

FISCAL NOTE
Requested by Legislative Council
01/18/2019

Revised
 Bill/Resolution No.: SB 2334

- 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.*

| | 2017-2019 Biennium | | 2019-2021 Biennium | | 2021-2023 Biennium | |
|-----------------------|--------------------|-------------|--------------------|--------------|--------------------|--------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | | \$27,100,000 | | \$27,100,000 |
| Appropriations | | | | \$27,100,000 | | \$27,100,000 |

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

| | 2017-2019 Biennium | 2019-2021 Biennium | 2021-2023 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).*

SB2334 provides a senior year tuition waiver for students in science, technology, engineering or mathematics programs at four year institutions and students enrolled in a two-year degree or certificate program in technology or a skilled trade. BND profits would be used to fund the waivers.

- 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.*

The bill provides a waiver of tuition costs related to the senior year, or equivalent time period, of education at a ND state institution of higher education. Students designated as a senior attending four-year institutions would receive a waiver for no more than two semesters. Students in two-year programs would receive a waiver for one-semester. Students in certificate programs would receive a waiver for twenty-five percent of the tuition cost of the program.

The waiver amount is calculated net of scholarships, grants or other waivers. Students may only receive one waiver under the program. This waiver has a requirement for the student to maintain employment in ND for at least three years and a full repayment requirement if the student does not fulfill this requirement. The State Board of Higher Education (SBHE) is required to develop an application form and procedures to administer the program.

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.*

The bill would reduce tuition revenue of state institutions of higher education by an estimated \$27.1 million. Revenue losses would be offset by BND transfers.

- 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.*

BND expenditures would increase by \$27.1 million and would be used to offset the tuition revenue loss.

The number of students enrolled in certificate and associates degree programs, as well as the number of seniors in bachelor programs, at ND institutions during the 2016 spring, summer and fall semesters served as the basis for the calculation. FY2018-19 tuition rates were used. Scholarships, grants, and waiver dollars received by these students were deducted. Of the \$27.1 million in waivers, ND resident waivers are calculated at \$11.6 million and nonresident waivers are \$15.5 million.

- 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 required special fund appropriation for this bill was not included in the executive recommendation.

Name: David Krebsbach

Agency: ND University System

Telephone: 701-328-4111

Date Prepared: 01/23/2019

FISCAL NOTE
Requested by Legislative Council
01/18/2019

Bill/Resolution No.: SB 2334

- 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.*

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The required special fund appropriation for this bill was not included in the executive recommendation.

Name: David Krebsbach

Agency: ND University System

Telephone: 701-328-4111

Date Prepared: 01/22/2019

2019 SENATE EDUCATION

SB 2334

2019 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

SB 2334
1/28/2019
31548

- Subcommittee
 Conference Committee

Committee Clerk Signature Lynn Wolf

Explanation or reason for introduction of bill/resolution:

A bill relating to the creation of a senior year tuition waiver program for students attending North Dakota university system institutions.

Minutes:

Att. #1-Johnson

Chairman Schaible: The hearing for SB 2334 opened.

Senator Kreun, District 42: Introduced SB 2334.

(9:40) **Senator Oban:** I was going to ask you about specifying the fields that somebody goes into. While that is minor in comparison the concept of the bill, I think STEM is the buzz word that doesn't always resond to those shortage areas where we need workforce to be filled. I assume you would be open to reworking that. My concern is that we create these programs and then never take them off the books. So, we are paying loan reimbursement programs for dentists. We have enough dentists in ND, they are just all located in the wrong areas to meet the needs we have and we never take those programs off the books. If we made that a little more flexible, to be able to shift in and out where those workforce needs are, maybe it would respond more to the need you are identifying with the program.

