

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/19/2015**

Bill/Resolution No.: HB 1452

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

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures	\$12,000,000		\$15,400,000		\$19,900,000	
Appropriations	\$10,000,000		\$15,400,000		\$19,900,000	

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

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

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

Beginning with 2016-17 high school graduates, replaces current state AC/CTE scholarship with new Promise grant, which is equivalent to 65% (in 2016-17) and increasing to 100% in (2023-24) of tuition, after deducting other eligible aid.

- 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.*

Sections 1-3: Beginning with 17-19, new high school graduates would qualify for the new Promise Grant equivalent to 65% to 70% tuition, reduced by other eligible aid instead of current \$1,500/yr AC/CTE scholarship grant. However, AC/CTE Scholarship would continue for student graduating high school prior to 2016-17 until phased out.

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.*

None

- 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.*

Promise Grant: Provide grant equivalent to (65% in 2016-17 and 70% in 2017-18) of tuition, after deducting other eligible aid for approximately 1,500 students, the same number of students under the current AC/CTE scholarship.  
 15-17: \$0; 17-19=\$9.6 M

AC/CTE Scholarship: \$1,500/yr grant (\$6,000 total) to approximately 1,500 new students per year for students graduating before 2016-17. 13-15=\$12 M; 15-17+\$15.4 M; 17-19=\$10.3 M

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.*

Promise Grant: Provide grant equivalent to (65% in 2016-17 and 70% in 2017-18) of tuition, after deducting other eligible aid for approximately 1,500 students, the same number of students under the current AC/CTE scholarship. 15-17: \$0; 17-19=\$9.6 M

AC/CTE Scholarship: \$1,500/yr grant (\$6,000 total) to approximately 1,500 new students per year for students graduating before 2016-17. 13-15=\$12 M; 15-17+\$15.4 M; 17-19=\$10.3 M  
For 13-15: \$10 M appropriation + \$4.1 M carryover from 11-13 less \$12 M est. expenditures = \$2.1 M estimated carryover to 15-17.

HB1003 (2015) as introduced includes \$17,171,000 for the AC/CTE scholarship for the 15-17 biennium.

**Name:** Laua Glatt

**Agency:** ND University System Office

**Telephone:** 7013284116

**Date Prepared:** 01/26/2015

**2015 HOUSE EDUCATION**

**HB 1452**

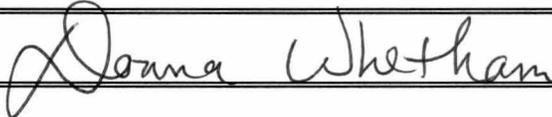
# 2015 HOUSE STANDING COMMITTEE MINUTES

Education Committee  
Pioneer Room, State Capitol

HB 1452  
2/3/2015  
23098

- Subcommittee  
 Conference Committee

Committee Clerk Signature



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

Relating to the establishment of the promise grant program, the North Dakota academic scholarships and the North Dakota career and technical education scholarships; to provide a transfer, an effective date; and an expiration date.

Attachment # 1,2.

## Minutes:

**Chairman Nathe:** opened the hearing on HB 1452.

**Representative Thomas Beadle: District 27.** Introduced HB 1452. (2:00- 11:37)  
(See Attachment #1)

**Rep Meier:** Could you explain on the back side of the bill all the sections you are repealing.

**Representative Beadle:** That would be the sections that we have that would deal with the merit based scholarship programs. Since this bill utilizes the same requirements there would be no need to have the duplicate efforts of having those programs still in place.

**Rep Meier:** I have gotten some concerns from homeschool parents wondering if they would qualify the same way in receiving the promise grants that they are currently receiving for the scholarships.

**Representative Beadle:** My intent was not to make it unavailable to home school or private school. That would not be the issue, you need to be a resident of the state.

**Rep. Hunsakor:** You talk about a "B" average to continue to receive the promise grants. Is there a level out of high school would have to be at in order to qualify initially?

