MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2019

2001 SENATE APPROPRIATIONS

SB 2019

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2019

Senate Appropriations Committee

☐ Conference Committee

Hearing Date January 11, 2001

Tape Number	Side A	Side B	Meter #
Tape #2	x		43.0 - 54.4
Tape #2		x	0.0 - 34.5
Committee Clerk Signature	Connie Peterson		

Minutes:

Senator Nething opened the hearing on SB2019.

Rod Backman, Director of the Office of Management and Budget, testified on the bill for the Department of Economic Development and Finance (a copy of written testimony is attached).

Miles Friedman, President of the National Association of State Development Agencies (NASDA), presented documentation regarding his work addressing the potential for consolidation and/or privatization of the economic development programs in ND (copy of his written testimony attached).

Senator Nething: Appears you focused on marketing as opposed to regulatory of commerce?

Miles Friedman: Generally economic development programs op to keep regulating issues separate.

Senator Solberg: Realize you worked with numerous states -- is North Dakota unique in the fact that we have the Bank of North Dakota? Did you look at that? What part should it play?

Mike Friedman: Considered, reviewed all resources out there, the Bank being one of them. Saw Bank as free standing.

Lee Peterson, Director of Economic Development and Finance (ED&F), presented testimony on the department (copy attached).

Orlin Hanson, farmer/rancher and Director of Renville County Economic Development, testified in support of Mr. Peterson and SB2019. He is very supportive of the ND Workforce Training, and the advancement of technology...everyone should have the opportunity to access the inter net, it's imperative that all areas of North Dakota have adequate wiring system.

Jim Melland, Grand Forks, lobbyist for the Economic Development Association of ND, presented testimony in support of SB2019 (copy of written testimony is attached).

Due to time restraints and other Senate commitments, the hearing on SB2019 was recessed until Friday, January 19th by Senator Nething.

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2019

Senate Appropriations Committee

☐ Conference Committee

Hearing Date January 19, 2001

Tape Number	Side A	Side B	Meter #
1	ED & F		49.5 - 54.5
		ED & F	0.0-49.7
2	ED & F		0.0-54.5
2		ED & F	0.0-4.2
Committee Clerk Signature			

Minutes: Continued Hearing on SB 2019 from January 11, 2001

Senator Nething reopening the hearing on SB 2019.

Lee Peterson, Director of Department of Commerce, appeared in support of SB 2019 (testimony and charts attached). An overview was given for proposed organizational plan with regards to SB 2019.

Senator Heitkamp: Where are you at with the FTE's; reduction with combined agencies.

Lee Peterson: An overall reduction of two FTE's.

Senator Nething: Was the Schafer budget lower?

Rod Backman, OMB: When agencies pulled together the reduction FTE's was made for overlapping positions.

Senator Andrist: Workforce development and training development; what is the difference with one agency?

Lee Peterson: The work force council, what are needs at ED & F. Need to look more closely with coordination with varied programs. Looking down the road, this is a giant step with the combined agencies especially on building issue.

Senator Nething: When will these charts be available for a breakdown of the department personnel?

Lee Peterson: Next week.

Linda , Department Director of Economic Development and Finance, gave an overview with proposed amendments and cyber budget request summary (attached).

Senator Nething: On the amendment part; income, how is this generated?

Linda Butts, Interest income and federal fund dollars.

Senator Nething: The summary request; summarize this.

Ron Rothenberg: Commerce Services has federal funds which are not available until next biennium.

Senator Nething: Estimated income; is there a list or breakdown?

Sandy Paulson: OMB to supply this.

Senator Robinson: In the line item grants; why the change?

Sandy Paulson, OMB: $3.4 million reduced for flood disaster; combination three division grants.

Dean Reese, CEO, North Dakota Development Fund, gave overview of their budget and adjustments (attached handouts). Projects are moving along and the demand is there.

Senator Solberg: Equity positions; do you ever charge write offs; when and are these being monitored?

Dean Reese: Equities are updated with concerns; we look at value, solvency and percentage collectible.

Senator Grindberg: Concerned; venture capital is management funds the key with different stages; how do these development funds fit?

Dean Reese: The development funds do fit, the venture capital funds stay in there regions with volume and risks. Fund is not looking by return we fit gap with venture capital; now have five equity projects. We are here to help companies, expanding IT industry is a strong major role; information will be supplied with breakdowns will go together.

Tape #1, end Side B, meter 49.7

Tape #2, start Side A, meter 0.0

Randy Schwartz, Director of Business Services, (testimony attached).

Senator Nething: Financing Division in the budget; shifting why change.

Randy Schwartz: Schafer $1.1 million; now $570,000.

Sandy Paulson, OMB: Executive Administration decision Hoeven budget; cut back reduced special funds and federal funds; needs to be looked at.

Senator Bowman: Marketing weakness with technology; college with market specialist to get expertise workers?

Randy Schwartz: Will look at University systems; work together with university system and manufacturing companies, develop consultant data base.

Lance Gaebe, Executive Director, Agricultural Products Utilization Commission, testified on ethanol production incentives (testimony and charts attached).

Senator Thane: Research at NDSU & ND State School of Science with sunflower oil; was this put to sleep, status?

Lance Gaebe: Just recently a feasibility study was talked about on this; study possible.

Gene Veeder, McKenzie County Economic Development Board, appeared in support of SB 2019. The Department of Commerce merger concept is vital; projects need to be under one agency for rural communities in addition to the tourism budget.

Roger Johnson, Commission of Agriculture, urged funding and support of SB 2019 (testimony attached), and funding is needed for ethanol industry.

Todd Kranda, Attorney, Kelsch Law Firm Bismarck, ND: appeared in support of SB 2019 and introduced Harold Newman.

Harold Newman, Grafton, ND: spoke on the impact this bill has on the community. Gave figures on their plant that was opened 14 years ago. He gave problems surrounding corn producers in the state; there are more incentives with big industry; optimistic with future; plant in Grafton is EPA safe to use and room for expansion in Grafton; federal grants out there for corn used.

Senator Bowman: What is the cost to do business with the high gas prices now? Where can you break even?

Harold Newman: Good point; it varies from 53 cents to 57 cents; bad natural gas prices now, pd $1.5 million in 1999 and $2.5 million in 2000; hard for project absorb.

Senator Bowman: How about the byproducts?

Harold Newman: This has accelerated some; $60-$65 per ton; 30% gross.

Senator Thane: BTU inputs with ethanol reduced; technology improved this than past years; cost more than getting out.

Harold Newman: The newer plants have improved for corn to alcohol process. Biodiesel is working with 10% alcohol.

David Monson, Representative from District 10, spoke in support of this bill with the ethanol incentives to help Walhalla plant. It will help farmers in the feed industry and the REC.

Tape #2, end Side A, meter 54.5

Tape #2, start Side B, meter 0.0

Tom Trenbeath, spoke in favor of SB 2019, stating the present plant affects farmers and jobs are affected by production. Hopefully all plants are treated equally as there are limit plans in the budget.

Allan Braaten, Corn Growers Association, spoke in favor of the bill.

Senator Solberg: Are your working on feedlot expansion?

Allan Braaten: There is a need for this as ND has the better feed for cattle as well as cheaper land.

Mark Sitz, ND Farmers Union and farmer, spoke in support of SB 2019. This bill will add value to farmers with a win, win situation.

Senator Tallackson: passed out a handout (attached) on funding for the ethanol production incentive program from executive budget recommendation for the 1999-2001 biennium.

Hearing closed.

February 19, 2001 Full Committee (Tape #3, Side B, Meter No. .7-34.5)

Senator Nething reopened the hearing on SB2019.

Senator Grindberg, Chair of the Economic Development & Finance Subcommittee presented amendments (18045.0108). Explanation and discussion followed.

Senator Grindberg moved adoption of the amendments; Senator Heitkamp seconded.

Discussion; voice vote; motion carried.

Discussion on the bill.

Senator Grindberg moved a DO PASS AS AMENDED; Senator Heitkamp seconded.

Discussion. Roll Call Vote: 13 yes; 0 no; 1 absent and not voting.

Senator Grindberg accepted the floor assignment.

FISCAL NOTE

Requested by Legislative Council
12/19/2000

Bill/Resolution No.: SB 2019

Amendment to:

1A. **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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$278,000		
Expenditures						
Appropriations						

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Section 9 of SB 2019 extends the 7-cent reduction in refunds of tax for fuel used for agricultural purposes. That additional one-cent withheld will generate approx. $278,000 during the 01-03 bienium, earmarked for ethanol production incentives in the highway distribution fund. (Two cents, or $556,000 will be available for the agricultural fuel tax fund, and four cents, or $1,112,000 will go to the agricultural research fund.)

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.*

   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.*

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/04/2001

SB 2019

Office of Management and Budget
January 19, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2019

Page 1, lines 2 through 3, replace "economic development and finance and to the agricultural products utilization commission for grants" with "commerce"

Page 1, replace lines 14 through 22 with:

"Salaries and wages	$6,028,893
Operating expenses	10,450,832
Equipment	199,936
Grants	36,010,226
North Dakota development fund grants	2,616,000
Agricultural products utilization	5,007,270
Lewis & Clark Bicentennial	655,751
Total all funds	$60,968,908
Less estimated income	43,566,559
Total general fund appropriation	$17,402,349"

Page 3, line 16, replace "$750,000" with "$2,616,000"

Renumber accordingly

18045.0105
Title.

Prepared by the Legislative Council staff for
Senator G. Nelson
February 16, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2019

Page 1, line 3, replace "a statement" with "statements"

Page 3, after line 14, insert:

"**SECTION 7. LEGISLATIVE INTENT - DEVELOPMENT FUND MISSION.** It is the intent of the legislative assembly that the department of commerce continue the current mission of the development fund and not become involved in the new markets initiative for the biennium beginning July 1, 2001, and ending June 30, 2003."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 605 - Department of Commerce

SENATE - A section of legislative intent is added providing that the development fund continue its current mission and not become involved in the new markets initiative during the 2001-03 biennium.

Date: 2-19-01

Roll Call Vote #: _____

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

Senate Appropriations Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number Jon Nelson 1

Action Taken Amendment 1804.0105

Motion Made By Sen _____ Seconded By Sen _____

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman					
Ken Solberg, Vice-Chairman					
Randy A. Schobinger					
Elroy N. Lindaas					
Harvey Tallackson					
Larry J. Robinson					
Steven W. Tomac					
Joel C. Heitkamp					
Tony Grindberg					
Russell T. Thane					
Ed Kringstad					
Ray Holmberg					
Bill Bowman					
John M. Andrist					

Total Yes _____ No _____

Absent _____

Floor Assignment Sen _____

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

18045.0107
Title.
Fiscal No. 2

Prepared by the Legislative Council staff for
Senator Grindberg
February 19, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2019

Page 1, remove line 2

Page 1, line 3, replace "grants" with "commerce", replace "a statement" with "statements", and after the third semicolon insert "to direct the state tax commissioner to audit the ethanol incentive program; to provide for legislative council studies; to create and enact a new section to chapter 54-34.4 of the North Dakota Century Code, relating to tourism copyrights and trademarks;"

Page 1, line 4, after "4-14.1-07" insert ", 54-34.4-04,"

Page 1, line 5, after "incentives" insert ", motion picture development office advisory board," and remove the second "and"

Page 1, line 6, after "date" insert "; and to declare an emergency"

Page 1, line 11, replace "economic development and finance" with "commerce"

Page 1, line 12, replace "its" with "the" and after "expenses" insert "of its various divisions"

Page 1, replace lines 14 through 22 with:

"Subdivision 1.

ADMINISTRATION

Salaries and wages	$877,474
Operating expenses	187,516
Economic development foundation	100,000
Total line items	$1,164,990
Less estimated income	249,487
Total general fund appropriation	$915,503

Subdivision 2.

ECONOMIC DEVELOPMENT AND FINANCE

Salaries and wages	$2,388,822
Operating expenses	4,453,499
Equipment	111,058
Grants	1,723,292
North Dakota development fund	1,616,000
Agricultural products utilization	5,007,270
Total all funds	$15,299,941
Less estimated income	5,390,203
Total general fund appropriation	$9,909,738

Subdivision 3.

COMMUNITY SERVICES

Salaries and wages	$1,665,525
Operating expenses	2,539,380
Equipment	73,500
Grants	34,306,934
Total line items	$38,585,339
Less estimated income	37,503,285
Total general fund appropriation	$1,082,054

Subdivision 4.

TOURISM

Salaries and wages	$905,785
Operating expenses	3,300,437
Equipment	15,378
Grants	100,000
Lewis and Clark bicentennial	755,751
Total all funds	$5,077,351
Less estimated income	363,000
Total general fund appropriation	$4,714,351

Subdivision 5.

WORKFORCE DEVELOPMENT

Salaries and wages	$191,287
Operating expenses	50,000
Equipment	25,000
Grants	675,000
Total line items	$941,287
Less estimated income	60,584
Total general fund appropriation	$880,703
Grand total general fund appropriation S.B. 2019	$17,502,349
Grand total special funds appropriation S.B. 2019	$43,566,559
Grand total all funds S.B. 2019	$61,068,908"

Page 1, line 24, after "in" insert "subdivision 2 of"

Page 2, line 6, after "in" insert "subdivision 2 of"

Page 2, line 10, after "in" insert "subdivision 2 of"

Page 2, line 12, remove "Of this amount, $2,493,000 is for the purpose of providing"

Page 2, remove line 13

Page 2, line 14, remove "beginning July 1, 2001, and ending June 30, 2003." and after "in" insert "subdivision 2 of"

Page 2, line 20, after the period insert "An ethanol plant must notify the agricultural products utilization commission, in writing, by October 1, 2001, of its intent to request ethanol incentive payments for the biennium beginning July 1, 2001, and ending June 30, 2003, to be eligible to receive payments authorized by this section."

Page 2, line 29, after "If" insert "an ethanol plant has not notified the agricultural products utilization commission of its intent to request ethanol incentive payments for the biennium beginning July 1, 2001, and ending June 30, 2003, or if,"

Page 2, line 31, after "of" insert "funds certified by the agricultural products utilization commission as not needed for ethanol incentive payments or the"

Page 3, line 5, after "in" insert "subdivision 2 of"

Page 3, line 10, after "in" insert "subdivision 2 of"

Page 3, line 11, replace "$1,246,500" with "$1,250,000"

Page 3, line 16, replace "$750,000" with "$1,616,000"

Page 3, after line 31, insert:

"**SECTION 8. LEGISLATIVE INTENT - DEPARTMENT OF COMMERCE STRATEGIC PLAN.** It is the intent of the legislative assembly that the department of commerce develop a strategic plan including the new economy initiative, with the assistance of the national association of state development agencies, three legislators, and one member of the economic development association of North Dakota, for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 9. LEGISLATIVE COUNCIL STUDY - DEPARTMENT OF COMMERCE. The legislative council shall consider monitoring, during the 2001-02 interim, the establishment of the department of commerce.

