have challenges before them.

5:47 Representative Froseth: I like this idea and putting the money into future generations. To fix the exclusion of private schools on page 2, line 15, you could say *an accredited high school*. Lines 20-21 of page 2 say that money shall be transferred into the general fund. You know what happens to money in the general fund; it gets spent.

Representative Carlson: That's where all the earnings were going to go.

Representative Froseth: But now we have this in front of us. Couldn't we put in *upon Legislative approval* to transfer the money so that someone has some oversight of where the earnings go? They might be able to stay in the Legacy Fund and accrue more if we don't need it in the general fund.

Representative Carlson: I don't know if Representative Kempenich brought before you a bill concerning the management of the fund. There have been some questions about who should be in charge with this investment board and whether they should be risky investments. I make the case that I'm not so sure we need to be rolling all the interest to the general fund. I think there could be other uses for the money as well. Obviously when it's a measure like this, you have the opportunity to change something that is already in the Constitution. What I tried to do is make it extremely simple because voters may become confused or not read the full measure on the ballot if it is long or complex. I tried to deal with just the one issue. If you felt you needed to look at that, I have no objection.

7:30 Chairman Belter: How many instate students do we have in North Dakota?

Representative Carlson: We have about 100,000 students in K-12. How many of those graduate each year may be in the 8,000 or 9,000 range.

Chairman Belter: How many instate college students do we have?

Representative Carlson: I don't have that information.

Representative Haak: I really like this idea and agree that our students are going to be one of our best investments. Just to be clear on the private schools, including private higher education, is that something to which you'd be open?

Representative Carlson: I'm not averse to that being in there but it is not included in the way it is currently written. The explanation I got was that I had it written by a tax man rather than someone familiar with education. It's a matter of the words he used as to what is accredited. Representative Froseth had a suggestion on how to fix that part.

Representative Haak: As a prime sponsor on the bill, is that something you would be open to including?

Representative Carlson: That would not be an objection of mine. As Majority Leader, I must protect the campuses that we are constitutionally required to fund and to keep operating. But the other ones also play a valuable role.

Chairman Belter: Further testimony in support of HCR 3018?

Laura Glatt, North Dakota University System, vice chancellor for administrative affairs: I appear here in support of student scholarship programs and financial aid support, whether need based or merit based, as a critical element of maintaining student affordability and student access in North Dakota. This fund is appropriately called the Legacy Fund. What greater legacy can we create for North Dakotans than a scholarship that encourages the pursuit and obtainment of a post-secondary degree. A recent national report suggests that post-secondary degree obtainment results in higher earnings for individuals. Expanding higher education degree obtainment is clearly an essential and powerful strategy for economic development in our state. While the North Dakota University System is greatly appreciative of the financial aid funding that the legislature already provides, this bill appears to be an additional investment in the future of our state.

11:30 **Vice Chairman Headland:** Do you know how many North Dakota students have?

Laura Glatt: In the fall of 2012, we had 48,203 students. That is not full-time equivalent but an actual headcount. Of those, a little over 26,000 were residents and 22,000 were nonresidents. Most of those nonresidents come to us from Minnesota under our reciprocity agreement.

Representative Marie Strinden: The scholarship fund would become active five years from now. In your opinion, will \$10 million be enough in the future? Do you foresee many sweeping changes in the education system because of the changes of our state?

Laura Glatt: I think anything the legislature can provide to support the students and the cost of education is a great value. To put it in some context, Rep. Carlson had alluded to the fact that the governor's budget already includes some money for scholarship funding. If you recall, two sessions ago this body created a new scholarship, the Academic and Career Tech Ed Scholarship. Right now in the governor's budget, there is about \$13.7 million appropriated for that program. Through that, we help about 4100 students to the tune of \$1500 per year in a scholarship. As you can see, it is an active program with a lot of participation.

Representative Zaiser: Does this cover four year institutions and two year technical schools as well?

Laura Glatt: Certainly the language in the bill is rather broad. My assumption would be that should the Constitutional measure pass, then a future legislative assembly would probably look at a companion piece of legislation that spells out more of the details.

Representative Drovdal: Do we track the number of North Dakota students who go out of state for college?

Laura Glatt: No, we do not.

Vice Chairman Headland: North Dakota tax payers already fund the education for students in K-12. Do you believe that should be extended to higher education?

Laura Glatt: I leave that to the good wisdom of the legislature.

Chairman Belter: Further testimony in support to 3018? Any opposition?