**Representative Beadle:** The qualification would be the same as the merit based program. It has a math and science curriculum as well as 3.0 GPA and it is the same as the merit based program.

**Rep. Hunskor:** So Private and homeschoolers are included?

**Representative Beadle:** My intention was yes they would be included. I thought that was included in the bill, but we might have to have a statement to qualify that.

**Rep. Hunskor:** Did you say the merit based would go away?

**Representative Beadle:** Yes, because the method to qualify and the method to maintain would be identical there would be no need for a secondary grant. The merit based scholarship is \$750 per semester the student can qualify for and I showed a comparison with the promise grant. (See Attachment #1).

**Rep. Mock:** The bill changes the eligibility to a 2.5 GPA.

**Representative Beadle:** I believe that the 2.5 GPA is what is required to maintain your scholarship.

**Rep. Mock:** So you are changing the initial eligibility to match the ongoing eligibility requirement.

**Representative Beadle:** I believe I am changing the ongoing to match the initial.

**Rep. Mock:** You have also removed the composite scores for the ACT and work keys as part of the eligibility? Can you explain why?

**Representative Beadle:** That may be a drafting error. I had no intention to change the current requirements. I wanted it to reference the existing scholarship requirement amounts under the current merit based programs so it would be identical.

**Rep. Mock:** We may have to look at that to make sure that is what it says.

**Rep. Hunskor:** The qualifications for the merit grants are exactly the same as the promise grants so we are not leaving anyone out?

**Representative Beadle:** That is the intention.

**Rep. Kelsh:** Is your intention that all of the money would come out of the interest from the Legacy Fund or the money that is now in the merit grants be transferred to this?

**Representative Beadle:** The money would come from the legislative appropriations. Since we had access to the interest I thought we should try to use it for education. I would have zero problems with private and public dollars being matched.

**Rep. Kelsch:** The second page of your testimony you have some comparisons of North Dakota nationwide costs, is that all state supported institutions or is it all institutions? It is about \$12,000 dollars higher on the national level than state?

**Representative Beadle:** I believe it was all institutions and included private schools as well, also 2 and 4 year schools.

**Rep. Schreiber Beck:** If we pulled out the aviation at UND how would that change the numbers? Our numbers get skewed because of the number of students in the high cost program.

**Representative Beadle:** I can check that breakdown for you. The data I pulled was for four year institutions, so the medical schools would be above that level they wouldn't be included in that.

**Ann Hanson:** Economic Development Association, for Keith Lund: in support of HB 1452 (see Attachment #2).

**Chairman Nathe:** Any other support of HB 1452? None. Any opposition to HB 1452? Seeing none. **Closed the hearing on HB 1452.**

# 2015 HOUSE STANDING COMMITTEE MINUTES

Education Committee  
Pioneer Room, State Capitol

HB 1452  
2/4/2015  
23177

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Donna Whitham*

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

Relating to the establishment of the promise grant program, the North Dakota academic scholarships and the North Dakota career and technical education scholarships; to provide a transfer, an effective date; and an expiration date.

## Minutes:

**Chairman Nathe:** reopened the hearing on HB 1452. High School graduates would qualify for the promise grants equivalent to 65 to 70% of the tuition.

**Rep. Mock:** Does this fiscal note reflect the difference of the existing fiscal note for the scholarships?

**Chairman Nathe:** This fiscal notes reflects what this bill would do and I don't think it takes into consideration all the other ones.

**Rep. Mock:** Do you know what the cost of the merit grants were?

**Rep. Schreiber Beck:** I think it is a little over \$17 million dollars. That would be a graduating amount the \$17.5 million dollars would be for the 2017-2019 biennium.