SECTION 10. LEGISLATIVE INTENT - ECONOMIC DEVELOPMENT COOPERATIVE MARKETING. It is the intent of the legislative assembly that $250,000 of the operating expenses line item in subdivision 2 of section 1 of this Act be spent for cooperative marketing grants involving local economic development corporations, for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 11. ECONOMIC DEVELOPMENT PROFESSIONAL TRAINING GRANTS. The department of commerce shall allocate $15,000 of the grants line item in subdivision 2 of section 1 of this Act for providing professional training grants to economic development professionals in communities with a population of less than ten thousand, for the biennium beginning July 1, 2001, and ending June 30, 2003. Each applicant may receive up to $750 per year for attending out-of-state professional training courses or national economic development conferences.

SECTION 12. LEGISLATIVE INTENT - GRANTS LINE ITEM - REMODELING OF ABANDONED PUBLIC SCHOOL BUILDINGS PILOT PROJECT. It is the intent of the legislative assembly that $50,000 of the grants line item in subdivision 2 of section 1 of this Act be used to establish a pilot project to provide grants to cities, school districts, or authorized job development authorities to assist in the remodeling of abandoned public school buildings to be used for the location or relocation of a new or expanding business. If the applicant provides matching funds of at least twenty percent for the proposed project, the department may award a grant of up to five thousand dollars for each new full-time job proposed to be created as a result of the project. The maximum amount of a grant under this section is fifty thousand dollars. The grant funds may be used only to remodel closed public school buildings in a city in which the closed school was the only school in the city. The department may establish additional guidelines for the awarding of grants under this section.

SECTION 13. LEGISLATIVE INTENT - GRANTS - CHAMPION COMMUNITIES. It is the intent of the legislative assembly that $75,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated to provide matching funds on a dollar-for-dollar basis to the United States department of agriculture designated champion/REAP alliance communities to provide funding for an economic development coordinator employed by these communities to assist in economic development and to help stem outmigration, for the biennium beginning July 1, 2001, and ending June 30, 2003. Local matching funds may be cash or in-kind contributions.

SECTION 14. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM. The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 15. LEGISLATIVE INTENT - TOURISM. It is the intent of the legislative assembly that for the purpose of preparing a budget request for the 2003-05 biennium, the base budget request for the tourism department not include the $100,000 appropriation provided by the fifty-seventh legislative assembly for additional marketing relating to the Lewis and Clark bicentennial.

SECTION 16. LEGISLATIVE COUNCIL STUDY - WORKFORCE DEVELOPMENT. The legislative council shall consider studying, during the 2001-02 interim, workforce development programs in North Dakota, including efforts to recruit and retain North Dakota's workforce, underemployment and skills shortages, current workforce training efforts, the involvement of the new economy initiative goals and strategies, and the work force 2000 and new jobs training programs and the appropriate agency that should administer these two programs.

SECTION 17. LEGISLATIVE INTENT - WORKFORCE DEVELOPMENT GRANTS - TALENT RECRUITMENT INITIATIVE. It is the intent of the legislative assembly that $400,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated for the development of a public/private partnership statewide talent recruitment initiative for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 18. LEGISLATIVE INTENT - WORKFORCE DEVELOPMENT GRANTS - LABOR AVAILABILITY AND WORKFORCE NEEDS. It is the intent of the legislative assembly that $200,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated for grants to local communities or regions for labor availability research or for identification of employer workforce needs for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 4, after line 22, insert:

"**SECTION 20. AMENDMENT.** Section 54-34.4-04 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

54-34.4-04. North Dakota motion picture development office - Advisory board. The North Dakota motion picture development office is a part of the tourism department. The office shall promote North Dakota as a location for shooting films, television shows, documentaries, and commercials, and shall provide technical expertise to persons desiring to use the state as a filming location. The director of the tourism department shall appoint staff necessary to fulfill the functions and duties of the office and ~~shall~~ may appoint an advisory board of no more than ten members to assist in advising the office and to provide technical expertise to offer prospective film companies seeking locations and advice. The board shall serve without compensation, except reimbursement for actual and necessary expenses at the same rate as allowed other state officers to be paid from funds available to the office within the limits of legislative appropriations.

SECTION 21. A new section to chapter 54-34.4 of the North Dakota Century Code is created and enacted as follows:

Copyright and trademark. The director of the tourism department may obtain copyright or trademark protection for anything that may be used to promote the policies listed in section 54-34.4-03. The director may license and charge a fee for photographs and logos and anything with copyright or trademark protection."

Page 5, line 12, replace "9" with "22"

Page 5, after line 13, insert:

"**SECTION 24. EMERGENCY.** Section 21 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2019 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Department of Economic Development and Finance			
Total all funds	$20,411,391	($20,411,391)	
Less estimated income	6,396,902	(6,396,902)	
General fund	$14,014,489	($14,014,489)	$0
Department of Commerce - Administration			
Total all funds		$1,164,990	$1,164,990
Less estimated income		249,487	249,487
General fund	$0	$915,503	$915,503
Department of Commerce - Economic Development			
Total all funds		$15,299,941	$15,299,941
Less estimated income		5,390,203	5,390,203
General fund	$0	$9,909,738	$9,909,738
Department of Commerce - Community Services			
Total all funds		$38,585,339	$38,585,339
Less estimated income		37,503,285	37,503,285
General fund	$0	$1,082,054	$1,082,054
Department of Commerce - Tourism			
Total all funds		$5,077,351	$5,077,351
Less estimated income		363,000	363,000
General fund	$0	$4,714,351	$4,714,351
Department of Commerce - Workforce Development			
Total all funds		$941,287	$941,287
Less estimated income		60,584	60,584
General fund	$0	$880,703	$880,703
Bill Total			
Total all funds	$20,411,391	$40,657,517	$61,068,908
Less estimated income	6,396,902	37,169,657	43,566,559
General fund	$14,014,489	$3,487,860	$17,502,349

Senate Bill No. 2019 - Department of Economic Development and Finance - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	$3,725,220	($3,725,220)	
Operating expenses	8,944,228	(8,944,228)	
Equipment	296,358	(296,358)	
Grants	1,673,292	(1,673,292)	
North Dakota development fund	750,000	(750,000)	
Agricultural products utilization	5,022,293	(5,022,293)	
Total all funds	$20,411,391	($20,411,391)	$0
Less estimated income	6,396,902	(6,396,902)	
General fund	$14,014,489	($14,014,489)	$0
FTE	30.00	(30.00)	0.00

Dept. 601 - Department of Economic Development and Finance - Detail of Senate Changes

	CONSOLIDATE WITH DEPARTMENT OF COMMERCE [1]	TOTAL SENATE CHANGES
Salaries and wages	($3,725,220)	($3,725,220)
Operating expenses	(8,944,228)	(8,944,228)
Equipment	(296,358)	(296,358)
Grants	(1,673,292)	(1,673,292)
North Dakota Development Fund	(750,000)	(750,000)
Agricultural products utilization	(5,022,293)	(5,022,293)
Total all funds	($20,411,391)	($20,411,391)
Less estimated income	(6,396,902)	(6,396,902)
General fund	($14,014,489)	($14,014,489)
FTE	(30.00)	(30.00)

[1] Funding for the Department of Economic Development and Finance is removed and consolidated into the Department of Commerce as recommended by Governor Hoeven.

Senate Bill No. 2019 - Department of Commerce - Administration - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$877,474	$877,474
Operating expenses		187,516	187,516
Economic development foundation		100,000	100,000
Total all funds	$0	$1,164,990	$1,164,990
Less estimated income		249,487	249,487
General fund	$0	$915,503	$915,503
FTE	0.00	8.00	8.00

Dept. 606 - Department of Commerce - Administration - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	ADD FUNDING FOR FOUNDATION	TOTAL SENATE CHANGES
Salaries and wages	$877,474		$877,474
Operating expenses	187,516		187,516
Economic development foundation		$100,000	100,000
Total all funds	$1,064,990	$100,000	$1,164,990
Less estimated income	249,487		249,487
General fund	$815,503	$100,000	$915,503
FTE	8.00	0.00	8.00

[1] This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

A section is added providing that the Legislative Council consider monitoring the establishment of the department during the 2001-02 interim.

A section of legislative intent is added providing that the department develop a strategic plan.

Senate Bill No. 2019 - Department of Commerce - Economic Development - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$2,388,822	$2,388,822
Operating expenses		4,453,499	4,453,499
Equipment		111,058	111,058
Grants		1,723,292	1,723,292
North Dakota Development Fund		1,616,000	1,616,000
Agricultural products utilization		5,007,270	5,007,270
Total all funds	$0	$15,299,941	$15,299,941
Less estimated income		5,390,203	5,390,203
General fund	$0	$9,909,738	$9,909,738
FTE	0.00	19.00	19.00

Dept. 607 - Department of Commerce - Economic Development - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	TRANSFER WORKFORCE DEVELOPMENT [2]	REDUCE DEVELOPMENT FUND [3]	INCREASE FUNDING FOR MARKETING	ADD FUNDING FOR GRANTS	TOTAL SENATE CHANGES
Salaries and wages	$2,580,109	($191,287)				$2,388,822
Operating expenses	4,413,499			$40,000		4,453,499
Equipment	111,058					111,058
Grants	1,673,292				$50,000	1,723,292
North Dakota Development Fund	2,616,000		($1,000,000)			1,616,000
Agricultural products utilization	5,007,270					5,007,270
Total all funds	$16,401,226	($191,287)	($1,000,000)	$40,000	$50,000	$15,299,941
Less estimated income	5,450,797	(60,594)				5,390,203
General fund	$10,950,441	($130,703)	($1,000,000)	$40,000	$50,000	$9,909,738

FTE	21.00	(2.00)	0.00	0.00	0.00	19.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven

2 The workforce development position and a research position are transferred to the Workforce Development Division of the department

3 Funding for the North Dakota Development Fund is provided at $1,616,000 from the general fund, $1,000,000 less than recommended by Governor Hoeven and $866,000 more than Governor Schafer's recommendation

Provisions are added removing the allocation of $7,000 of the funding provided for the ethanol incentive program audit. A section is added requiring the Tax Commissioner to conduct an audit of the program during the 2001-03 biennium.

Provisions are added requiring the ethanol plants to notify the Agricultural Products Utilization Commission by October 1, 2001, if the plants intend to request ethanol incentives during the 2001-03 biennium. If any plants do not intend to request the incentives, the funding appropriated for those incentives will be used for Agricultural Products Utilization Commission grants during the 2001-03 biennium.

A section is added providing that $250,000 of the funding provided for marketing be spent for cooperative marketing grants involving local economic development corporations.

A section is added providing that $15,000 of the grants line item be allocated for professional training grants to economic development professionals in communities with a population of less than 10,000.

A section is added providing that $50,000 of the grants line item be used for grants for a pilot project for remodeling of abandoned public school buildings.

Senate Bill No. 2019 - Department of Commerce - Community Services - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$1,665,525	$1,665,525
Operating expenses		2,539,380	2,539,380
Equipment		73,500	73,500
Grants		34,306,934	34,306,934
Total all funds	$0	$38,585,339	$38,585,339
Less estimated income		37,503,285	37,503,285
General fund	$0	$1,082,054	$1,082,054
FTE	0.00	15.00	15.00

Dept. 608 - Department of Commerce - Community Services - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE 1	REDUCE FUNDING FOR RENAISSANCE ADMINISTRATION 2	TOTAL SENATE CHANGES
Salaries and wages	$1,665,525		$1,665,525
Operating expenses	2,579,380	($40,000)	2,539,380
Equipment	73,500		73,500
Grants	34,306,934		34,306,934
Total all funds	$38,625,339	($40,000)	$38,585,339
Less estimated income	37,503,285		37,503,285
General fund	$1,122,054	($40,000)	$1,082,054
FTE	15.00	0.00	15.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

2 The funding provided for the administration of the renaissance zone program is removed.

Senate Bill No. 2019 - Department of Commerce - Tourism - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$905,785	$905,785
Operating expenses		3,300,437	3,300,437
Equipment		15,378	15,378
Grants		100,000	100,000
Lewis and Clark Bicentennial		755,751	755,751
Total all funds	$0	$5,077,351	$5,077,351

Less estimated income		363,000	363,000
General fund	$0	$4,714,351	$4,714,351
FTE	0.00	9.00	9.00

Dept. 609 - Department of Commerce - Tourism - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	TRANSFER GRANTS TO OPERATING [2]	ADD FUNDING FOR LEWIS AND CLARK MARKETING [3]	ADD FUNDING FOR GRANTS [4]	TOTAL SENATE CHANGES
Salaries and wages	$905,785				$905,785
Operating expenses	3,270,437	$30,000			3,300,437
Equipment	15,378				15,378
Grants	30,000	(30,000)		$100,000	100,000
Lewis and Clark Bicentennial	655,751		$100,000		755,751
Total all funds	$4,877,351	$0	$100,000	$100,000	$5,077,351
Less estimated income	363,000				363,000
General fund	$4,514,351	$0	$100,000	$100,000	$4,714,351
FTE	9.00	0.00	0.00	0.00	9.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

2 The recommended grants line item of $30,000 is removed and the funding is transferred to the operating expenses line item. The grant was previously provided to the Greater North Dakota Association for publication of the North Dakota Horizons magazine.

3 The recommended appropriation for the Lewis and Clark Bicentennial is increased by $100,000 from the general fund to provide additional funding for marketing relating to the Lewis and Clark Bicentennial event.

4 Funding is added for providing a grant to the North Dakota Cowboy Hall of Fame.

Sections are added that:

- Provide legislative intent that the additional $100,000 general fund appropriation provided for Lewis and Clark Bicentennial marketing is not to be considered part of the department's base budget for the purpose of submitting the budget request for the 2003-05 biennium.
- Amend North Dakota Century Code (NDCC) Section 54-34.4-04 to provide that the director of the Tourism Department may appoint an advisory board to assist the North Dakota Motion Picture Development Office. Section 54-34.4-04 currently requires the appointment of such a board.
- Create a new section to NDCC Chapter 54-34.4 to provide that the director of the Tourism Department may obtain copyright or trademark protection for any item used to promote the state tourism policies, as established by Section 54-34.4-03. This section is an emergency measure.

Senate Bill No. 2019 - Department of Commerce - Workforce Development - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$191,287	$191,287
Operating expenses		50,000	50,000
Equipment		25,000	25,000
Grants		675,000	675,000
Total all funds	$0	$941,287	$941,287
Less estimated income		60,584	60,584
General fund	$0	$880,703	$880,703
FTE	0.00	2.00	2.00

Dept. 610 - Department of Commerce - Workforce Development - Detail of Senate Changes

	PROVIDE FUNDING FOR THE DIVISION [1]	TOTAL SENATE CHANGES
Salaries and wages	$191,287	$191,287
Operating expenses	50,000	50,000
Equipment	25,000	25,000
Grants	675,000	675,000
Total all funds	$941,287	$941,287
Less estimated income	60,584	60,584

General fund	$680,703	$680,703
FTE	2.00	2.00

1 Funding for the Workforce Development Division of the department is provided, including 2 FTE positions transferred from the Economic Development and Finance Division.

A section is added providing that $75,000 of the grants line item be allocated to provide matching funds to United States Department of Agriculture designated Champion/REAP Alliance Communities for providing funding for an economic development coordinator for each of these communities.

A section is added providing that $400,000 of the grants line item be allocated for the development of a public/private partnership statewide talent recruitment initiative.

A section is added providing that $200,000 of the grants line item be allocated for grants to local communities and regions for labor availability research and for identification of employer workforce needs.