Ron Ness, resident of Bismarck, appearing on behalf of himself: I was one of the individuals behind the initial Legacy Fund coalition. I am part of a group that meets regularly to talk about the fund. I appear in opposition today for a number of reasons. First of all, as a parent I view this as a good idea. But let's recognize what we're doing here. There is a bill in the Senate, 2124, which the authors and supporters of the Legacy Fund support an interim study on what are the beneficial and best uses of the Legacy Fund. We cannot tap the Legacy Fund until July 1, 2019, so two legislative sessions remain to debate and discuss the issue. One of the primary concerns I have is that this is a Constitutional measure which would be voted on by the people. You would be putting the language of \$10 million a year into the fund. What if we decide over the interim or the next two bienniums that it should be a different dollar amount into the scholarships? Then you'd have to go back and have another vote of the people. The way the Legacy Fund was written was that the earnings come back to the legislature to spend without Constitutional authority, that you will have the ability to spend that in your appropriation process. Rep. Froseth is right about line 21. We also agree that there ought to be a dedicated Legacy Fund in statute so that you know how much money is in that pot rather than rolling it into the general fund. We would encourage you to create another bucket. That way, each session you would know what's available to spend. If you begin to do this now, I would contend that you will have an initiated measure brought to you on just about every issue you can imagine over the next four years. There are a lot of good ideas. If we start doing this by the votes of the people, think about what we're beginning. Then the following session would be about the dollar amounts, not about how good the decision was. As we designed the Legacy Fund, the concept was never to allocate this money through votes. It was to allocate it back to let the policy makers make the best decisions. Rep. Carlson's idea is a good one, but it is a good idea before its time. We have time. We don't know what the great challenges are going to be. We'd encourage you to look at Rep. Froseth's change; the sooner we do that, the sooner we understand the amount of money that would be available.

Chairman Belter: Any further opposition to 3018?

20:42 **Eric Aasmundstad, North Dakota Farm Bureau:** The Farm Bureau was also one of the groups instrumental in the design and passage of the Legacy Fund. In the interest of time, I would echo everything that Mr. Ness explained. It's a great idea; it's just too soon to crack the seal.

Chairman Belter: Further opposition to 3018? Any neutral testimony?

21:40 **Rod Backman, representing the private colleges in the state:** I see the positives and some potential negatives. Because this is going to be a Constitutional item if you process, I would suggest scratching the word *state* on line 7 of page one and line 18 of page 2. At some point, someone is going to go back and look at this from a legal standpoint. With that word in there, they certainly could construe it as excluding the private colleges. To make it even clearer, you could use the wording *public and private*. This is Constitutional. There is a program now called the State Grant Program that goes to the neediest students in North Dakota. About \$20 million is funded into that, and it includes any North Dakota resident student attending any North Dakota college, public or private. If you proceed, I encourage you to make that adjustment.

Chairman Belter: What's the name of that fund for private colleges?

Rod Backman: It's called the State Grant program. It's funded through the Higher Education budget. About \$20 million goes into that fund each biennium. It's a needs-based grant, and there is never enough money there to cover all the needs, so they look at students who have the lowest income and the most need and then fund it at \$1500 a year per student until they run out of money.

Representative Klein: What were the two changes again? I understand the one on line 18, but what was the other one?

Rod Backman: Page 1, line 7, the word *state*, and page 2, line 18.

Chairman Belter: Any other neutral testimony?

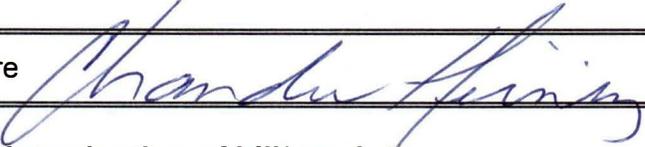
Hearing closed.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HCR 3018
February 11, 2013
Job 18704

Conference Committee

Committee Clerk Signature 

Explanation or reason for introduction of bill/resolution:

A concurrent resolution relating to transfer of a portion of the earnings of the legacy fund to the legacy scholarship fund.

Minutes:

Chairman Belter: The senate has already passed a study resolution, 46-0. SB 2124 provides a study for potential uses of the Legacy Fund. So if we're thinking about making that into a study resolution, it's probably not necessary.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HCR 3018
February 18, 2013
Job #19125

Conference Committee

Committee Clerk Signature

Mary Bruckner

Explanation or reason for introduction of bill/resolution:

A concurrent resolution relating to transfer of a portion of the earnings of the legacy fund to the legacy scholarship fund.

Minutes:

Attached amendment #1

Vice Chairman Headland: Distributed amendments 2003. **Made a motion to adopt amendments.**

Representative Owens: Seconded.

VOICE VOTE: MOTION CARRIED.

Representative Klein: Made a motion for a Do Pass as Amended and put on the consent calendar.

Representative Drovdal: Seconded.

Representative Klein will carry this bill.

PROPOSED AMENDMENTS TO HOUSE CONCURRENT RESOLUTION NO. 3018

Page 1, line 1, after "A concurrent" replace the remainder of the resolution with "resolution directing the Legislative Management to study the most beneficial use of the earnings of the legacy fund.