**Chairman Nathe:** This bill would replace the merit based scholarships not the need based scholarships.

**Rep. Rohr:** Why the need for the change?

**Chairman Nathe:** I have a note here they want to tap into the Legacy Fund. I don't know the reason for sure.

**Rep. Rohr:** It is a little nebulous and I don't see the value added for this bill either.

**Rep. Mock:** I think the purpose because the merit based is a fixed dollar amount and this is tied to a percentage of your tuition as a scholarship. It is so if tuition costs change you still get that percentage as a scholarship.

**Rep. Olson:** With the fiscal note, this is replacing the merit based scholarship and bringing it under the umbrella of this bill. So would there be an associated savings we are not seeing here?

**Rep. Mock:** This would be a gross fiscal note.

**Chairman Nathe:** To say if it is a net gain or loss , appropriations will work it out and then we will know. From a policy standpoint what we are doing now is working quite well. It has a good track record. I am not in favor of this bill.

**Rep. Schreiber Beck:** If you read into the fiscal note also the new promise grant increasing to 100% in the 2023-2024 so that it is the graduating increase and I don't know if everyone is remembering that.

**Chairman Nathe:** The bill sponsor was doing that in mind the Legacy Fund would fund that.

**Rep. Rohr: Moved Do Not Pass HB 1452.**

**Rep Meier: Seconded.**

**Rep. Kelsh:** I hope we keep in mind if we do go down that path we need more needs based than all merit based scholarships.

**A Roll Call Vote was taken. Yes: 9 No: 3 Absent: 1. Motion carried.**

**Rep. Olson: will carry the bill.**

Date: 2/4/15  
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1452**

House Education 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. Rohr Seconded By Rep. Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Nathe	✓		Rep. Hunskor	✓	
Vice Chairman Schatz	✓		Rep. Kelsh		✓
Rep. Dennis Johnson	✓		Rep. Mock		✓
Rep. B. Koppelman	A				
Rep. Looyesen		✓			
Rep. Meier	✓				
Rep. Olson	✓				
Rep. Rohr	✓				
Rep. Schreiber Beck	✓				
Rep. Zubke	✓				

Total (Yes) 9 No 3

Absent 1

Floor Assignment Rep. Olson

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

**REPORT OF STANDING COMMITTEE**

**HB 1452: Education Committee (Rep. Nathe, Chairman) recommends DO NOT PASS**  
(9 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1452 was placed on the  
Eleventh order on the calendar.

**2015 TESTIMONY**

**HB 1452**

# 1.  
HB 1452  
2/3/15

**HB 1452**

House Education Committee

8:00 am | February 3, 2015

Chairman Nathe and members of the House Education Committee, for the record I am Representative Thomas Beadle, District 27 in Fargo.

***"An investment in knowledge pays the best interest." - Benjamin Franklin***

I come before you today in support of House Bill 1452, which seeks to establish a Promise Grant program to benefit the state of North Dakota for years to come. Those of you who were here in the 2007 legislative session may recognize this concept, as at that time it was before the assembly as Senate Bill 2347. During that session, a version of this bill passed the Senate by a 40-7 vote before being defeated in the House by a vote of 65-28 due to a high price tag with little means of funding. That bill was amended into a study that over the next few sessions developed into what we currently refer to as the merit based scholarship programs. Whereas the ND Promise Grant proposal eventually fully funds tuition for high achieving students, the merit based programs we have come to know as the North Dakota Academic Scholarships and the North Dakota Career & Technical Education Scholarships provide a set dollar amount of \$1,500 per year to qualifying students.