The following schedule compares Governor Schafer's recommendation, Governor Hoeven's recommendation, and the Senate version:

	2001-03 SCHAFER RECOMMENDATION	2001-03 HOEVEN RECOMMENDATION	SENATE VERSION
Department of Economic Development and Finance - SB 2019 as amended	$20,411,391		
Tourism Department - HB 1022	4,960,778		
Division of Community Services - HB 1015	39,098,238		
Department of Commerce - SB 2019 as amended	_____	$60,968,908	$61,068,908
Total	$64,470,407	$60,968,908	$61,068,908
General fund	$19,805,180	$17,402,349	$17,502,349
Other funds	$44,665,227	$43,566,559	$43,566,559
FTE	62.00	53.00	53.00

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Prepared by the Legislative Council staff for
Senate Appropriations
February 19, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2019

Page 1, remove line 2

Page 1, line 3, replace "grants" with "commerce", replace "a statement" with "statements", and after the third semicolon insert "to direct the state tax commissioner to audit the ethanol incentive program; to provide for legislative council studies; to create and enact a new section to chapter 54-34.4 of the North Dakota Century Code, relating to tourism copyrights and trademarks;"

Page 1, line 4, after "4-14.1-07" insert ", 54-34.4-04,"

Page 1, line 5, after "incentives" insert ", motion picture development office advisory board," and remove the second "and"

Page 1, line 6, after "date" insert "; and to declare an emergency"

Page 1, line 11, replace "economic development and finance" with "commerce"

Page 1, line 12, replace "its" with "the" and after "expenses" insert "of its various divisions"

Page 1, replace lines 14 through 22 with:

"Subdivision 1.

ADMINISTRATION

Salaries and wages	$877,474
Operating expenses	187,516
Economic development foundation	100,000
Total line items	$1,164,990
Less estimated income	249,487
Total general fund appropriation	$915,503

Subdivision 2.

ECONOMIC DEVELOPMENT AND FINANCE

Salaries and wages	$2,388,822
Operating expenses	4,453,499
Equipment	111,058
Grants	1,723,292
North Dakota development fund	1,616,000
Agricultural products utilization	5,007,270
Total all funds	$15,299,941
Less estimated income	5,390,203
Total general fund appropriation	$9,909,738

Subdivision 3.

COMMUNITY SERVICES

Salaries and wages	$1,665,525
Operating expenses	2,539,380
Equipment	73,500
Grants	34,306,934
Total line items	$38,585,339
Less estimated income	37,503,285
Total general fund appropriation	$1,082,054

Subdivision 4.

TOURISM

Salaries and wages	$905,785
Operating expenses	3,300,437
Equipment	15,378
Grants	100,000
Lewis and Clark bicentennial	755,751
Total all funds	$5,077,351
Less estimated income	363,000
Total general fund appropriation	$4,714,351

Subdivision 5.

WORKFORCE DEVELOPMENT

Salaries and wages	$191,287
Operating expenses	50,000
Equipment	25,000
Grants	675,000
Total line items	$941,287
Less estimated income	60,584
Total general fund appropriation	$880,703
Grand total general fund appropriation S.B. 2019	$17,502,349
Grand total special funds appropriation S.B. 2019	$43,566,559
Grand total all funds S.B. 2019	$61,068,908"

Page 1, line 24, after "In" insert "subdivision 2 of"

Page 2, line 6, after "In" insert "subdivision 2 of"

Page 2, line 10, after "In" insert "subdivision 2 of"

Page 2, line 12, remove "Of this amount, $2,493,000 is for the purpose of providing"

Page 2, remove line 13

Page 2, line 14, remove "beginning July 1, 2001, and ending June 30, 2003." and after "In" insert "subdivision 2 of"

Page 2, line 20, after the period insert "An ethanol plant must notify the agricultural products utilization commission, in writing, by October 1, 2001, of its intent to request ethanol incentive payments for the biennium beginning July 1, 2001, and ending June 30, 2003, to be eligible to receive payments authorized by this section."

Page 2, line 29, after "If" insert "an ethanol plant has not notified the agricultural products utilization commission of its intent to request ethanol incentive payments for the biennium beginning July 1, 2001, and ending June 30, 2003, or if,"

Page 2, line 31, after "of" insert "funds certified by the agricultural products utilization commission as not needed for ethanol incentive payments or the"

Page 3, line 5, after "in" insert "subdivision 2 of"

Page 3, line 10, after "in" insert "subdivision 2 of"

Page 3, line 11, replace "$1,246,500" with "$1,250,000"

Page 3, line 16, replace "$750,000" with "$1,616,000"

Page 3, after line 31, insert:

"**SECTION 8. LEGISLATIVE INTENT - DEPARTMENT OF COMMERCE STRATEGIC PLAN.** It is the intent of the legislative assembly that the department of commerce develop a strategic plan including the new economy initiative, with the assistance of the national association of state development agencies, three legislators appointed by the chairman of the legislative council, and one member of the economic development association of North Dakota, for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 9. LEGISLATIVE COUNCIL STUDY - DEPARTMENT OF COMMERCE. The legislative council shall consider monitoring, during the 2001-02 interim, the establishment of the department of commerce.

SECTION 10. LEGISLATIVE INTENT - ECONOMIC DEVELOPMENT COOPERATIVE MARKETING. It is the intent of the legislative assembly that $250,000 of the operating expenses line item in subdivision 2 of section 1 of this Act be spent for cooperative marketing grants involving local economic development corporations, for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 11. ECONOMIC DEVELOPMENT PROFESSIONAL TRAINING GRANTS. The department of commerce shall allocate $15,000 of the grants line item in subdivision 2 of section 1 of this Act for providing professional training grants to economic development professionals in communities with a population of less than ten thousand, for the biennium beginning July 1, 2001, and ending June 30, 2003. Each applicant may receive up to $750 per year for attending out-of-state professional training courses or national economic development conferences.

SECTION 12. LEGISLATIVE INTENT - GRANTS LINE ITEM - REMODELING OF ABANDONED PUBLIC SCHOOL BUILDINGS PILOT PROJECT. It is the intent of the legislative assembly that $50,000 of the grants line item in subdivision 2 of section 1 of this Act be used to establish a pilot project to provide grants to cities, school districts, or authorized job development authorities to assist in the remodeling of abandoned public school buildings to be used for the location or relocation of a new or expanding business. If the applicant provides matching funds of at least twenty percent for the proposed project, the department may award a grant of up to five thousand dollars for each new full-time job proposed to be created as a result of the project. The maximum amount of a grant under this section is fifty thousand dollars. The grant funds may be used only to remodel closed public school buildings in a city in which the closed school was the only school in the city. The department may establish additional guidelines for the awarding of grants under this section.

SECTION 13. LEGISLATIVE INTENT - GRANTS - CHAMPION COMMUNITIES. It is the intent of the legislative assembly that $75,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated to provide matching funds on a dollar-for-dollar basis to the United States department of agriculture designated champion/REAP alliance communities to provide funding for an economic development coordinator employed by these communities to assist in economic development and to help stem outmigration, for the biennium beginning July 1, 2001, and ending June 30, 2003. Local matching funds may be cash or in-kind contributions.

SECTION 14. LEGISLATIVE INTENT - DEVELOPMENT FUND MISSION. It is the intent of the legislative assembly that the department of commerce continue the current mission of the development fund and not become involved in the new markets initiative, for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 15. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM. The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 16. LEGISLATIVE INTENT - TOURISM. It is the intent of the legislative assembly that for the purpose of preparing a budget request for the 2003-05 biennium, the base budget request for the tourism department not include the $100,000 appropriation provided by the fifty-seventh legislative assembly for additional marketing relating to the Lewis and Clark bicentennial.

SECTION 17. LEGISLATIVE COUNCIL STUDY - WORKFORCE DEVELOPMENT. The legislative council shall consider studying, during the 2001-02 interim, workforce development programs in North Dakota, including efforts to recruit and retain North Dakota's workforce, underemployment and skills shortages, current workforce training efforts, the involvement of the new economy initiative goals and strategies, and the work force 2000 and new jobs training programs and the appropriate agency that should administer these two programs.

SECTION 18. LEGISLATIVE INTENT - WORKFORCE DEVELOPMENT GRANTS - TALENT RECRUITMENT INITIATIVE. It is the intent of the legislative assembly that $400,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated for the development of a public/private partnership statewide talent recruitment initiative for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 19. LEGISLATIVE INTENT - WORKFORCE DEVELOPMENT GRANTS - LABOR AVAILABILITY AND WORKFORCE NEEDS. It is the intent of the legislative assembly that $200,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated for grants to local communities or regions for labor availability research or for identification of employer workforce needs for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 4, after line 22, insert:

"**SECTION 21. AMENDMENT.** Section 54-34.4-04 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

54-34.4-04. North Dakota motion picture development office - Advisory board. The North Dakota motion picture development office is a part of the tourism department. The office shall promote North Dakota as a location for shooting films, television shows, documentaries, and commercials, and shall provide technical expertise to persons desiring to use the state as a filming location. The director of the tourism department shall appoint staff necessary to fulfill the functions and duties of the office and ~~shall~~ may appoint an advisory board of no more than ten members to assist in advising the office and to provide technical expertise to offer prospective film companies seeking locations and advice. The board shall serve without compensation, except reimbursement for actual and necessary expenses at the same rate as allowed other state officers to be paid from funds available to the office within the limits of legislative appropriations.

SECTION 22. A new section to chapter 54-34.4 of the North Dakota Century Code is created and enacted as follows:

Copyright and trademark. The director of the tourism department may obtain copyright or trademark protection for anything that may be used to promote the policies listed in section 54-34.4-03. The director may license and charge a fee for photographs and logos and anything with copyright or trademark protection."

Page 5, line 12, replace "9" with "23"

Page 5, after line 13, insert:

"**SECTION 25. EMERGENCY.** Section 22 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2019 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Department of Economic Development and Finance			
Total all funds	$20,411,391	($20,411,391)	
Less estimated income	6,396,902	(6,396,902)	
General fund	$14,014,489	($14,014,489)	$0
Department of Commerce - Administration			
Total all funds		$1,164,990	$1,164,990
Less estimated income		249,487	249,487
General fund	$0	$915,503	$915,503
Department of Commerce - Economic Development			
Total all funds		$15,299,941	$15,299,941
Less estimated income		5,390,203	5,390,203
General fund	$0	$9,909,738	$9,909,738
Department of Commerce - Community Services			
Total all funds		$38,585,339	$38,585,339
Less estimated income		37,503,285	37,503,285
General fund	$0	$1,082,054	$1,082,054
Department of Commerce - Tourism			
Total all funds		$5,077,351	$5,077,351
Less estimated income		363,000	363,000
General fund	$0	$4,714,351	$4,714,351
Department of Commerce - Workforce Development			
Total all funds		$941,287	$941,287
Less estimated income		60,584	60,584
General fund	$0	$880,703	$880,703
Bill Total			
Total all funds	$20,411,391	$40,657,517	$61,068,908
Less estimated income	6,396,902	37,169,657	43,566,559
General fund	$14,014,489	$3,487,860	$17,502,349

Senate Bill No. 2019 - Department of Economic Development and Finance - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	$3,725,220	($3,725,220)	
Operating expenses	8,944,228	(8,944,228)	
Equipment	296,358	(296,358)	
Grants	1,673,292	(1,673,292)	
North Dakota development fund	750,000	(750,000)	
Agricultural products utilization	5,022,293	(5,022,293)	
Total all funds	$20,411,391	($20,411,391)	$0
Less estimated income	6,396,902	(6,396,902)	
General fund	$14,014,489	($14,014,489)	$0
FTE	30.00	(30.00)	0.00

Dept. 601 - Department of Economic Development and Finance - Detail of Senate Changes

	CONSOLIDATE WITH DEPARTMENT OF COMMERCE [1]	TOTAL SENATE CHANGES
Salaries and wages	($3,725,220)	($3,725,220)
Operating expenses	(8,944,228)	(8,944,228)
Equipment	(296,358)	(296,358)
Grants	(1,673,292)	(1,673,292)
North Dakota Development Fund	(750,000)	(750,000)

Agricultural products utilization	($5,022,293)	($5,022,293)
Total all funds	($20,411,381)	($20,411,381)
Less estimated income	($5,396,902)	($5,396,902)
General fund	($14,014,479)	($14,014,479)
FTE	(30.00)	(30.00)

1 Funding for the Department of Economic Development and Finance is removed and consolidated into the Department of Commerce as recommended by Governor Hoeven.

Senate Bill No. 2019 - Department of Commerce - Administration - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$877,474	$877,474
Operating expenses		167,516	167,516
Economic development foundation		100,000	100,000
Total all funds	$0	$1,164,990	$1,164,990
Less estimated income		249,487	249,487
General fund	$0	$915,503	$915,503
FTE	0.00	8.00	8.00

Dept. 606 - Department of Commerce - Administration - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE 1	ADD FUNDING FOR FOUNDATION	TOTAL SENATE CHANGES
Salaries and wages	$877,474		$877,474
Operating expenses	167,516		167,516
Economic development foundation		$100,000	100,000
Total all funds	$1,064,990	$100,000	$1,164,990
Less estimated income	249,487		249,487
General fund	$815,503	$100,000	$915,503
FTE	8.00	0.00	8.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

A section is added providing that the Legislative Council consider monitoring the establishment of the department during the 2001-02 interim.

A section of legislative intent is added providing that the department develop a strategic plan.

Senate Bill No. 2019 - Department of Commerce - Economic Development - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$2,388,822	$2,388,822
Operating expenses		4,453,499	4,453,499
Equipment		111,058	111,058
Grants		1,723,292	1,723,292
North Dakota Development Fund		1,616,000	1,616,000
Agricultural products utilization		5,007,270	5,007,270
Total all funds	$0	$15,299,941	$15,299,941
Less estimated income		5,390,203	5,390,203
General fund	$0	$9,909,738	$9,909,738
FTE	0.00	19.00	19.00

Dept. 607 - Department of Commerce - Economic Development - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE 1	TRANSFER WORKFORCE DEVELOPMENT 2	REDUCE DEVELOPMENT FUND 3	INCREASE FUNDING FOR MARKETING	ADD FUNDING FOR GRANTS	TOTAL SENATE CHANGES
Salaries and wages	$2,560,109	($191,287)				$2,388,822
Operating expenses	4,413,499			$40,000		4,453,499
Equipment	111,058					111,058
Grants	1,673,292				$50,000	1,723,292
North Dakota Development	2,616,000		($1,000,000)			1,616,000

Fund Agricultural products utilization	5,007,270					5,007,270
Total all funds	$16,401,228	($191,287)	($1,000,000)	$40,000	$50,000	$15,299,941
Less estimated income	5,450,787	(60,684)				5,390,203
General fund	$10,950,441	($130,703)	($1,000,000)	$40,000	$50,000	$9,909,738
FTE	21.00	(2.00)	0.00	0.00	0.00	19.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven

2 The workforce development position and a research position are transferred to the Workforce Development Division of the department

3 Funding for the North Dakota Development Fund is provided at $1,616,000 from the general fund, $1,000,000 less than recommended by Governor Hoeven and $866,000 more than Governor Schafer's recommendation.

Provisions are added removing the allocation of $7,000 of the funding provided for the ethanol incentive program audit. A section is added requiring the Tax Commissioner to conduct an audit of the program during the 2001-03 biennium.