WHEREAS, the voters of North Dakota approved adoption of section 26 of article X of the Constitution of North Dakota in 2010, providing for deposit of 30 percent of oil and gas tax revenue in the legacy fund; and

WHEREAS, the constitutional provision requires transfer of legacy fund earnings to the state general fund beginning in 2017; and

WHEREAS, before the time legacy fund earnings become available for appropriation is the appropriate time for careful legislative consideration of establishing legislative priorities for appropriate uses of legacy fund earnings; and

WHEREAS, development of legislative priorities for legacy fund earnings is the best method to implement the vision of North Dakota citizens who enacted the constitutional provision;

**BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH
DAKOTA, THE SENATE CONCURRING THEREIN:**

That the Legislative Management study the most beneficial uses of earnings of the legacy fund; and

BE IT FURTHER RESOLVED, that the Legislative Management report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixty-fourth Legislative Assembly."

Renumber accordingly

Date: 2-18-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 3018

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
2003
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Headland Seconded By Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote
Motion Carried.

Date: 2-18-13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 3018

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

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

CONSENT CALENDAR

Motion Made By Rep. Klein Seconded By Rep. Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Klein

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

REPORT OF STANDING COMMITTEE

HCR 3018: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HCR 3018 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A concurrent" replace the remainder of the resolution with "resolution directing the Legislative Management to study the most beneficial use of the earnings of the legacy fund.

WHEREAS, the voters of North Dakota approved adoption of section 26 of article X of the Constitution of North Dakota in 2010, providing for deposit of 30 percent of oil and gas tax revenue in the legacy fund; and

WHEREAS, the constitutional provision requires transfer of legacy fund earnings to the state general fund beginning in 2017; and

WHEREAS, before the time legacy fund earnings become available for appropriation is the appropriate time for careful legislative consideration of establishing legislative priorities for appropriate uses of legacy fund earnings; and

WHEREAS, development of legislative priorities for legacy fund earnings is the best method to implement the vision of North Dakota citizens who enacted the constitutional provision;

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:

That the Legislative Management study the most beneficial uses of earnings of the legacy fund; and

BE IT FURTHER RESOLVED, that the Legislative Management report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixty-fourth Legislative Assembly."

Renumber accordingly

2013 SENATE GOVERNMENT AND VETERANS AFFAIRS

HCR 3018

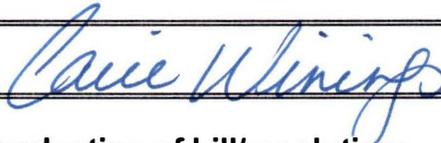
2013 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veterans Affairs Committee
Missouri River Room, State Capitol

HCR 3018
03/22/2013
Job Number 20358

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study the most beneficial use of the earnings of the legacy fund.

Minutes:

Chairman Dever: Opened the hearing on HCR 3018.

Representative Carlson, District 41: Testified as sponsor and to explain the resolution.

This resolution did not start out this way but it is probably not a bad idea. There is another bill that is out there than does the same thing and we do not need two of them. I am not sure what the status is. We need to start looking into the future as to what our plans are for a fund that is going to grow to 2 billion dollars this year and do we really want that interest to be pouring into the general fund or do we want it to be used for something else in the future. We should not access the principle in my opinion. We should properly address the use for the interest in the fund.

(2:22) Chairman Dever: I see it was introduced as a constitutional resolution.

Senator Cook: The other bill that Representative Carlson referenced is SB 2124 and when I checked on this bill on Monday it was in the Governor's office waiting to be signed.

Representative Carlson: So there is no reason for two of them. I would hope to send this by the way.

Chairman Dever: We really have till 2017.

Senator Cook: We cannot spend interest on legacy fund until 2019. The interest earned during the 2017 budget does not get put into the legacy fund until the end of that biennium.

Representative Carlson: That is why it required the constitutional change to do that in the bill; to allow us to act prior to that on the interest. It isn't like we don't have enough places we are spending the money today.

Senator Cook: I am glad this money is constitutionally protected from our greedy paws.

Chairman Dever: I think we recognize our need to be restricted.

No other testimony present.

Chairman Dever: Closed the hearing on HCR 3018.

Senator Nelson: Moved a Do Not Pass.

Senator Schaible: Seconded.

A Roll Call Vote Was Taken: 7 yeas, 0 nays, 0 absent.

Senator Cook: Carrier.

Date: 3/22

Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 3018

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

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

Motion Made By Senator Nelson Seconded By Senator Schaible

Senators	Yes	No	Senator	Yes	No
Chairman Dick Dever	✓		Senator Carolyn Nelson	✓	
Vice Chairman Spencer Berry	✓		Senator Richard Marcellais	✓	
Senator Dwight Cook	✓				
Senator Donald Schaible	✓				
Senator Nicole Poolman	✓				

Total (Yes) 7 No 0

Absent _____

Floor Assignment Senator Cook

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

REPORT OF STANDING COMMITTEE

HCR 3018, as engrossed: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HCR 3018 was placed on the Fourteenth order on the calendar.