The fundamental concept of this bill as well as the existing scholarship programs that we have in place today is a commitment to addressing college affordability concerns. While I am very aware of the significant investment that our state has made to Higher Education in the past decade, and how there are legitimate discussions that need to take place regarding administrative bloat and poor fiscal control, there is still no denying the fact that the students are being saddled with debt that has great negative effects. In North Dakota, despite the efforts we have made over the last few years, 83% of our graduates from 4 year schools graduate with student loan debt, compared to the national average of 57%. Additionally, our student's average debt load at graduation is nearly \$28,000, which is higher than average debt loads nationally which hover around \$26,000. Taken as a snapshot we can see that there are some issues with the cost our students face. Additionally, estimate show that the average Total Cost of attendance for a student living on campus in North Dakota is over \$18,000 per year, which shows that the days of a student being able to pay for school by just working hard during the summer are long gone. While some may argue that Higher Education is out of control, we need to remember that the students are often suffering the most. High costs of attendance mean that a student either has to take on a high level of debt, or they have to sacrifice classroom hours to spend more time working, which results in the inability to graduate on time which leads to even more semesters of tuition that must be paid. It doesn't take very long before students are so hamstrung with debt that they see their bright eyed rosy outlook on their economic future dim. This is not a burden that we want to saddle our students with. Our state has long been champions of quality education, at all levels, and I think it is imperative that we make a statement to continue supporting quality and affordable education into the future.

Mechanically, HB 1452 seeks to replace the merit based scholarships that we currently offer, and consolidate them under one Promise Grant. **Section 1** of the bill outlines the eligibility requirements for the Promise Grant. These requirements are identical to the existing merit based scholarship programs, with the added requirement that the student must have been a resident of this state continuously from 9<sup>th</sup> grade through graduation in order to have this grant fully funded. One crucial thing that I think it is important to consider, is that students must maintain a B average GPA in order to continue to receive the scholarship, so they must show continual success and effort in their education. **Section 2** of the bill goes into detail on the payment structure of the grant, and allows for continual increases in the grant until the state reaches a point in which they are fully funding student's tuition. During the first year of the program, students that enter the system will see 65% of their tuition covered. Students entering in year 2 will see 70%, year 3 75%, and so on until students entering Higher Education in years 2023-2024 will see the state covering 100% of their tuition. I am certainly open to looking at different coverage levels or a faster escalation, but I thought this would make for a good starting point and would show a solid commitment to our students. **Section 3** of the bill deals with the payment process and details how the grant is directly accredited to the institution and is directly accounted to the tuition amount that remains to the student once all other non-repayable grants and scholarships have been calculated. In doing this, I wanted to a) offset the costs to the Promise Grant program to make sure that other avenues of funding were not left out and b) make sure that the money went directly towards covering tuition and didn't get lost towards other factors like room and board or the incidental trip that may result by the student receiving a grant or loan overage amount directly to themselves. This section also places a sunset clause on the Promise Grant program in order to give us an out after the 2032-33 academic year should we desire. **Section 4** of the bill requires the State Board of Higher Education to provide an annual report of the promise grant program to the legislature during the interim. During this same reporting time, the Superintendent of Public Instruction shall provide a report regarding student demographics and achievement to the legislature. **Section 5** of the bill details a continuing appropriation to fund the grant program. This fund will be filled by the legislative assembly and can be supplemented by any gifts or grants received from any public or private source. This fund shall be invested by the State Investment Board and shall be administered by the Board of Higher Education. At the expiration of the grant program, any unused money shall be returned to the State General Fund. It was my intention upon drafting this bill that the monies used from the legislature for this fund be transferred from the interest received off of the Legacy Fund. **Section 6** of the Bill repeals the now duplicative sections of the century code that deals with the merit based scholarship programs that this grant program will be replacing. **Section 7** of the Bill deals with the effective date that shows a delayed effective date until next biennium, which is the earliest that we can access the Legacy Fund's interest. **Section 8** of the Bill is the Expiration date that shows the end of the program in 2032.