Provisions are added requiring the ethanol plants to notify the Agricultural Products Utilization Commission by October 1, 2001, if the plants intend to request ethanol incentives during the 2001-03 biennium. If any plants do not intend to request the incentives, the funding appropriated for those incentives will be used for Agricultural Products Utilization Commission grants during the 2001-03 biennium.

A section is added providing that $250,000 of the funding provided for marketing be spent for cooperative marketing grants involving local economic development corporations.

A section is added providing that $15,000 of the grants line item be allocated for professional training grants to economic development professionals in communities with a population of less than 10,000.

A section is added providing that $50,000 of the grants line item be used for grants for a pilot project for remodeling of abandoned public school buildings.

A section of legislative intent is added providing that the development fund continue its current mission and not become involved in the new markets initiative during the 2001-03 biennium.

Senate Bill No. 2019 - Department of Commerce - Community Services - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$1,665,525	$1,665,525
Operating expenses		2,539,380	2,539,380
Equipment		73,500	73,500
Grants		34,306,934	34,306,934
Total all funds	$0	$38,585,339	$38,585,339
Less estimated income		37,503,285	37,503,285
General fund	$0	$1,082,054	$1,082,054
FTE	0.00	15.00	15.00

Dept. 608 - Department of Commerce - Community Services - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	REDUCE FUNDING FOR RENAISSANCE ADMINISTRATION [2]	TOTAL SENATE CHANGES
Salaries and wages	$1,665,525		$1,665,525
Operating expenses	2,579,380	($40,000)	2,539,380
Equipment	73,500		73,500
Grants	34,306,934		34,306,934
Total all funds	$38,625,339	($40,000)	$38,585,339
Less estimated income	37,503,285		37,503,285
General fund	$1,122,054	($40,000)	$1,082,054
FTE	15.00	0.00	15.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

2 The funding provided for the administration of the renaissance zone program is removed.

Senate Bill No. 2019 - Department of Commerce - Tourism - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$905,785	$905,785
Operating expenses		3,300,437	3,300,437
Equipment		15,378	15,378
Grants		100,000	100,000
Lewis and Clark Bicentennial		755,751	755,751
Total all funds	$0	$5,077,351	$5,077,351
Less estimated income		363,000	363,000
General fund	$0	$4,714,351	$4,714,351
FTE	0.00	9.00	9.00

Dept. 609 - Department of Commerce - Tourism - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	TRANSFER GRANTS TO OPERATING [2]	ADD FUNDING FOR LEWIS AND CLARK MARKETING [3]	ADD FUNDING FOR GRANTS [4]	TOTAL SENATE CHANGES
Salaries and wages	$905,785				$905,785
Operating expenses	3,270,437	$30,000			3,300,437
Equipment	15,378				15,378
Grants	30,000	(30,000)		$100,000	100,000
Lewis and Clark Bicentennial	655,751		$100,000		755,751
Total all funds	$4,877,351	$0	$100,000	$100,000	$5,077,351
Less estimated income	363,000				363,000
General fund	$4,514,351	$0	$100,000	$100,000	$4,714,351
FTE	9.00	0.00	0.00	0.00	9.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

2 The recommended grants line item of $30,000 is removed and the funding is transferred to the operating expenses line item. The grant was previously provided to the Greater North Dakota Association for publication of the North Dakota Horizons magazine.

3 The recommended appropriation for the Lewis and Clark Bicentennial is increased by $100,000 from the general fund to provide additional funding for marketing relating to the Lewis and Clark Bicentennial event.

4 Funding is added for providing a grant to the North Dakota Cowboy Hall of Fame.

Sections are added that:

- Provide legislative intent that the additional $100,000 general fund appropriation provided for Lewis and Clark Bicentennial marketing is not to be considered part of the department's base budget for the purpose of submitting the budget request for the 2003-05 biennium.
- Amend North Dakota Century Code (NDCC) Section 54-34.4-04 to provide that the director of the Tourism Department may appoint an advisory board to assist the North Dakota Motion Picture Development Office. Section 54-34.4-04 currently requires the appointment of such a board.
- Create a new section to NDCC Chapter 54-34.4 to provide that the director of the Tourism Department may obtain copyright or trademark protection for any item used to promote the state tourism policies, as established by Section 54-34.4-03. This section is an emergency measure.

Senate Bill No. 2019 - Department of Commerce - Workforce Development - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$191,287	$191,287
Operating expenses		50,000	50,000
Equipment		25,000	25,000
Grants		675,000	675,000
Total all funds	$0	$941,287	$941,287
Less estimated income		60,584	60,584
General fund	$0	$880,703	$880,703
FTE	0.00	2.00	2.00

Dept. 610 - Department of Commerce - Workforce Development - Detail of Senate Changes

	PROVIDE FUNDING FOR THE DIVISION [1]	TOTAL SENATE CHANGES
Salaries and wages	$191,287	$191,287
Operating expenses	50,000	50,000
Equipment	25,000	25,000
Grants	675,000	675,000
Total all funds	$941,287	$941,287
Less estimated income	60,584	60,584
General fund	$880,703	$880,703
FTE	2.00	2.00

1 Funding for the Workforce Development Division of the department is provided, including 2 FTE positions transferred from the Economic Development and Finance Division.

A section is added providing that $75,000 of the grants line item be allocated to provide matching funds to United States Department of Agriculture designated Champion/REAP Alliance Communities for providing funding for an economic development coordinator for each of these communities.

A section is added providing that $400,000 of the grants line item be allocated for the development of a public/private partnership statewide talent recruitment initiative.

A section is added providing that $200,000 of the grants line item be allocated for grants to local communities and regions for labor availability research and for identification of employer workforce needs.

The following schedule compares Governor Schafer's recommendation, Governor Hoeven's recommendation, and the Senate version:

	2001-03 SCHAFER RECOMMENDATION	2001-03 HOEVEN RECOMMENDATION	SENATE VERSION
Department of Economic Development and Finance - SB 2019 as amended	$20,411,391		
Tourism Department - HB 1022	4,960,778		
Division of Community Services - HB 1015	39,098,238		
Department of Commerce - SB 2019 as amended	————	$60,968,908	$61,068,908
Total	$64,470,407	$60,968,908	$61,068,908
General fund	$19,605,180	$17,402,349	$17,502,349
Other funds	$44,865,227	$43,566,559	$43,566,559
FTE	62.00	53.00	53.00

Date: 2-19-01

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

Senate Appropriations Committee

☐ Subcommittee on

or

☐ Conference Committee

Legislative Council Amendment Number ~~1804.0109~~ 1804.0108

Action Taken Do Pass as amended - bring

Motion Made By Sen Grindberg Seconded By Sen Heitkamp

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac					
Joel C. Heitkamp	✓				
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 13 No 0

Absent 1

Floor Assignment Senator Grindberg

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

REPORT OF STANDING COMMITTEE

SB 2019: Appropriations Committee (Sen. Nething, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2019 was placed on the Sixth order on the calendar.

Page 1, remove line 2

Page 1, line 3, replace "grants" with "commerce", replace "a statement" with "statements", and after the third semicolon insert "to direct the state tax commissioner to audit the ethanol incentive program; to provide for legislative council studies; to create and enact a new section to chapter 54-34.4 of the North Dakota Century Code, relating to tourism copyrights and trademarks;"

Page 1, line 4, after "4-14.1-07" insert ", 54-34.4-04,"

Page 1, line 5, after "incentives" insert ", the motion picture development office advisory board," and remove the second "and"

Page 1, line 6, after "date" insert "; and to declare an emergency"

Page 1, line 11, replace "economic development and finance" with "commerce"

Page 1, line 12, replace "its" with "the" and after "expenses" insert "of its various divisions"

Page 1, replace lines 14 through 22 with:

"Subdivision 1.

ADMINISTRATION

Salaries and wages	$877,474
Operating expenses	187,516
Economic development foundation	100,000
Total line items	$1,164,990
Less estimated income	249,487
Total general fund appropriation	$915,503

Subdivision 2.

ECONOMIC DEVELOPMENT AND FINANCE

Salaries and wages	$2,388,822
Operating expenses	4,453,499
Equipment	111,058
Grants	1,723,292
North Dakota development fund	1,616,000
Agricultural products utilization	5,007,270
Total all funds	$15,299,941
Less estimated income	5,390,203
Total general fund appropriation	$9,909,738

Subdivision 3.

COMMUNITY SERVICES

Salaries and wages	$1,665,525
Operating expenses	2,539,380
Equipment	73,500
Grants	34,306,934
Total line items	$38,585,339
Less estimated income	37,503,285
Total general fund appropriation	$1,082,054

Subdivision 4.

TOURISM

Salaries and wages	$905,785
Operating expenses	3,300,437
Equipment	15,378
Grants	100,000
Lewis and Clark bicentennial	755,751
Total all funds	$5,077,351
Less estimated income	363,000
Total general fund appropriation	$4,714,351

Subdivision 5.

WORKFORCE DEVELOPMENT

Salaries and wages	$191,287
Operating expenses	50,000
Equipment	25,000
Grants	675,000
Total line items	$941,287
Less estimated income	60,584
Total general fund appropriation	$880,703
Grand total general fund appropriation S.B. 2019	$17,502,349
Grand total special funds appropriation S.B. 2019	$43,566,559
Grand total all funds S.B. 2019	$61,068,908"

Page 1, line 24, after "in" insert "subdivision 2 of"

Page 2, line 6, after "in" insert "subdivision 2 of"

Page 2, line 10, after "in" insert "subdivision 2 of"

Page 2, line 12, remove "Of this amount, $2,493,000 is for the purpose of providing"

Page 2, remove line 13

Page 2, line 14, remove "beginning July 1, 2001, and ending June 30, 2003." and after "in" insert "subdivision 2 of"

Page 2, line 20, after the period insert "An ethanol plant shall notify the agricultural products utilization commission, in writing, by October 1, 2001, of its intent to request ethanol incentive payments for the biennium beginning July 1, 2001, and ending June 30, 2003, to be eligible to receive payments authorized by this section."

Page 2, line 29, after "If" insert "an ethanol plant has not notified the agricultural products utilization commission of its intent to request ethanol incentive payments for the biennium beginning July 1, 2001, and ending June 30, 2003, or if,"

Page 2, line 31, after "of" insert "funds certified by the agricultural products utilization commission as not needed for ethanol incentive payments or the"

Page 3, line 5, after "in" insert "subdivision 2 of"

Page 3, line 10, after "in" insert "subdivision 2 of"

Page 3, line 11, replace "$1,246,500" with "$1,250,000"

Page 3, line 16, replace "$750,000" with "$1,616,000"

Page 3, after line 31, insert:

"**SECTION 8. LEGISLATIVE INTENT - DEPARTMENT OF COMMERCE STRATEGIC PLAN.** It is the intent of the legislative assembly that the department of commerce develop a strategic plan including the new economy initiative, with the assistance of the national association of state development agencies, three legislators appointed by the chairman of the legislative council, and one member of the economic development association of North Dakota, for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 9. LEGISLATIVE COUNCIL STUDY - DEPARTMENT OF COMMERCE. The legislative council shall consider monitoring, during the 2001-02 interim, the establishment of the department of commerce.

SECTION 10. LEGISLATIVE INTENT - ECONOMIC DEVELOPMENT COOPERATIVE MARKETING. It is the intent of the legislative assembly that $250,000 of the operating expenses line item in subdivision 2 of section 1 of this Act be spent for cooperative marketing grants involving local economic development corporations, for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 11. ECONOMIC DEVELOPMENT PROFESSIONAL TRAINING GRANTS. The department of commerce shall allocate $15,000 of the grants line item in subdivision 2 of section 1 of this Act for providing professional training grants to economic development professionals in communities with a population of less than ten thousand, for the biennium beginning July 1, 2001, and ending June 30, 2003. Each applicant may receive up to $750 per year for attending out-of-state professional training courses or national economic development conferences.

SECTION 12. LEGISLATIVE INTENT - GRANTS LINE ITEM - REMODELING OF ABANDONED PUBLIC SCHOOL BUILDINGS PILOT PROJECT. It is the intent of the legislative assembly that $50,000 of the grants line item in subdivision 2 of section 1 of this Act be used to establish a pilot project to provide grants to cities, school districts, or authorized job development authorities to assist in the remodeling of abandoned public school buildings to be used for the location or relocation of a new or expanding business. If the applicant provides matching funds of at least twenty percent for the proposed project, the department may award a grant of up to five thousand dollars for each new full-time job proposed to be created as a result of the project. The maximum amount of a grant under this section is fifty thousand dollars. The grant funds may be used only to remodel closed public school buildings in a city in which the closed school was the only school in the city. The department may establish additional guidelines for the awarding of grants under this section.

SECTION 13. LEGISLATIVE INTENT - GRANTS - CHAMPION COMMUNITIES. It is the intent of the legislative assembly that $75,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated to provide matching funds on a dollar-for-dollar basis to the United States department of agriculture designated champion/REAP alliance communities to provide funding for an economic development coordinator employed by these communities to assist in economic development and to help stem outmigration, for the biennium beginning July 1, 2001, and ending June 30, 2003. Local matching funds may be cash or in-kind contributions.

SECTION 14. LEGISLATIVE INTENT - DEVELOPMENT FUND MISSION. It is the intent of the legislative assembly that the department of commerce continue the current mission of the development fund and not become involved in the new markets initiative, for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 15. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM. The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 16. LEGISLATIVE INTENT - TOURISM. It is the intent of the legislative assembly that for the purpose of preparing a budget request for the 2003-05 biennium, the base budget request for the tourism department not include the $100,000 appropriation provided by the fifty-seventh legislative assembly for additional marketing relating to the Lewis and Clark bicentennial.

SECTION 17. LEGISLATIVE COUNCIL STUDY - WORKFORCE DEVELOPMENT. The legislative council shall consider studying, during the 2001-02 interim, workforce development programs in North Dakota, including efforts to recruit and retain North Dakota's workforce, underemployment and skills shortages, current workforce training efforts, the involvement of the new economy initiative goals and strategies, and the work force 2000 and new jobs training programs and the appropriate agency that should administer these two programs.

SECTION 18. LEGISLATIVE INTENT - WORKFORCE DEVELOPMENT GRANTS - TALENT RECRUITMENT INITIATIVE. It is the intent of the legislative assembly that $400,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated for the development of a public/private partnership statewide talent recruitment initiative for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 19. LEGISLATIVE INTENT - WORKFORCE DEVELOPMENT GRANTS - LABOR AVAILABILITY AND WORKFORCE NEEDS. It is the intent of the legislative assembly that $200,000 of the grants line item in subdivision 5 of section 1 of this Act be allocated for grants to local communities or regions for labor availability research or for identification of employer workforce needs for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 4, after line 22, insert:

"**SECTION 21. AMENDMENT.** Section 54-34.4-04 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

54-34.4-04. North Dakota motion picture development office - Advisory board. The North Dakota motion picture development office is a part of the tourism department. The office shall promote North Dakota as a location for shooting films, television shows, documentaries, and commercials, and shall provide technical expertise to persons desiring to use the state as a filming location. The director of the tourism department shall appoint staff necessary to fulfill the functions and duties of the office and ~~shall~~may appoint an advisory board of no more than ten members to assist in advising the office and to provide technical expertise to offer prospective film companies seeking locations and advice. The board shall serve without compensation, except reimbursement for actual and necessary expenses at the same rate as allowed other state officers to be paid from funds available to the office within the limits of legislative appropriations.