Senator Kreun: Actually, we did have a component with our employment agencies to find out where they were, but that got off when we started looking at it to find out what the need are to put in here. It got pretty complicated. That theory, actually we wrote it in and got one of the bills that we wrote and that was actually in there, but it got very complicated to administer and find out which one is the best one and not. If you take a look at the STEM, you know, teachers have a program like this, but it isn't working the best. But if you got the mathematics and the science and engineering and other stuff, these people can go into teaching, as well. It isn't just industry. Some of our science teachers are science people. Some of our math teachers are math people. They don't always come to we are accepting some of those degrees rather than a straight teaching degree. We have got that capability of puptting that in there if we need to.

Senator Oban: I was even thinking of the psychology and behavioral health areas. We have very clearly identified there are not enough professionals.

Senator Kreun: I would be more than happy to work with anybody if we want to make that more flexible if this group thinks it is a viable option. We discussed all of that and it started very broad and I know there was another House bill that came out with everybody and that was extremely expensive and we tried to keep this down to somewhat manageable as well. If we can write something in there, I would be than happy to work with it.

(12:47) **Senator Davison:** If a student is in a technology program at a two-year institution and receives the tuition waiver for the final semester and then decides to go on to a four-year college in a similar STEM field, what is the process for that?

Senator Kreun: He has to go to work.

Senator Davison: Does he have to pay back the final semester of the two-year college if he doesn't go to work right away and continues his college?

Senator Kreun: I guess you would have to write that into the contract if that is what you planned on doing.

Senator Davison: Similar with a certificate program, if they went on to get a two-year program?

Senator Kreun: Our concept was that we wanted them to go to work. That was the object of signing a work agreement if they were going to do it.

Senator Davison: I agreed that conceptually, that's a good thing. Do you know the percentage of students that graduate from our two-year schools that go to work in ND?

Senator Kreun: No, I do not know those numbers.

Senator Davison: I think you might not be able to break it out exactly, but, it is far north of 50% already stay in ND. I am not opposed to additional incentives; it is just that sometimes you are already getting as a taxpayer. So, how do we build on what we have already built as opposed to just paying somebody for something they're already doing by staying in ND where the work is and where they choose to live.

Senator Kreun: One of the issues is that we have a lot of groups – John Deere is working in Wahpeton, Bobcat, Butler, a lot of these programs that are helping already. But if you look at our trades, our electricians, our carpenters, our plumbers in that area, you can't find them – you can't hire them. I don't know if all these students are going into all the areas that we need and that might go back to Senator Oban's question and maybe we want to focus it more on certain curriculum. I don't know, that's kind of – I am asking for help if that is the right word. We do have a huge employment shortage in those type of trade area, so we could possibly do that.

(15:53) **Chairman Schaible:** The question I have is that this is a senior one and then we have several other ones – one the gap scholarship bill – which is the first two years. Seems to me that if they are in their last year of their education field, they will probably complete and

they probably have their business plan. It seems we might be supplementing something that is going to happen anyway.

Senator Kreun: I don't think they can duplicate these. If they are already in a program or program already paid for, this one doesn't apply.

Chairman Schaible: But don't you feel that if they are in their fourth year of their school, they are going to graduate anyway and they will probably be going to already know where they want to work already. It seems like we're rewarding them for something that is going to happen anyway.

Senator Kreun: They can't duplicate-

Chairman Schaible: Yes, I understand they won't get double money. But if this doesn't happen, how does this entice more that they are going to do anyway?

Senator Kreun: That was a question that I came up with the students. That is exactly what we were talking about. The information they gave me is there is a fair segment of students that aren't quite sure where they are by their junior year and may participate in this program to get them into their senior year and to get them to graduate and then get them a job. We had this discussion of why would we do this just for the seniors and part of its cost, but part of it is also that there is a segment of students that flounder to some degree with what they want to do and this may guide them into a program that they can follow through and get a little help with. This may help our retention rate as far as graduation goes. That was part of our conversation with these students. This was more of their idea than mine.

Chairman Schaible: Their senior year is based on credits?

Senator Kreun: It is on their last credit hours to make them a senior. That was part of the question – what are we doing it just for that reason? That was their answer – that they came up with – is that there is a certain segment of students – and that is why I go back to the fiscal note – we are not going to get – there is what – 3000 – what do we graduate – 1500 seniors a year, roughly? Something like that? It will be a smaller segment of the population and that is why we put the two-year schools in there as well, to make sure we hit those trades.