My goals with this bill are simple. First and foremost, this is a legitimate option that I think does have some merit with regards to helping alleviate student debt levels. This program targets our high achieving students, and allows them the financial flexibility to be able to hit the ground running once they come out of our educational system. Second, I wanted us to at least take a second and consider the future of our state, and give some consideration towards how we will wish to utilize the Legacy Fund. Current projections show that there will be over \$5.8 Billion of principle in the fund by the end of

this biennium. Despite the recent dip in oil prices and subsequent revenues, this fund is still rapidly growing and will generate a good deal of interest that can not only be reinvested into itself to quickly grow its principle balance even faster, but can also be used to invest in our state and our people. If we assume a roughly 6% annual return on the Legacy Fund's investments, and we want to reinvest 75% of that interest received, we will still have over \$75 million in available interest starting in the first biennium. I think it is critically important that we look at using at least some portion of the interest received off of the fund to go towards education in our state. Finally, we must look at what we want the legacy of our state to include, and how we want to impact things going forward. By strengthening our education system and investing in our students, we will truly be able to create a wonderful legacy for future generations of North Dakotans. This is a discussion that may not be settled today, but it is a conversation that needs to be started – and that conversation needs to include how we can best expand on the knowledge of today, and use it to build a strong foundation for tomorrow. My belief is that this includes strong higher education opportunities, and that is why I am bringing this bill before you. With that, I am open to any questions from the committee.

Tuition and Fees Estimates (Based on NDUS Data)

	BSC	DCB	LRSC	NDSCS	WSC	DSU	MaSU	MSU	VCSU	UND	NDSU
Tuition:	\$1,755.00	\$1,650.50	\$1,598.52	\$1,795.95	\$1,617.60	\$2,445.36	\$2,404.92	\$2,470.80	\$2,513.70	\$3,079.50	\$3,302.00
Mandatory Fees:	\$364.80	\$398.36	\$415.11	\$328.32	\$544.86	\$579.72	\$839.61	\$672.12	\$823.72	\$676.40	\$607.86
<b>Total Semester Cost:</b>	<b>\$2,119.80</b>	<b>\$2,048.86</b>	<b>\$2,013.63</b>	<b>\$2,124.27</b>	<b>\$2,162.46</b>	<b>\$3,025.08</b>	<b>\$3,244.53</b>	<b>\$3,142.92</b>	<b>\$3,337.42</b>	<b>\$3,755.90</b>	<b>\$3,909.86</b>
Merit Scholarship:	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00
<b>Estimated Semester Cost:</b>	<b>\$1,369.80</b>	<b>\$1,298.86</b>	<b>\$1,263.63</b>	<b>\$1,374.27</b>	<b>\$1,412.46</b>	<b>\$2,275.08</b>	<b>\$2,494.53</b>	<b>\$2,392.92</b>	<b>\$2,587.42</b>	<b>\$3,005.90</b>	<b>\$3,159.86</b>
Promise Grant (65%):	\$1,140.75	\$1,072.83	\$1,039.04	\$1,167.37	\$1,051.44	\$1,589.48	\$1,563.20	\$1,606.02	\$1,633.91	\$2,001.68	\$2,146.30
<b>Projected Semester Cost:</b>	<b>\$979.05</b>	<b>\$976.04</b>	<b>\$974.59</b>	<b>\$956.90</b>	<b>\$1,111.02</b>	<b>\$1,435.60</b>	<b>\$1,681.33</b>	<b>\$1,536.90</b>	<b>\$1,703.52</b>	<b>\$1,754.23</b>	<b>\$1,763.56</b>
<b>Additional Student Savings:</b>	<b>\$390.75</b>	<b>\$322.83</b>	<b>\$289.04</b>	<b>\$417.37</b>	<b>\$301.44</b>	<b>\$839.48</b>	<b>\$813.20</b>	<b>\$856.02</b>	<b>\$883.91</b>	<b>\$1,251.68</b>	<b>\$1,396.30</b>