SECTION 22. A new section to chapter 54-34.4 of the North Dakota Century Code is created and enacted as follows:

Copyright and trademark. The director of the tourism department may obtain copyright or trademark protection for anything that may be used to promote the policies

listed in section 54-34.4-03. The director may license and charge a fee for photographs and logos and anything with copyright or trademark protection."

Page 5, line 12, replace "9" with "23"

Page 5, after line 13, insert:

"SECTION 25. EMERGENCY. Section 22 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2019 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Department of Economic Development and Finance			
Total all funds	$20,411,391	($20,411,391)	
Less estimated income	6,396,902	(6,396,902)	
General fund	$14,014,489	($14,014,489)	$0
Department of Commerce - Administration			
Total all funds		$1,164,990	$1,164,990
Less estimated income		249,487	249,487
General fund	$0	$915,503	$915,503
Department of Commerce - Economic Development			
Total all funds		$15,299,941	$15,299,941
Less estimated income		5,390,203	5,390,203
General fund	$0	$9,909,738	$9,909,738
Department of Commerce - Community Services			
Total all funds		$38,585,339	$38,585,339
Less estimated income		37,503,285	37,503,285
General fund	$0	$1,082,054	$1,082,054
Department of Commerce - Tourism			
Total all funds		$5,077,351	$5,077,351
Less estimated income		363,000	363,000
General fund	$0	$4,714,351	$4,714,351
Department of Commerce - Workforce Development			
Total all funds		$941,287	$941,287
Less estimated income		60,584	60,584
General fund	$0	$880,703	$880,703
Bill Total			
Total all funds	$20,411,391	$40,657,517	$61,068,908
Less estimated income	6,396,902	37,169,657	43,566,559
General fund	$14,014,489	$3,487,860	$17,502,349

Senate Bill No. 2019 - Department of Economic Development and Finance - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	$3,726,220	($3,726,220)	
Operating expenses	6,944,226	(6,944,226)	
Equipment	296,356	(296,356)	
Grants	1,673,292	(1,673,292)	
North Dakota development fund	750,000	(750,000)	
Agricultural products utilization	5,022,293	(5,022,293)	
Total all funds	$20,411,391	($20,411,391)	$0
Less estimated income	6,396,902	(6,396,902)	

General fund	$14,014,489	($14,014,489)	$0
FTE	30.00	(30.00)	0.00

Dept. 601 - Department of Economic Development and Finance - Detail of Senate Changes

	CONSOLIDATE WITH DEPARTMENT OF COMMERCE [1]	TOTAL SENATE CHANGES
Salaries and wages	($3,725,220)	($3,725,220)
Operating expenses	(8,944,228)	(8,944,228)
Equipment	(296,358)	(296,358)
Grants	(1,673,292)	(1,673,292)
North Dakota Development Fund	(750,000)	(750,000)
Agricultural products utilization	(5,022,293)	(5,022,293)
Total all funds	($20,411,391)	($20,411,391)
Less estimated income	(6,396,902)	(6,396,902)
General fund	($14,014,489)	($14,014,489)
FTE	(30.00)	(30.00)

1 Funding for the Department of Economic Development and Finance is removed and consolidated into the Department of Commerce as recommended by Governor Hoeven.

Senate Bill No. 2019 - Department of Commerce - Administration - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$877,474	$877,474
Operating expenses		187,516	187,516
Economic development foundation		100,000	100,000
Total all funds	$0	$1,164,990	$1,164,990
Less estimated income		249,487	249,487
General fund	$0	$915,503	$915,503
FTE	0.00	8.00	8.00

Dept. 606 - Department of Commerce - Administration - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	ADD FUNDING FOR FOUNDATION	TOTAL SENATE CHANGES
Salaries and wages	$877,474		$877,474
Operating expenses	187,516		187,516
Economic development foundation		$100,000	100,000
Total all funds	$1,064,990	$100,000	$1,164,990
Less estimated income	249,487		249,487
General fund	$815,503	$100,000	$915,503
FTE	8.00	0.00	8.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

A section is added providing that the Legislative Council consider monitoring the establishment of the department during the 2001-02 interim.

A section of legislative intent is added providing that the department develop a strategic plan.

Senate Bill No. 2019 - Department of Commerce - Economic Development - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$2,388,822	$2,388,822
Operating expenses		4,453,499	4,453,499
Equipment		111,058	111,058
Grants		1,723,292	1,723,292
North Dakota Development Fund		1,616,000	1,616,000
Agricultural products utilization		5,007,270	5,007,270
Total all funds	$0	$15,299,941	$15,299,941
Less estimated income		5,390,203	5,390,203
General fund	$0	$9,909,738	$9,909,738
FTE	0.00	19.00	19.00

Dept. 607 - Department of Commerce - Economic Development - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	TRANSFER WORKFORCE DEVELOPMENT [2]	REDUCE DEVELOPMENT FUND [3]	INCREASE FUNDING FOR MARKETING	ADD FUNDING FOR GRANTS	TOTAL SENATE CHANGES
Salaries and wages	$2,580,109	($191,287)				$2,388,822
Operating expenses	4,413,499			$40,000		4,453,499
Equipment	111,058					111,058
Grants	1,673,292				$50,000	1,723,292
North Dakota Development Fund	2,616,000		($1,000,000)			1,616,000
Agricultural products utilization	5,007,270					5,007,270
Total all funds	$16,401,228	($191,287)	($1,000,000)	$40,000	$50,000	$15,299,941
Less estimated income	5,450,787	(60,584)				5,390,203
General fund	$10,950,441	($130,703)	($1,000,000)	$40,000	$50,000	$9,909,738
FTE	21.00	(2.00)	0.00	0.00	0.00	19.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

2 The workforce development position and a research position are transferred to the Workforce Development Division of the department.

3 Funding for the North Dakota Development Fund is provided at $1,616,000 from the general fund, $1,000,000 less than recommended by Governor Hoeven and $666,000 more than Governor Schafer's recommendation.

Provisions are added removing the allocation of $7,000 of the funding provided for the ethanol incentive program audit. A section is added requiring the Tax Commissioner to conduct an audit of the program during the 2001-03 biennium.

Provisions are added requiring the ethanol plants to notify the Agricultural Products Utilization Commission by October 1, 2001, if the plants intend to request ethanol incentives during the 2001-03 biennium. If any plants do not intend to request the incentives, the funding appropriated for those incentives will be used for Agricultural Products Utilization Commission grants during the 2001-03 biennium.

A section is added providing that $250,000 of the funding provided for marketing be spent for cooperative marketing grants involving local economic development corporations.

A section is added providing that $15,000 of the grants line item be allocated for professional training grants to economic development professionals in communities with a population of less than 10,000.

A section is added providing that $50,000 of the grants line item be used for grants for a pilot project for remodeling of abandoned public school buildings.

A section of legislative intent is added providing that the development fund continue its current mission and not become involved in the new markets initiative during the 2001-03 biennium.

Senate Bill No. 2019 - Department of Commerce - Community Services - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$1,665,525	$1,665,525
Operating expenses		2,539,380	2,539,380
Equipment		73,500	73,500
Grants		34,306,934	34,306,934
Total all funds	$0	$38,585,339	$38,585,339
Less estimated income		37,503,285	37,503,285
General fund	$0	$1,082,054	$1,082,054
FTE	0.00	15.00	15.00

Dept. 608 - Department of Commerce - Community Services - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	REDUCE FUNDING FOR RENAISSANCE ADMINISTRATION [2]	TOTAL SENATE CHANGES
Salaries and wages	$1,665,525		$1,665,525
Operating expenses	2,579,380	($40,000)	2,539,380
Equipment	73,500		73,500
Grants	34,306,934		34,306,934
Total all funds	$38,625,339	($40,000)	$38,585,339
Less estimated income	37,503,285		37,503,285
General fund	$1,122,054	($40,000)	$1,082,054
FTE	15.00	0.00	15.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

2 The funding provided for the administration of the renaissance zone program is removed.

Senate Bill No. 2019 - Department of Commerce - Tourism - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$905,785	$905,785
Operating expenses		3,300,437	3,300,437
Equipment		15,378	15,378
Grants		100,000	100,000
Lewis and Clark Bicentennial		755,751	755,751
Total all funds	$0	$5,077,351	$5,077,351
Less estimated income		363,000	363,000
General fund	$0	$4,714,351	$4,714,351
FTE	0.00	9.00	9.00

Dept. 609 - Department of Commerce - Tourism - Detail of Senate Changes

	CREATE DEPARTMENT OF COMMERCE [1]	TRANSFER GRANTS TO OPERATING [2]	ADD FUNDING FOR LEWIS AND CLARK MARKETING [3]	ADD FUNDING FOR GRANTS [4]	TOTAL SENATE CHANGES
Salaries and wages	$905,785				$905,785
Operating expenses	3,270,437	$30,000			3,300,437
Equipment	15,378				15,378
Grants	30,000	(30,000)		$100,000	100,000
Lewis and Clark Bicentennial	655,751		$100,000		755,751
Total all funds	$4,877,351	$0	$100,000	$100,000	$5,077,351

Less estimated income	363,000				363,000
General fund	$4,514,351	$0	$100,000	$100,000	$4,714,351
FTE	9.00	0.00	0.00	0.00	9.00

1 This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

2 The recommended grants line item of $30,000 is removed and the funding is transferred to the operating expenses line item. The grant was previously provided to the Greater North Dakota Association for publication of the North DakotaHorizons magazine.

3 The recommended appropriation for the Lewis and Clark Bicentennial is increased by $100,000 from the general fund to provide additional funding for marketing relating to the Lewis and Clark Bicentennial event.

4 Funding is added for providing a grant to the North Dakota Cowboy Hall of Fame.

Sections are added that:

- Provide legislative intent that the additional $100,000 general fund appropriation provided for Lewis and Clark Bicentennial marketing is not to be considered part of the department's base budget for the purpose of submitting the budget request for the 2003-05 biennium.
- Amend North Dakota Century Code (NDCC) Section 54-34.4-04 to provide that the director of the Tourism Department may appoint an advisory board to assist the North Dakota Motion Picture Development Office. Section 54-34.4-04 currently requires the appointment of such a board.
- Create a new section to NDCC Chapter 54-34.4 to provide that the director of the Tourism Department may obtain copyright or trademark protection for any item used to promote the state tourism policies, as established by Section 54-34.4-03. This section is an emergency measure.

Senate Bill No. 2019 - Department of Commerce - Workforce Development - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages		$191,287	$191,287
Operating expenses		50,000	50,000
Equipment		25,000	25,000
Grants		675,000	675,000
Total all funds	$0	$941,287	$941,287
Less estimated income		60,584	60,584
General fund	$0	$880,703	$880,703
FTE	0.00	2.00	2.00

Dept. 610 - Department of Commerce - Workforce Development - Detail of Senate Changes

	PROVIDE FUNDING FOR THE DIVISION 1	TOTAL SENATE CHANGES
Salaries and wages	$191,287	$191,287
Operating expenses	50,000	50,000
Equipment	25,000	25,000
Grants	675,000	675,000
Total all funds	$941,287	$941,287
Less estimated income	60,584	60,584
General fund	$880,703	$880,703
FTE	2.00	2.00

1 Funding for the Workforce Development Division of the department is provided, including 2 FTE positions transferred from the Economic Development and Finance Division.

A section is added providing that $75,000 of the grants line item be allocated to provide matching funds to United States Department of Agriculture designated Champion/REAP Alliance Communities for providing funding for an economic development coordinator for each of these communities.

A section is added providing that $400,000 of the grants line item be allocated for the development of a public/private partnership statewide talent recruitment initiative.

A section is added providing that $200,000 of the grants line item be allocated for grants to local communities and regions for labor availability research and for identification of employer workforce needs.

The following schedule compares Governor Schafer's recommendation, Governor Hoeven's recommendation, and the Senate version:

	2001-03 SCHAFER RECOMMENDATION	2001-03 HOEVEN RECOMMENDATION	SENATE VERSION
Department of Economic Development and Finance - SB 2019 as amended	$20,411,391		
Tourism Department - HB 1022	4,960,778		
Division of Community Services - HB 1015	39,098,238		
Department of Commerce - SB 2019 as amended		$60,968,908	$61,068,908
Total	$64,470,407	$60,968,908	$61,068,908
General fund	$19,805,180	$17,402,349	$17,502,349
Other funds	$44,665,227	$43,566,559	$43,566,559
FTE	62.00	53.00	53.00

2001 HOUSE APPROPRIATIONS

SB 2019

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB2019 - Overview**

House Appropriations Committee

☐ Conference Committee

Hearing Date March 2, 2001

Tape Number	Side A	Side B	Meter #
2	x		1094 - 6239
2		x	0 - 3161
Committee Clerk Signature			

Minutes:

HOUSE APPROPRIATIONS COMMITTEE OVERVIEW MEETING ON SB2019.

Proposed Department of Commerce:

Linda Butts, Deputy Director Economic Development and Finance. (followed written testimony with questions and answers following the testimony)

Tape 2 - Side A. (1094 - 1484)

Rep. Berg: Offered a few comments on the bill and Introduced Miles Friedman.

Tape 2 - Side A. (1484 - 1549)

Mr. Miles Friedman, President NASDA. (Offered comments on the bill)

Tape 2 - Side A. (1549 - 3400)

Mr. Al Stenlem, Tourism Director. (Offered comments on the bill)

Tape 2. Side A. (3440 - 3840)

Mr. Jim Hirsch, Director, North Dakota Workforce Development Division.(followed written testimony with questions and answers following the testimony)

Tape 2 - Side A. (3840 - 4451)

Mr. Ron Rauschenberger. (followed written testimony with questions and answers following the testimony)

Tape 2 - Side A. (4451 - 5240)

Mr. Lee Peterson, Director, Economic Development and Finance. (offered comments on the bill.)

Tape 2. Side A. (5240 - 5926)

Mr. Bill Shalhoob, Hospitality Association. (offered comments on the bill.)

Tape 2. Side A. (5926 - 6239)

Tape 2 Side B. (0 - 225)

Rep. Tieman: (offered his comments on the bill)

Tape 2. Side B. (225 - 347)

Mr. Gene Narum, Businessman, Ethanol Plant Walhalla (offered his comments on the bill)

Tape 2. Side B. (396 - 700)

Mr. Edward Karl, Businessman and Farmer. (offered his comments on the bill)

Tape 2. Side B. (700 - 1125)

Mr. Harold Neuman, Businnessman, Ethanol Plant Grafton (offered his comments on the bill)

Tape 2. Side B. (1223 - 1993)

Mr. Curt Peterson, Associated General Contractors. (offered his comments on the bill)

Tape 2. Side B. (1993 - 2053)

Lt. Governor, Jack Dalrymple. (offered his comments on the bill)

Tape 2 - Side B. (2053- 3161)

End of Appropriations Committee overview meeting on SB2019.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 6, 2001

Tape Number	Side A	Side B	Meter #
03-06-01 tape #2		0 - 6215	
03-06-01 tape #3	0 - 6215	0 - 1354	
Committee Clerk Signature			

Minutes:

The committee was called to order, and opened the hearing on SB 2019, the budget for originally ED&F, now being called the Department of Commerce.