Chairman Schaible: Other questions – thank you, Senator. Other testimony in favor of the bill. Agency testimony?

Lisa Johnson, Interim Vice Chancellor for Academic/Student Affairs of NDUS: See Attachment #1.

Chairman Schaible: Do you have percentages of out of state students stay and work in ND or go work somewhere else?

Lisa Johnson: Our calculations repeatedly range from 35-45% of the students and that includes all disciplines. I cannot speak to the statistics cited previously to just students in the STEM fields staying in ND after graduation.

Chairman Schaible: 35-45% of the students stay in?

Lisa Johnson: Yes, that is correct. All disciplines.

Senator Davison: Does the University system already identify which fields are considered STEM fields?

Lisa Johnson: Yes, we actually have a very specified list because students in that field need to know for certain if they are included in the STEM fields. Those are designated by a term we use in higher ed. called a SIP code. There are very specified SIP codes that align with national definitions of STEM fields. There was a time years ago when we were more liberal as to what constituted a STEM field, but have more recently in aligning with national definitions of STEM have trimmed that down to true STEM fields.

Senator Davison: Can we get a copy of that?

Lisa Johnson: Yes, I can get that to you.

Senator Davison: What are your thoughts about students that go from a two-year certificate to a four year. How are we going to collect that, how are we going to process that? If they stay in the STEM field, should we let them continue in their education and if they drop out their junior year – I have some struggles just with the process of this. How do you see that working?

Lisa Johnson: I whole-heartedly agree with the concern about managing. My mind even goes to how do you keep track of even employment for three years? What constitutes employment? The ND University System wants to be supportive of a bill. We would benefit from this bill. I appreciate your concerns about managing and the fiscal note attached to it. In response to your question about how do we manage the sort of layering and duplication of awarding the scholarship – in addition to advising or guidance or self-awareness, really, it would be to the student's advantage to forgo or pass on the tuition waiver on completion of a two-year. I feel like if you were at graduation on the threshold of – should I enter the workforce or might I go on for a four-year degree – it would be in the student's best interest pass on the tuition waiver on the two-year or associate's or certificate level; knowing full well that completing a four-year degree would certainly be a greater financial advantage for the student. Who walks them through that or their awareness of that probably remains to be seen. In response to your question, obviously, you can't use it twice and the most beneficial would be the last year of a four-year degree.

(28:49) **Chairman Schaible:** Seeing no other questions, thank you.

Senator Rust: Mr. Chairman and Lisa, who would administer and manage this?

Lisa Johnson: In terms of administration, are you –

Senator Rust: To questions like Senator Davison had. Once you set this up, there are lots of possibilities of how to do this. Would that be left up to the University System or do you see that being clarified through the administrative rules process?

Lisa Johnson: I don't have an opinion on that. I am certainly willing to participate in the process. If that was a responsibility administrative rules wanted to carry, I wouldn't have a problem with that. Essentially, I have no opinion on that.

Chairman Schaible: Thank you. Other agency testimony.

Todd Steinwand. Chief Business Development Officer for the BND: We do carry the fiscal note on it – where the funds come from the BND. Our only concern is that there are a lot of bills that are looking at using our profits. Currently we are tracking – I know we have talked before that what we feel comfortable going into the next biennium overall is about \$20 million. Those are our concerns around this bill and the fiscal note associated with it. There are a couple of different scholarship programs, buy down programs, there's lots of asks, and so, making sure that we stay close to that \$200 million.

Chairman Schaible: On a fiscal note of \$27 million – are you concerned that it won't be that high and that it would be close to that?

Todd Steinwand: We didn't put together the fiscal note, so I can't speak to whether those numbers are accurate. I trust the University System and they looked at their data that those would be accurate.

Senator Rust: You said the bank has about \$200 million available.