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Name	Year	% of full-time freshmen who received any student loans	Percent of graduates with debt	Average debt of graduates	Per capita debt of graduates	Tuition and fees (in-district/in-state)	Books and supplies	Total cost of attendance (on-campus)
North Dakota - Total	2012-13	N/A	N/A	N/A	N/A	\$6,816.00	\$1,052.00	\$18,179.00
North Dakota - Total	2011-12	63%	N/A	N/A	N/A	\$6,627.00	\$957.00	\$17,693.00
North Dakota - Total	2010-11	62%	83%	\$27,580.00	\$22,918.00	\$6,383.00	\$933.00	\$16,552.00
Nation - Total	2012-13	N/A	61%	\$26,408.00	\$16,106.00	\$11,808.00	\$1,243.00	\$28,457.00
Nation - Total	2011-12	53%	60%	\$25,903.00	\$15,510.00	\$11,204.00	\$1,227.00	\$27,406.00
Nation - Total	2010-11	52%	59%	\$24,863.00	\$14,783.00	\$10,566.00	\$1,217.00	\$26,337.00

Citation: The Institute for College Access & Success, College InSight, <http://www.college-insight.org>.

Most college-level data are taken directly from U.S. Department of Education sources and the Common Data Set (CDS).

Derived variables and aggregate figures for states, sectors, and other groupings of colleges were calculated as described under "About the Data."

Student debt and undergraduate financial aid data are licensed from Peterson's Undergraduate Financial Aid and Undergraduate Databases, (c) 2014 Peterson's, a Nelnet company, all rights reserved.

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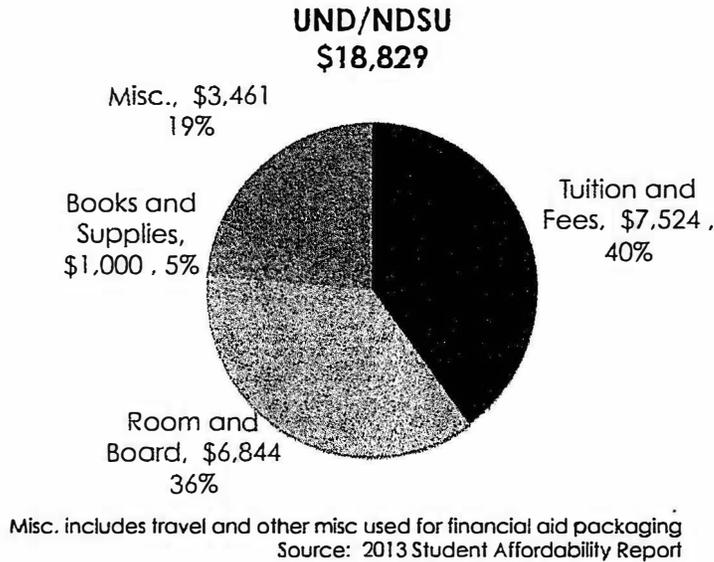
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## Job #2: Affordability

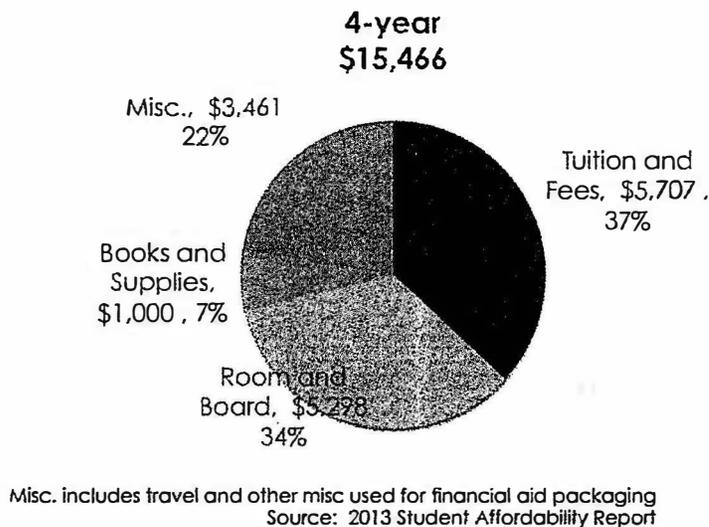


- ▶ College attendance for low-income students requires between 34 and 43% of family income after subtracting financial aid (12–15% for middle-income students)
- ▶ 83% of graduates of public 4-year institutions in North Dakota have some student loan debt, compared to national average of 57%
- ▶ Student debt levels are higher than national average and higher than average debt levels in most peer states.