Lee Peterson, Director of Economic Development and Finance: Makes some introductions.

[tape 2, side B, 80 - 3160] Dean Reese, CEO of the Development Fund: Had prepared written testimony that appears in the binder, tab 4. (In response to committee member questions, he answers the following): The Development Fund is complimentary to other beginning entrepreneur programs. Has seen partnering with other programs, like the one-stop shop at the Bank of North Dakota. Not quite yet self-supporting. Hopefully the Fund can partner with private sector entities. Charge-offs were discussed and there may be further loss, from the document in the written documentation. There have been some transfers between accounts, and regions at 20% of the balance. The Development Fund partners with local DEC's.

[tape 2, side B, 3160 - 4020] Randy Schwartz, Manufacturer's Extension Partnership: Has prepared written testimony in the binder, tab 5. (In response to committee member questions, he answers the following): MEP is the Manufacturing Extension Program, a federal program that is part of the Dept. Of Commerce, started in 1989. There are 70 MEP programs, so some states have more than one. It is designed to enhance the productivity and competitiveness of small to medium manufacturers in the state, those who employ up to 500 people, which is all of ND manufacturers except about 6 out of 100. Without MEP support there would be business failures. The program depends on what is needed by the state, and is a national network. The MEP's are a combination of revenue of about ½ federal, ½ state, and 1/3 private sector. Gave some examples of companies that they have been working with throughout the state.

[tape 2, side B, 4020 - 4630] Cory Finneman, Research and Intelligence Coordinator: Has prepared written testimony in the binder, tab 7. (In response to committee member questions, he answers the following): There are three FTE's in this division, and do all of what is listed in the written testimony.

[tape 2, side B, 4630 - 6215; tape 3, side A, 0 - 400] Lee Peterson, Director of ED&F: Gives some general overview remarks and presents the organizational chart of the proposed Dept. Of Commerce. He explains the proposed board construction, and the importance of the board to be set up as proposed. He explains the importance of private industry , such as fundraising by private foundation and the marketing of the state as a whole. (In response to committee member questions, he answers the following): The private foundation is extremely important, that the raising of private money is needed to spend on some things they cannot spend state money on. The cabinet as proposed is necessary because the persons in the cabinet need a forum to get them together to sit down and discuss important matters together as a whole. They

do not meet and discuss these important matters otherwise. There is no authority of the cabinet, the commissioner of commerce convenes these people together and discusses issues, but the authority is with the governor. If economic development is not moving at the pace that it should, the governor would talk to specific persons as needed. This is just a coordination effort to get the different persons in the state together, there are no staff members, no voting. They would like to have $100,000 of the discretionary money in the budget to use as the starting point for strategic planning, and raising money in the foundation. No other state money, no staff, etc would go into the foundation. The other bill setting up the Commerce Dept. Will be heard in the House IBL committee. This whole concept of creating one department of commerce was created during the interim, and he believes they have the right people in place to do this.

[tape 3, side A, 430 - 1260] Lance Gaebe, APUC: Has prepared written testimony in the binder, tab 7. APUC is a line item in the ED&F budget. They use their money for ethanol production and grants. Their revenue is some from general fund, some from federal funds, some from the Highway Tax Distribution Fund, and some from farmers gas tax refund. He explains the current ethanol incentive distributions, and the grant program. (In response to committee member questions, he answers the following): Explains about new startup eligibility of ethanol plant. Explains some incentives in Minnesota and South Dakota.

[tape 3, side A, 1260] Kathy Stremick: Director of Economic Development in the city of Walhalla, and urges an amendment in the bill as to the unequal ethanol distributions. She urges equal distributions or no distributions at all. Gives some history of the ADM plant, and urges equal treatment.

Nancy Belanus: Is a Walhalla business owner, and urges fair and equal treatment of the ethanol producers. The city of Walhalla seriously depends upon the plant operating in the city.

Edward Karel: Is a Walhalla fuel dealer and Mayor, and urges amendment to provide equal treatment between the ethanol producers. Strongly urges for a shift in the incentives so the plant in Walhalla gets some incentive payment. (In response to committee member questions, he answers the following): When ADM entered into the state, Cenex had purchased the plant and Cenex had assumed they could market a major portion of the product in the region. They were not able to get that penetration into the market at that time, and they ran into red ink, so ADM purchased the interest. They felt that they would get equal treatment. The plant has been unable to sell any ethanol in ND. There is a sincere desire to have another plant in western ND. This bill, however, would allow no business plan to develop. Believes the incentive payments should be evenly divided, and if a new plant comes in, the payments should be distributed equally between all of the plants. There is a $17 million investment beside the existing plant put in by ADM as a gluten plant, but it is in mothballs because of the economics of the ethanol plant. Other businesses utilize byproducts of the plant in the area. At the present level of consumption in ND, only the Grafton plant can sell their product. The plant is running at full capacity, they can either run at full speed, or not produce at all. The product has primarily gone to the west coast, but then there are transportation costs.

[tape 3, side A, 2420 - 3900] Todd Kranda: Represents Alchem and Mr. Newman, who did have the opportunity to make a presentation in the full committee overview. Gave some history of how the incentive rate and distribution came to be. The concern is to keeping the incentive to the small plant. States the differentiation between the two plants and their sizes. There is a study being developed to look into the possibilities of starting up a new plant. (In response to committee member questions, he answers the following): His understanding is that the Alchem plant produces 10 million gallons of ethanol, and produce a byproduct of EDG,

promoted in the dairy industry. They employ 45-50 persons at the plant, and has been in operation about 13 years. Does not see ethanol production ceasing, and sees it actually growing in the future, and if the market grows, the incentives may not be as needed.

[tape 3, side A, 3900 - 4258] Lt. Governor Jack Dalrymple: Supports the bill as a whole, to combine the departments into the Commerce Department. Governor Hoeven would like the committee to support this bill, and this concept. It is a major reorganization, but they have been getting positive feedback.

Rep. Skarphol: There were some changes that Rep. Carlisle discussed, like the Cowboy Hall of Fame grant. Are there any other aspects of the Senate amendments that we need to be concerned with.

Lee Peterson: There were two things that were taken out of the ND Development Fund; one was the $100,000 from the Cowboy Hall of Fame, not in there in any manner, and some from the Lewis and Clark. The Senate took out what the House had put in, except for $100,000 left in for Lewis and Clark.

Allen Stenehjem, Department of Tourism: (In response to Rep. Byerly's questions, he answers the following): There is not really room for all the departments to be located in the same place right now. We will still all be spread out, but the plan is eventually for everyone to be in the same location. He understands that there will be one staff member lost, but explains that all these departments now have duplicate staff persons, and they do not need three or four payroll clerks, etc. No promotion staff would be loosing their jobs.

Sandy, OMB: In talking about space cost, we did in the governor's budget, include the increased cost for space. We built that into the budget. We were doing all projections as of July 1, 2001. That date may not be realistic now. She explains how they took the positions and put

them into a pool, and then redistributed the jobs from the pool. They did not discriminate from one department or the other.

Rep. Timm: Questions Lee Peterson of his role, going from ED&F to the Dept. Of Commerce. Is the Commissioner of Commerce also going to be the head of ED&F, or will another person be hired?

Lee Peterson: For right now, the same person can be both. A new person may need to be hired eventually. This is not designed to be cost saving. It really is being more designed for development of the state, not cost savings.

(General committee discussion, comments as to what they will be doing in the next few weeks regarding this budget, and what information the committee will need).

Lee Peterson: Handed out written testimony regarding Workforce Training.

Keith Olson: From Burke and Divide counties and supports the changes.

The chairman closed the hearing on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 12, 2001

Tape Number	Side A	Side B	Meter #
03-12-01 tape #1	300 - 590		
Committee Clerk Signature	Kathi Hall		

Minutes:

The committee was called to order, and opened committee work on SB 2019.

Chairman Byerly: Handed out a memo prepared by the LC, on ethanol production incentives.

There is another bill, SB 2386 that deals with ethanol that Finance and Tax has. There also is an interest in the House Transportation committee to amend in requiring ethanol. If that goes through, we may want to look at pulling the subsidy. There are pros and cons on both sides.

Rep. Huether: As to ethanol incentives to the Walhalla plant, that came back on line last time, is that considered a new plant, and do they buy their feed stock at a reduced price compared to the other plant. Asked OMB to check on this. The federal government may subsidize their feed stock.

Chairman Byerly: Read a magazine article, and had not until recently realized the extent of the subsidies involved other than just the state.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 15, 2001

Tape Number	Side A	Side B	Meter #
03-15-01 tape #1	0 - 2755		
Committee Clerk Signature	Karen Hall		

Minutes:

The committee was called to order, and opened committee work on SB 2019.

Chairman Byerly: Handed out two documents, relating to tax credits for alcohol fuel production, and ethanol production incentives. Not sure if either producer in ND gets these tax breaks, is assuming they do because of the "small ethanol producer" category in the box on the memo.

Allen, LC: The credit is $.10 gallon, based on the proof of alcohol produced. There are the 3 credits, listed on the memo. The plant can get up to 3 credits.

Chairman Byerly: Also gave a copy of this memo to the Finance and Tax and Transportation committees. There is an ethanol bill in Transportation that they don't know what to do with yet. It is important that we know what all there is going on in this area. It might be helpful to us to know which of the two plants qualify for any of these credits.

Rep. Glassheim: It would make a difference if one plant qualifies for more than the other.

Chairman Byerly: The ethanol subsidy was quite an increase this session, $1 million. This comes from the highway tax distribution fund. Still, that would be a million less that we would have to raise somewhere else.

Rep. Koppelman: Weren't we leaning toward getting away from subsidies.

Chairman Byerly: Some of we thought we were. We didn't make any progress apparently, since its up $1 million from last time. It sounds like the Lt. Governor's opinion was the smaller plant in Grafton was more deserving because someone took the risk to open it back up. Somewhat uncomfortable with that. Asks Allen of LC if he could find out if the two plants qualify and how much, and which credits they get.

Allen, LC: He will call them and get that information.

Rep. Huether: Thought he had heard something about a new plant opening, and getting a break on the feed stocks they bring in. They might get a subsidy there. Ask if they get a feed stock subsidy.

Rep. Glassheim: Wasn't there talk of the state requiring ethanol? If we knew there would be a different market, we could do something with the subsidy.

Chairman Byerly: One of the options of the transportation committee is discussing is requiring all 87 octane gasoline to be 10% ethanol. Thinks that would have an uphill battle on the floor. They are kicking around all sorts of things. Manufacturers of automobiles don not like the thought that ethanol is being run through their pipes and hoses. In small towns, you could be restricting them.

Rep. Huether: Minnesota requires it to be in their gasoline. Do they require state vehicles to burn that? South Dakota is a leader in ethanol, along with Illinois and Indiana.

(There is a March, 2001 memo the committee had handed out previously about plants in the neighboring states).

Chairman Byerly: The other thing we would run into if we started requiring ethanol to be sold at the pump, and we skim off the subsidy, then the cities and counties would come complaining that they are not getting their full share of tax revenue. Whatever we do its a loose, loose situation. It bothers him that the guy from Walhala said if its not equal, they don't want any.

Rep. Huether: They did restart that plant knowing they did not qualify for any subsidy.

Rep. Glassheim: That is disturbing what they said. Are we supposed to think that they are trying to get sales in ND and at each point they are at a disadvantage, so they figure they could increase their sales if it were even?

Chairman Byerly: Don't know. The testimony on that was so confusing as to who was doing what.

Rep. Huether: Thinks they would be happy with what has been proposed, but the testimony was that they are at a competitive disadvantage in selling into ND. They have other markets, though.

Chairman Byerly: Doesn't seem to have any written testimony from either side, and worries that he won't remember that right.

(More committee discussion on the ethanol plants in general).

Chairman Byerly: Sees it as having two fundamental questions: 1) Do we go ahead and accept the $2.5 million as the level of ethanol support; and 2) How is that money to be divided.

Rep. Koppelman: Where does the subsidy come from? If we didn't put this into subsidies, where would it go? Why is this being increased?

Chairman Byerly: It comes from a portion of the gas tax money. Look at the buff colored sheet. It would go into asphalt. It looks like the governor's budget called for the increase. Would guess that it is because there was only one plant before, and now there are two, and the cost would be close to twice as much. (Gave some historical numbers of the subsidy from the past few years). Alchem has always received the subsidy, and Walhala seems to not have received the subsidy for a few years.

Rep. Koppelman: Comments as to the limits set by Minnesota and Montana. Thinks they might have to look at regional competition.

Rep. Carlisle: Some plants the size of ADM doesn't even get subsidies.

Rep. Huether: Maybe it would be helpful to know how many dollars are being refunded on the non-highway use fuel. Basically its farmers, but there may be some construction people also.

Sandy, OMB: We've budgeted $575,000 for the next biennium that would come through. Half of that would go to the highway distribution fund, and the rest goes to APUC.

Allen, LC: On the updated form under revenue, the last paragraph speaks on this.

Rep. Glassheim: Do we give this on production, not limited on sales in state?

Chairman Byerly: No tie to that, what comes down the pipe at the plant.

Allen, LC: The subsidy has to be on ethanol produced and sold in ND.

Rep. Glassheim: So anyone selling in Minnesota does not get the subsidy. Do we care if they sell it out of state?

Chairman Byerly: That is an interesting twist. Doesn't care where they sell it. What difference does it make. That might explain why the Walhala people are upset over the market share. They can't break into the market.

(Allen, LC, explains why and the committee discusses the larger subsidy given to the Grafton plant, but why the plant is not actually specified).

The chairman closed the committee work on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 19, 2001

Tape Number	Side A	Side B	Meter #
03-19-01 tape #1	0 - 6211	0 - 1971	
Committee Clerk Signature			

Minutes:

The committee was called to order, and opened committee work on SB 2019.

Chairman Byerly: Remember, the Senate took the ED&F budget and amended it to become the Commerce dept. There is some duplication of money in the various budgets that needs to be resolved. We are still waiting for some information on ethanol. Allen, LC is still waiting for some information to come yet. Will leave the ethanol issue on hold until then. Goes through the issues that they need to discuss yet.

Sandy, OMB: Explains the consolidated budgets and how they are put together.

(The committee had general discussions regarding all the different issues of the combining of the departments, what was original and what the Senate had done.)

[tape 1, side A, 2293] Shirley Bentroup: Comes to speak to the committee regarding USDA Champion Communities and REAP Alliance Communities. She and Cindy Sanford handed out a newsletter that addresses some of these issues. She explains what the two programs

are, that these are really areas that are awarded federal dollars to elleviate out migration. They have economic development projects that they are working on, technology projects, intercity conferencing, etc.

(The committee had some questions regarding these programs of both speakers).

Cindy Sanford: She is the Alliance Director, whose picture appears on the second page of the newsletter. She also explains the needs and establishment of these programs. She explained some of the federal grant money available and what the alliances are using the grants for.

(The committee went back to general discussion on the bill, all the issues that will need to be decided and worked on. They went back to the original bill, and then worked forward through some of what the Senate did).

The chairman closed committee work on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 20, 2001

Tape Number	Side A	Side B	Meter #
03-20-01 tape #1	0 - 6219	0 - 2922	
Committee Clerk Signature			

Minutes:

The committee was called to order, and opened committee work on SB 2019.