Todd Steinwand: Right now, there is about \$233 million in bills. There was more than that and a few of them have been killed. Our president has stated from an overall earnings coming out over the next biennium we feel comfortable that the \$200 million is a good number and that includes what goes to the general fund, our interest buy-down, and any other tuition – there are several different bills out there.

Chairman Schaible: Thank you. Any testimony in opposition? The hearing for 2334 is closed.

2019 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

SB 2334
1/28/2019
31554

- Subcommittee
 Conference Committee

Committee Clerk Signature Lynn Wolf

Explanation or reason for introduction of bill/resolution:

A bill relating to the creation of a senior year tuition waiver program for students attending North Dakota university system institutions.

Minutes:

Chairman Schaible: Call the committee back to order. We are going to look at SB 2334.

Motion by Senator Davison DNP on SB 2334.

Second by Senator Rust.

Yeas: 6; Nays 1; 0 Absent not voting.

Motion Carries.

Date: 1-26-19
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2334**

Senate 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 Sen Davison Seconded By Sen. Rust

| Senators | Yes | No | Senators | Yes | No |
|---------------------|-----|----|---------------------|-----|----|
| Chairman Schaible: | ✓ | | Senator Marcellais: | ✓ | |
| Vice-Chairman Fors: | ✓ | | Senator Oban: | | ✓ |
| Senator Davison | ✓ | | | | |
| Senator Elkin: | ✓ | | | | |
| Senator Rust: | ✓ | | | | |
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Total (Yes) 6 No 1

Absent 0

Floor Assignment Sen. Davison

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

REPORT OF STANDING COMMITTEE

SB 2334: Education Committee (Sen. Schaible, Chairman) recommends **DO NOT PASS** (6 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2334 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

SB 2334

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AH #1
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SB2334

Senate Education Committee

January 28, 2019

Lisa A. Johnson, Interim Vice Chancellor for Academic/Student Affairs, NDUS
701.328.4143 | lisa.a.johnson@ndus.edu

Chair Schaible and members of the Senate Education Committee: My name is Lisa Johnson, and I serve as the Interim Vice Chancellor for Academic and Student Affairs of the North Dakota University System. I'm here to provide testimony in support of Senate Bill 2334.

This bill, intended to incentivize student completion rates among both two-year and four-year institutions, is supported by the North Dakota University System. It aligns well in response to recommendations contained in the *Workforce Development Council Summary Report*. The Workforce Development Council comprised of employers, state agencies including K-12, CTE and the University System developed a number of recommendations to address the technical skills gap with an emphasis on two-year and technical programs and to encourage in-state completion and retention of North Dakota students in a nationally competitive work environment. Further, the proposed bill supports many elements of the Governor's Main Street Initiative and the Governor's Nursing Shortage Task Force to attract and retain North Dakota students not only in nursing, but also many "in demand" STEM job opportunities in both rural and non-rural communities.

The proposed bill and the financial incentive to complete a baccalaureate, associate or certificate program will most likely increase existing graduation and retention rates among public, postsecondary institutions of higher education in North Dakota.

Because of the expanded mission of more than one NDUS institution, the Committee may wish to consider replacing reference to "four-year institutions" and "two-year institutions" with that of "baccalaureate-level" and "associate-level" programs. This proposed revision then recognizes that BSC offers one or more baccalaureate degree and that several four-year institutions offer associate-level degrees.

If passed, SB 2334 would reduce tuition revenue of state institutions of higher education by \$27.1 million. Revenue losses would be offset by Bank of North Dakota transfers. The \$27.1 million in waivers would benefit roughly 3,000 students per year or 6,000 students over the course of a biennium. In terms of residency, the breakdown of the 3,000 students is 58% with North Dakota residency and 42% with a non-North Dakota residency status.

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1-28-19
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Of the \$27.1 million calculated in estimated tuition waivers, \$11.6 million (42%) would go to North Dakota students, while \$15.5 million (58%) would be awarded to non-resident students.

I respectfully recommend a “do pass” on Senate Bill 2334 and am available to answer questions from the Committee.

Thank you.