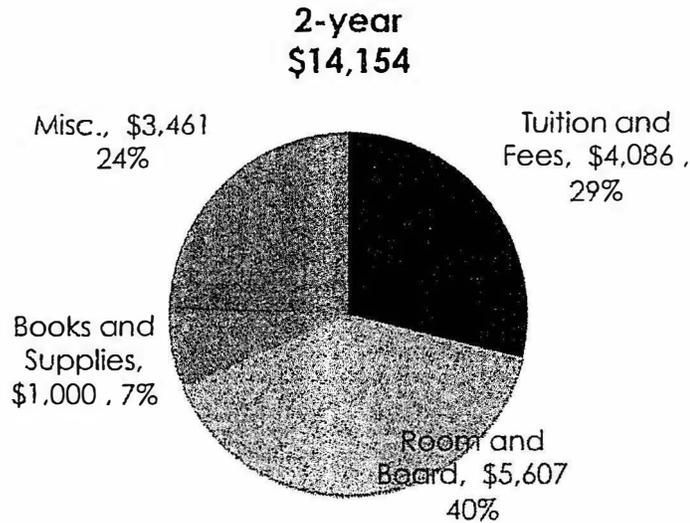
## Gross Estimated Average Student Costs, by Tier – 2013-14 AY



## Gross Estimated Average Student Costs, by Tier – 2013-14 AY



# Gross Estimated Average Student Costs, by Tier – 2013-14 AY



Misc. includes travel and other misc used for financial aid packaging  
Source: 2013 Student Affordability Report



## State/Student Shares

- Applied to "Cost to Continue"
- Current Shares

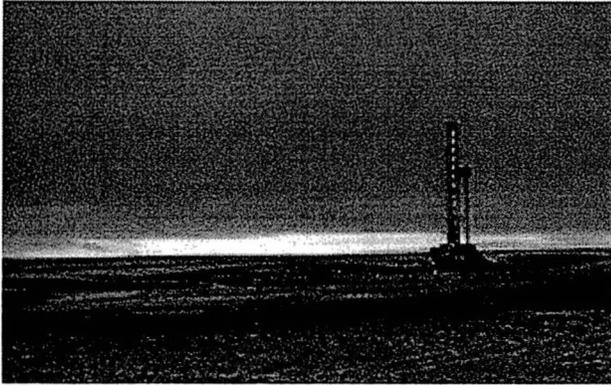
	State Share		Student Share	
	Goal	Est. Actual	Goal	Est. Actual
UND/NDSU	60%	35-45%	40%	55-65%
Four-year	70%	50-65%	30%	35-50%
Two-year	75%	50-75%	25%	25-50%





LEGACY

## Initiative aims to grow Legacy Fund



NOVEMBER 13, 2014 3:48 PM • BY NICK SMITH

Members of a group that spent a year developing a proposed framework for managing the multibillion dollar North Dakota Legacy Fund unveiled its recommendations Thursday in Bismarck.

The Legacy Fund Initiative focused on such ideas as the creation of a world-class state education system, a higher education scholarship program and long-term

infrastructure investments.

The group consisted of business leaders, officials with nonprofits, legislators and educators.

Brad Crabtree with the Great Plains Institute said the Legacy Fund is expected to have approximately \$6 billion by 2017. Through strong management, the fund principal could be as much as \$230 billion by 2060.

Crabtree said the annual earnings of the fund could be in the hundreds of millions annually in a short period of time, creating numerous options for the state to make bold investments for current and future generations.

“For the first and perhaps only time in our state’s history, we can meet needs and opportunities of the present and steward the development of an extraordinary and permanent resource for the future,” Crabtree said.

The Legacy Fund, approved by voters in 2010, had risen to \$2.4 billion as of September. Thirty percent of all oil and gas production and extraction tax revenue go into the Legacy Fund, which can’t be accessed until June 30, 2017.