Chairman Byerly: Had received a list from Rep. Monson regarding current ethanol prices.

Sandy, OMB: Handed out buff-colored sheets she handed out. The major change in the agency is that they created an administrative pool of employees (first page of the buff sheets).

(Sandy spent a considerable amount of time explaining how the departments were merged as to employees, and the committee asked many questions regarding this issue. Rep. Skarphol asked if there was a deputy or CEO to cut, and Sandy explained that it had already happened. The committee continued talking about salary amounts, classified versus non classified positions, and whether they should leave some divisions classified and other non classified or change them all to the same. They realized that there would be a reduction of 4 persons but an addition of 2 others. A transitional line item was discussed, to create a way to make this transition happen.

The committee discussed what all would need to be in the transitional line item, and when the transition would have to be done. As it stands right now, all the transition would be done by July 1, 2001. The committee discussed extending this transition for another year, keeping all the FTE's until then, and adding the two new marketing FTE's requested. Sandy handed out sheets regarding the budget proposals. The committee discussion revolved around how this could be done, the cost to the state, and how this could all be done as efficiently and effectively as possible).

(On side B of the tape, Allen from LC handed out a Regional Rural Development Revolving Loan Fund Status Report. The committee discussed this handout briefly. Rep. Carlisle handed out a copy of the REAP annual report, and the committee discussed the issues that the two speakers yesterday had brought up.)

The chairman closed the committee work on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 21, 2001

Tape Number	Side A	Side B	Meter #
03-21-01 tape #1	0 - 6211	0 - 2840	
03-21-01 tape #2	0 - 6215		
Committee Clerk Signature			

Minutes:

The committee was called to order, and opened committee work on SB 2019.

Rep. Carlisle: Had notes from previous meetings. That they put the money into a transition fund, and give them some time to make the transition and move and CO-locate. He also agrees on the two marketing employees that the department will need right away.

(The committee discussed the transition period, the FTE's needed, and the location time to find or build a new building. They discussed the possibility of going back to the original bill, back to single line items.)

Rep. Skarphol: Moves to adopt amendment to go back to the original bill. Seconded by Rep. Huether.

Voice vote adopted the amendment.

(More committee discussion as to the changes that will need to be made, about FTE's and the Tourism department, and the transition fund, and the transition period. Sandy from OMB

handed out a memo regarding the unfunded positions and the costs associated with each position. They need to go back to the original bill and make corrections to that bill from the buff sheet of Heaven's requests. It is from this document that the committee will further amend. Sandy form OMB assists the committee in getting to a starting point.)

Rep. Skarphol: Moves to create a transition fund for 1 year, to leave the four employees for that one year, and eliminate those positions on 6/30/02. Seconded by Rep. Koppelman.

Voice vote adopted the amendment.

(The committee had considerable discussion as to the possibility of pulling Tourism out of the Dept. of Commerce.

Rep. Koppelman: Motion to amend to protect the Tourism FTE's, salaries, wages, and operating funds by legislative intent. Seconded by Rep. Glassheim.

Voice vote adopts the amendment.

[tape 1, side B] (Discussion as to how this would affect administrative expenses of the whole Commerce department, that they all were to share in some of these expenses. If the committee removes part of Tourism, do they still share in these expenses. The committee does not want to pull Tourism out of the department of Commerce, they just want to protect the Tourism dollars so they are not used for development purposes. Rep. Glassheim feels strongly that this is not enough protection. Rep. Skarphol proposes specific language at #800 of the tape.)

Rep. Carlisle: Moves to add $100,000 to the grant line item for Cowboy Hall of Fame. Seconded by Rep. Glassheim.

Voice voted adopted the amendment.

(Some committee discussion as to the classified - non classified employee concerns. Rep. Koppelman moved to amend to declassify all employees, but then later withdrew his amendment).

Rep. Skarphol: Moved to require the Commerce Department to come to the Budget Section of the legislature and report at the first meeting after 6/30/2002. Seconded by Rep. Carlisle.

Voice vote adopted the amendment.

[tape 2, side A, B] (Committee discussion moved on to the grants line item. They discussed the Development Fund. They had buff colored sheets handed out to them regarding the Development Fund. They read these sheets, and discussed some of the information.)

Rep. Koppelman: Moved to amend the development fund to $2.25 million. Seconded by Rep. Carlisle.

Vote on motion : 6 yes, 1 no, 0 absent and not voting.

(More discussions on the Senate amendments that should be included, that the committee amended out of the bill when they went back to the original bill.)

Rep. Koppelman: Moves to add sections 21 and 22 of the Senate amendment. Seconded by Rep. Skarphol.

Voice vote adopted the amendment.

(The committee had before them a proposed amendment from Sen. Trenbeath, 18045.0201 regarding the ethanol incentive payments. Allen from LC handed out a memo received, previously requested by the committee.)

Todd Kranda: Has no idea where the requirement and tie in to ND consumption of ethanol products came from. He thinks that maybe he or LC staff could do some legislative research and possibly find out.

(The committee had some more general discussion as to the ethanol issue and discussed some of the handouts that they have received.).

The chairman closed the committee work on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 22, 2001

Tape Number	Side A	Side B	Meter #
03-22-01 tape #1	0 - 6212	0 - 3450	
Committee Clerk Signature			

Minutes:

The committee was called to order, and opened committee work on SB 2019.

Chairman Byerly: Left off yesterday discussing the ethanol situation. Todd Kranda had asked to hand out a memo on Ethanol Production Incentives. Committee members may read this at their own choosing. The ethanol issue is in the Commerce department because it is part of APUC and moved here. He explains a new wrinkle in the issue, that SB 2454 deals with bio-diesel fuel, and possible incentives to them.

(The committee discussed this ethanol issue for a while, and then put the issue on hold).

(The committee discussed the fact that Rep. Martinson had requested new money for the Lewis and Clark project. They know that there are some parts of the state that will be affected by the Lewis and Clark celebration and others that will not. Rep. Byerly explained that he thought last session was too early to put money into this project, but this session is now the right time to begin funding that project. Rep. Glassheim preferred to have a valid reason to increase the

appropriation rather than just increasing the amount with no purpose. Rep. Byerly explained his preference would be to add funds into the budget in the grants line item to help the political subdivisions deal with tourists who are coming in and doing stupid stuff and needing to be rescued. Another choice would be to put it into advertising and marketing. Rep. Glassheim supports the advertising, but not to the subdivisions. That he doesn't think does anything to bring people into the state.

Rep. Carlisle: Moves to amend to add $150,000 into the Lewis and Clark grant line. Seconded by Rep. Skarphol.

Vote on motion : 5 yes, 1 no, 1 absent and not voting. Motion passes.

Rep. Glassheim: Moves to add $300,000 into the Lewis and Clark line for media buys. Seconded by Rep. Huether.

(committee discussion)

Vote on motion : 4 yes, 2 no, 1 absent and not voting.

Sandy, OMB: Reminds the committee that they need to change the line item of funding for the magazine grant in Tourism.

(committee discussion)

Rep. Carlisle: Moves to amend to change the magazine grant line. Seconded by Rep. Thoreson.

Voice vote adopts the motion.

[tape 1, side B, 156] Rep. Skarphol: In the interest of getting this over with, he proposes that they amend the amounts and distributions of the ethanol incentives to the producers. Does not want to include the bio-diesel. Seconded by Rep. Glassheim. The money

would stay the same, but the distribution would be different. $1.5 million would go to Alchem, and up to $1 million to ADM. If another plant comes online, they would share the ADM amount.

(committee discussion)

Voice vote adopted the amendment.

Rep. Glassheim: Moves to amend to make the incentive based on production and not sales in ND. Seconded by Rep. Skarphol.

Vote on amendment : 6 yes, 1 no, 0 absent and not voting.

Rep. Skarphol: Moves to amend to add section 15 of the Senate engrossed bill, and remove sentence on page 2, lines 12-14. Seconded by Rep. Huether.

Voice vote adopted the amendment.

Rep. Skarphol: Moves DO PASS AS AMENDED. Seconded by Rep. Huether.

Vote on Do Pass as Amended : 7 yes, 0 no, 0 absent and not voting.

Rep. Skarphol is assigned to carry the bill to the full committee.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date March 26, 2001

Tape Number	Side A	Side B	Meter #
03-26-01 tape #1	0 - 2426		
Committee Clerk Signature	Kathi Hall		

Minutes:

The committee was called to order, and opened committee work on SB 2019.

(The committee had the proposed amendment 18045.0206 before them to review. Rep. Koppelman was somewhat uncomfortable with Section 6. Rep. Byerly explained that this needs to be vague on purpose. He explained why. The committee members read through the amendment, asked some questions and answered them.)

Rep. Glassheim: Was concerned about the FTE's. He thought there was to be some legislative intent to reflect that Tourism would continue to have the same number of FTE's as they have had. He thinks there is nothing in the language of the amendment that will prevent ED&F to take over some of the Tourism employees.

Dave, OMB: Says that the amendment as is, and the agency becomes the department of commerce, all the employees will be working for the same department. They should be able to interchange the departments, and they hope to have good communication and cooperation

between divisions. The Governor and the CEO of the department have said that they will not take employees from Tourism for the other departments. If they would, next session they would have to answer to the committee.

Rep. Glassheim: Thought that the employees were going to transfer over just like the buff colored sheet showed, given to the committee by Sandy Paulson. He thought the amendment would read like the sheet. This amendment doesn't reference the sheet, or read like the sheet. Wants to make this is all part of the record, so that if there is ever any questions, this will be clear legislative intent. He wants to make sure that Tourism is guaranteed 9 FTE's.

(The committee all agrees that the amendment will provide for this. They, however, do not see the need to put this specific language into the amendment. The committee, except for Rep. Glassheim, feels that the legislative intent that Tourism keep all their FTE's is intact).

The chairman closed the committee work on this bill.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

House Appropriations Committee

❑ Conference Committee

Hearing Date March 30, 2001

Tape Number	Side A	Side B	Meter #
03-30-01 tape #1	3105 - 6240	0 - 260	

Committee Clerk Signature Kathi Hall

Minutes:

The committee was called to order, and opened committee work on SB 2019, the Department of Commerce budget bill.

Rep. Skarphol: Explains what the subcommittee did, and the amendment 18045.0206. Had substantially changed this from what the Senate did. We basically went back to what the Hoeven proposal was. Explained the transition process in developing the Commerce department and how the Dept. of Tourism fell into this process. Did do some changing of the funding for ethanol. Moves to adopt the amendment. Seconded by Rep. Byerly.

(some committee discussion)

Voice vote adopts the amendment.

Rep. Glassheim: Moves to further amend to decrease the Lewis & Clark grants to counties. Seconded by Rep. Huether.

(Committee discussion on these grants to counties and the need for them during the years of the Lewis and Clark celebration. Rep. Wald discusses the ethanol issue.)

Voice vote on motion fails. Motion is not adopted.

Rep. Monson: Moves to adopt amendment 18045.0204, regarding the ethanol payments. Seconded by Rep. Warner.

(Discussion on the ethanol issue).

Voice vote on motion fails. Motion is not adopted.

Rep. Skarphol: Moves DO PASS AS AMENDED. Seconded by Rep. Koppelman.

Vote on Do Pass as Amended : 21 yes, 0 no, 0 absent and not voting.

Rep. Skarphol is assigned to carry this bill to the floor.

Date: 3-21-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on ~~Appropriations~~ Govt Operations
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken to adopt amendment.

Motion Made By Rep Skarphol Seconded By Rep Huether

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Voice vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Passed

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

go back to original bill - Gov. Hoeven proposal.
(Engrossed bill + Lefleur amendment).

Date: 3-21-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on ~~Appropriations~~ Govt Operations
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken to amend.

Motion Made By Rep. Skarphol Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Jackpot

Total (Yes) _____ No _____ Passed

Absent _____

Floor Assignment _____

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

New money for create transitionary fund for 4 yr – adds a line item. Then eliminate the 4 employees. 4 employees. at 6/30/2002.

Date: 3-21-01
Roll Call Vote #: 3

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on ~~Appropriations~~ Gov't Operations
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken to amend.

Motion Made By Rep. Koppelman Seconded By Rep. Glassheim

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Voice vote

Total (Yes) _____ No _____ passed.

Absent _____

Floor Assignment _____

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

to adopt legislative intent language.
to protect tourism marketing money.

Date: 3-21-01
Roll Call Vote #: 4

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on ~~Appropriations~~ Govt Operations
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken to amend.

Motion Made By Rep Carlisle Seconded By Rep. Glassheim

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

voice vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Passed

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

to add $100,000 to grant line item for Cowboy Hall of Fame.

Date: 3-21-01
Roll Call Vote #: 5

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on ~~Appropriations~~ Govt Operations
or
☐ Conference Committee

Legislative Council Amendment Number

Action Taken to amend.

Motion Made By Rep. Koppelman Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Withdrawn

Total (Yes) No

Absent

Floor Assignment

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

to declassify all employees in Commerce dept.

Date: 3-21-01
Roll Call Vote #: 6

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken to amend.

Motion Made By Rep. Skarphol Seconded By Rep. Carlisle

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Voice Vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Passed.

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

to require Commerce Dept to come to Budget Section's report @ meeting just after 4/30/2002.

Date: 3-21-01
Roll Call Vote #: 7

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.
or
☐ Conference Committee

Legislative Council Amendment Number

Action Taken to amend.

Motion Made By Rep. Koppelman Seconded By Rep. Carlisle

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman	✓		Rep. Eliot Glassheim		✓
Rep. Ron Carlisle - Vice Chairman	✓		Rep. Robert Huether	✓	
Rep. Kim Koppelman	✓				
Rep. Bob Skarphol	✓				
Rep. Blair Thoreson	✓				

Total (Yes) 6 No 1

Absent Ø

Floor Assignment

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

chg development fund to $2.25 mil.

Date: 3-21-01
Roll Call Vote #: 8

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.
or
☐ Conference Committee

Legislative Council Amendment Number

Action Taken to amend.

Motion Made By Rep Koppelman Seconded By Rep Skarphol

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Voice vote

Total (Yes) No

Absent

Floor Assignment

Passed

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

add Sec 21, 22 & Senate amendment

Date: 3-22-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.
or
☐ Conference Committee

Legislative Council Amendment Number

Action Taken to amend.

Motion Made By Rep Carlisle Seconded By Rep. Skarphol.

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman	✓		Rep. Eliot Glassheim		✓
Rep. Ron Carlisle - Vice Chairman	✓		Rep. Robert Huether	✓	
Rep. Kim Koppelman					
Rep. Bob Skarphol	✓				
Rep. Blair Thoreson	✓				

Total (Yes) 5 No 1

Absent 1

Floor Assignment

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

add $150,000 for Pol Subs projects for grants from Tourism in Lewis' Clark line item.

Date: 3-22-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken do amend.

Motion Made By Rep. Glassheim Seconded By Rep Huether

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman		✓	Rep. Eliot Glassheim	✓	
Rep. Ron Carlisle - Vice Chairman		✓	Rep. Robert Huether	✓	
Rep. Kim Koppelman					
Rep. Bob Skarphol		✓			
Rep. Blair Thoreson		✓			

Total (Yes) 4 No 2

Absent 1

Fails

Floor Assignment _____

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

add $300,000 to Lewis & Clark for media buys.