A two-thirds vote of both houses of the Legislature will be required to spend any of the fund’s principal, capped at 15 percent per biennium. Earnings after June 30, 2017, are to be deposited into the state general fund at the end of each biennium by the state treasurer.

Sen. Mac Schneider, D-Grand Forks, spoke about a recommendation to enhance education in the state, particularly scholarships for college students.

“This is an idea that has been received to an extent by the Legislature,” Schneider said.

Multiple bills failed during the 2013 session which would have used Legacy Fund dollars for North Dakota students to attend college.

### New technology

Another recommendation is to create a "Genius Initiative," utilizing a portion of earnings to foster public-private partnerships as well as support research and development of new technologies.

"Through wise management, North Dakota's Legacy Fund has the potential to truly provide a permanent, sustainable resource for future generations," Crabtree said.

To oversee the fund, a North Dakota Legacy Foundation board is recommended to be created. Initiative members also recommend that the governor and Legislature to assign one major project each biennium to the Legacy Foundation.

Initiative members are recommending 25 percent of annual earnings to be spent beginning in 2017, while investing the remaining 75 percent. After 2039, the group recommends those percentages be switched as oil revenues decline.

### Cost factors

Rod Backman, former director of Office of Management and Budget, said the projection for Legacy Fund levels was based on \$80 per barrel oil. The projection also factors in an investment strategy for the fund to achieve a 6.1 percent annual rate of return and a long-term 2 percent rate of inflation.

It also assumes no changes to the state's 6.5 percent oil extraction tax and 5 percent gross production tax.

Backman acknowledged long-term projections are difficult to make.

"We don't know what the price of oil's going to be next week," Backman said.

Sen. Kelly Armstrong, R-Dickinson, touched on the issue of oil taxes briefly.

"Tax policy is always going to be an important legislative issue," Armstrong said.

Armstrong said it will be important for lawmakers to balance current state needs while allowing the fund to grow over time.

**Testimony of Keith Lund**  
**Economic Development Association of North Dakota**  
**HB 1452**  
**February 3, 2015**

Chairman Nathe and members of the House Education Committee, I'm Keith Lund, vice president of the Grand Forks Region Economic Development and president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support for HB 1452.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Workforce is a major issue across the state. We are talking about workers at all levels and all types of vocations and professions. In addition to our traditional workforce needs, in today's economy, information and ideas are essential ingredients in generating wealth. We believe the long-term result of this program will equate to a growing workforce in North Dakota.

Talent is essential for growing existing businesses, recruiting new businesses and supporting entrepreneurial development. It is the leg on which all other economic development efforts stand.

The knowledge economy presents both a challenge and an opportunity for states like North Dakota. With a strong education system and resourceful, hardworking people, North Dakota has the ability to excel in the knowledge economy.

Much like the Kalamazoo program that has helped attract families from around the world and lead to new private investment, housing and job creation in Kalamazoo, Michigan, HB 1452 creates an incentive for parents to focus more on their children's educational achievement, knowing a tuition benefit will be there for them after high school.

The North Dakota University System through HB 1452 can play a big role in talent development for the following reasons:

- Universities are a magnet for talent and a key to future development and prosperity. As the economy becomes more global, skills and cumulative learning of the workforce becomes the key to both local and national competitiveness.
- Universities can focus on drawing in and creating the talent needed for local economic prosperity. We must establish "brain trusts," or mutually reinforcing relationships between universities and the local economies of communities in rural areas.

In order for North Dakota to grow and compete in this economy, the state must aggressively attract and retain talented, innovative workers who are committed to contributing to our economy.

HB 1452 is a bold effort to attract families and workforce to North Dakota and to mobilize North Dakotans to develop new ideas to grow the economy and create a more prosperous state. Recruiting and retaining talent is a top priority in the global economy. We encourage you to support HB 1452.