Date: 3-22-01
Roll Call Vote #: 3

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Govt Ops.
or
☐ Conference Committee

Legislative Council Amendment Number

Action Taken to amend

Motion Made By Rep. Carlisle Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Voice vote

Total (Yes) No passes.

Absent

Floor Assignment

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

Changes line item of $30,000 for Magazine in tourism.

Date: 3-22-01
Roll Call Vote #: 4

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken to amend.

Motion Made By Rep. Skarphol Seconded By Rep. Glassheim

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Voice Vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Passed.

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

Changes amounts and distributions of allocated incentive
leave bodiment out.

SB 2019
3-21-01

18045.0201
Title.

Prepared by the Legislative Council staff for
Senator Trenbeath
February 21, 2001

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2019

Page 8, line 11, overstrike "and which has a"

Page 8, overstrike line 12

Page 8, line 13, replace "eight" with "six" and overstrike "fifty" and insert immediately thereafter "twenty-five"

Page 8, line 14, overstrike "An ethanol plant that was"

Page 8, line 15, overstrike "in operation before July 1, 1995, and which"

Page 8, line 17, remove "produced fifteen million [56781000] liters or"

Page 8, remove lines 18 through 20

Page 8, line 21, remove "year" and overstrike the period

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 605 - Department of Commerce - Senate Action

This amendment changes the allocation of ethanol incentive payments to provide that any ethanol plant in operation before July 1, 1995, may receive production incentives of up to $625,000 per year. As recommended in the executive budget, an ethanol plant with production capacity of fewer than 15 million gallons would have been eligible for incentives of up to $850,000 per year and an ethanol plant producing 15 million gallons or more in the previous fiscal year and any new plant would have been eligible for incentives of up to $400,000 per year.

Date: 3-22-01
Roll Call Vote #: 5

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken to amend.

Motion Made By Rep. Glassheim Seconded By Rep Skarphol.

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman	✓		Rep. Eliot Glassheim	✓	
Rep. Ron Carlisle - Vice Chairman		✓	Rep. Robert Huether	✓	
Rep. Kim Koppelman	✓				
Rep. Bob Skarphol	✓				
Rep. Blair Thoreson	✓				

Total (Yes) 6 No 1

Absent Ø

Floor Assignment _____

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

to make incentive based on production not sales

Date: 3-22-01
Roll Call Vote #: 6

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.

or

☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken to amend

Motion Made By Rep Skarphol Seconded By Rep Huether

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman			Rep. Eliot Glassheim		
Rep. Ron Carlisle - Vice Chairman			Rep. Robert Huether		
Rep. Kim Koppelman					
Rep. Bob Skarphol					
Rep. Blair Thoreson					

Voice vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

passed

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

add Section 15 of the Senate engrossed bill.

& remove sentence 1 on page 2, lines 12-14.

18045.0206
Title.
Fiscal No. 1

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations
March 23, 2001

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2019

Page 1, line 2, replace "statements" with "a statement"

Page 1, line 3, replace "legislative" with "a report to the budget section"

Page 1, line 4, remove "council studies"

Page 1, replace lines 17 through 24 with:

"Salaries and wages	$6,028,893
Operating expenses	10,480,832
Equipment	199,936
Grants	36,080,226
North Dakota development fund	2,250,000
Agricultural products utilization	5,007,270
Lewis and Clark bicentennial	805,751
Transitional expenses	162,209
Total all funds	$61,015,117
Less estimated income	43,590,891
Total general fund appropriation	$17,424,226"

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 11

Page 3, line 13, remove "subdivision 2 of"

Page 3, line 19, remove "subdivision 2 of"

Page 3, line 23, remove "subdivision 2 of"

Page 3, line 28, remove "within North Dakota"

Page 3, line 31, remove "An ethanol plant shall notify the agricultural products utilization"

Page 4, remove lines 1 and 2

Page 4, line 3, remove "payments authorized by this section."

Page 4, line 6, remove "in North Dakota"

Page 4, line 12, remove "an ethanol plant"

Page 4, remove line 13

Page 4, line 14, remove "incentive payments for the biennium beginning July 1, 2001, and ending June 30, 2003, of if"

Page 4, line 17, remove "funds certified by the agricultural products utilization commission"

Page 4, line 18, remove "as not needed for ethanol incentive payments or the"

Page 4, line 22, remove "subdivision 2 of"

Page 4, replace lines 26 through 31 with:

"**SECTION 6. LEGISLATIVE INTENT - TOURISM OPERATING EXPENSES.** It is the intent of the legislative assembly that the sum of $3,300,437 included in the operating expenses line item in section 1 of this Act be allocated for tourism-related activities, including tourism-related administrative costs as approved by the tourism division director for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 7. DEPARTMENT OF COMMERCE - PERFORMANCE REPORT - BUDGET SECTION. The director of the department of commerce shall establish performance measures and report to the budget section at the budget section's first meeting after June 30, 2002, on the department's progress in achieving its performance measures for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 5, line 2, replace "$1,616,000" with "$2,250,000"

Page 5, remove lines 18 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 5 through 27

Page 8, line 13, remove the overstrike over "~~seven~~" and remove "eight"

Page 8, line 20, replace "four" with "five"

Page 9, line 30, replace "23" with "13"

Page 10, line 1, replace "22" with "12"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2019 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Department of Economic Development and Finance				
Total all funds	$20,411,391	$0	$0	$0
Less estimated income	6,396,902	0	0	0
General fund	$14,014,489	$0	$0	$0
Department of Commerce				
Total all funds	$0	$0	$61,015,117	$61,015,117
Less estimated income	0	0	43,590,891	43,590,891
General fund	$0	$0	$17,424,226	$17,424,226
Department of Commerce - Administration				
Total all funds	$0	$1,164,990	($1,164,990)	$0
Less estimated income	0	249,487	(249,487)	0
General fund	$0	$915,503	($915,503)	$0
Department of Commerce - Economic Development				
Total all funds	$0	$15,299,941	($15,299,941)	$0
Less estimated income	0	5,390,203	(5,390,203)	0
General fund	$0	$9,909,738	($9,909,738)	$0
Department of Commerce - Community Services				
Total all funds	$0	$38,585,339	($38,585,339)	$0
Less estimated income	0	37,503,285	(37,503,285)	0
General fund	$0	$1,082,054	($1,082,054)	$0
Department of Commerce - Tourism				
Total all funds	$0	$5,077,351	($5,077,351)	$0
Less estimated income	0	363,000	(363,000)	0
General fund	$0	$4,714,351	($4,714,351)	$0
Department of Commerce - Workforce Development				
Total all funds	$0	$941,287	($941,287)	$0
Less estimated income	0	60,584	(60,584)	0
General fund	$0	$880,703	($880,703)	$0
Bill Total				
Total all funds	$20,411,391	$61,068,908	($53,791)	$61,015,117
Less estimated income	6,396,902	43,568,559	24,332	43,590,891
General fund	$14,014,489	$17,502,349	($78,123)	$17,424,226

Senate Bill No. 2019 - Department of Commerce - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages			$6,028,893	$6,028,893
Operating expenses			10,480,832	10,480,832
Equipment			199,936	199,936
Grants			36,080,226	36,080,226
North Dakota development fund			2,250,000	2,250,000
Agricultural products utilization			5,007,270	5,007,270
Lewis and Clark Bicentennial			805,751	805,751
Transitional expenses			162,209	162,209
Total all funds	$0	$0	$61,015,117	$61,015,117
Less estimated income			43,590,891	43,590,891
General fund	$0	$0	$17,424,226	$17,424,226
FTE	0.00	0.00	57.00	57.00

Dept. 605 - Department of Commerce - Detail of House Changes

	COMBINE FUNDING [1]	ADD TRANSITIONAL FUNDING [2]	REDUCE DEVELOPMENT FUND [3]	TRANSFER GRANTS TO OPERATING [4]	ADD FUNDING FOR GRANTS [5]	ADD FUNDING FOR LEWIS AND AND CLARK [6]
Salaries and wages	$6,028,893					
Operating expenses	10,450,832			$30,000		
Equipment	199,936					
Grants	36,010,226			(30,000)	$100,000	
North Dakota development fund	2,616,000		($366,000)			
Agricultural products utilization	5,007,270					
Lewis and Clark Bicentennial	655,751					$150,000
Transitional expenses		$162,209				

Total all funds	$60,968,908	$162,209	($366,000)	$0	$100,000	$150,000
Less estimated income	43,566,559	24,332				
General fund	$17,402,349	$137,877	($366,000)	$0	$100,000	$150,000
FTE	53.00	4.00	0.00	0.00	0.00	0.00

	TOTAL HOUSE CHANGES
Salaries and wages	$8,028,893
Operating expenses	10,480,832
Equipment	199,936
Grants	36,080,226
North Dakota development fund	2,250,000
Agricultural products utilization	5,007,270
Lewis and Clark Bicentennial	805,751
Transitional expenses	162,209
Total all funds	$61,015,117
Less estimated income	43,590,891
General fund	$17,424,226
FTE	57.00

1 Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

2 A transitional expenses line item is added providing funding for 4 FTE administrative positions currently employed by the Department of Economic Development and Finance, Division of Community Services, and the Tourism Department for one year of the 2001-03 biennium. The 4 FTE positions are authorized only for the first year of the biennium. These 4 FTE positions were removed in Governor Hoeven's recommendation and the Senate version.

3 Funding for the development fund is provided at $2,250,000 from the general fund, $634,000 more than the Senate version ($1,616,000), $366,000 less than Governor Hoeven's recommendation ($2,616,000), and $1,500,000 more than Governor Schafer's recommendation ($750,000).

4 The grants line item is reduced by $30,000 and the operating expenses line item is increased by $30,000. This grant was previously provided by the Tourism Department to the Greater North Dakota Association for publication of the North Dakota Horizons magazine.

5 Funding is added for providing a grant to the North Dakota Cowboy Hall of Fame in accordance with provisions of Senate Bill No. 2195. The Senate version also included this funding.

6 The Lewis and Clark line item is increased by $150,000 from the general fund for providing grants to political subdivisions for Lewis and Clark-related projects as determined by the Tourism Division director. The Senate had increased the Lewis and Clark line item by $100,000 from the general fund for additional Lewis and Clark marketing.

This amendment:

- Adds a section of legislative intent that $3,300,437 of the operating expenses line item be used for tourism-related activities, including tourism-related administrative costs as approved by the Tourism Division director.
- Adds a section providing that the director of the Department of Commerce establish performance measures and report to the Budget Section on the department's progress in meeting its measures after the first year of the 2001-03 biennium.
- Increases the total annual ethanol incentive payments that may be paid to an ethanol plant that produced 15 million gallons or more in the previous fiscal year and to a new ethanol plant from a total of $400,000 to a total of $500,000.
- Reduces the total annual ethanol incentive payments that may be paid to an ethanol plant that has production capacity of fewer than 15 million gallons from $850,000 to $750,000.
- Removes the provision that ethanol produced in North Dakota must be sold in North Dakota to qualify for an ethanol incentive payment.
- Removes provisions added by the Senate that in order to be eligible for ethanol incentives during the 2001-03 biennium, an ethanol plant must notify the Agricultural Products Utilization Commission by October 1, 2001, of the plant's intention to request ethanol incentives during the 2001-03 biennium.

This amendment makes the following additional funding changes to the Senate version:

- Removes $100,000 from the general fund provided for the Economic Development Foundation.

- Removes $40,000 from the general fund added to the Economic Development Division for marketing.
- Removes $50,000 from the general fund added to the Economic Development Division for grants.
- Restores the $40,000 from the general fund removed from the Community Services Division relating to renaissance zone program administration.
- Restores $191,287, of which $130,703 is from the general fund and 2 FTE positions to the Economic Development and Finance Division that were transferred to the Workforce Development Division.
- Removes $50,000 from the general fund added for operating expenses of the Workforce Development Division.
- Removes $25,000 from the general fund added for equipment of the Workforce Development Division.
- Removes $675,000 from the general fund added for grants of the Workforce Development Division.

This amendment removes the following sections added by the Senate:

- The section providing that the Legislative Council monitor the establishment of the Department of Commerce during the 2001-02 interim.
- The section of legislative intent that the department develop a strategic plan.
- The section providing that $250,000 of the funding provided for Economic Development Division marketing be spent for cooperative marketing grants involving local economic development corporations.
- The section providing that $15,000 of the Economic Development Division grants line item be allocated for professional training grants to economic development professionals in communities with a population of less than 10,000.
- The section providing that $50,000 of the Economic Development Division grants line item be used for grants for a pilot project for remodeling of abandoned public school buildings.
- The section of legislative intent providing that the development fund continue its current mission and not become involved in the new markets initiative during the 2001-03 biennium.
- The section of legislative intent that the additional $100,000 general fund appropriation added by the Senate for Lewis and Clark marketing not be considered part of the department's base budget for the purpose of submitting the budget request for the 2003-05 biennium.
- The section providing that $75,000 of the Workforce Development Division grants line item be allocated to United States Department of Agriculture designated Champion/REAP Alliance communities for providing funding for an economic development coordinator for each of these communities.
- The section providing that $400,000 of the Workforce Development Division grants line item be allocated for the development of a public/private partnership statewide talent recruitment initiative.
- The section providing that $200,000 of the Workforce Development Division grants line item be allocated for grants to local communities and regions for labor availability research and for identification of employer workforce needs.

Senate Bill No. 2019 - Department of Commerce - Administration - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$877,474	($877,474)	
Operating expenses		187,516	(187,516)	
Economic development foundation		100,000	(100,000)	
Total all funds	$0	$1,164,990	($1,164,990)	$0

Less estimated income		249,487	(249,487)	
General fund	$0	$915,503	($915,503)	$0
FTE	0.00	8.00	(8.00)	0.00

Dept. 606 - Department of Commerce - Administration - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($677,474)	($677,474)
Operating expenses	(187,516)	(187,516)
Economic development foundation	(100,000)	(100,000)
Total all funds	($1,164,990)	($1,164,990)
Less estimated income	(249,487)	(249,487)
General fund	($915,503)	($915,503)
FTE	(8.00)	(8.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Economic Development - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$2,388,822	($2,388,822)	
Operating expenses		4,453,499	(4,453,499)	
Equipment		111,058	(111,058)	
Grants		1,723,292	(1,723,292)	
North Dakota development fund		1,616,000	(1,616,000)	
Agricultural products utilization		5,007,270	(5,007,270)	
Total all funds	$0	$15,299,941	($15,299,941)	$0
Less estimated income		5,390,203	(5,390,203)	
General fund	$0	$9,909,738	($9,909,738)	$0
FTE	0.00	19.00	(19.00)	0.00

Dept. 607 - Department of Commerce - Economic Development - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($2,388,822)	($2,388,822)
Operating expenses	(4,453,499)	(4,453,499)
Equipment	(111,058)	(111,058)
Grants	(1,723,292)	(1,723,292)
North Dakota development fund	(1,616,000)	(1,616,000)
Agricultural products utilization	(5,007,270)	(5,007,270)
Total all funds	($15,299,941)	($15,299,941)
Less estimated income	(5,390,203)	(5,390,203)
General fund	($9,909,738)	($9,909,738)
FTE	(19.00)	(19.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Community Services - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$1,665,525	($1,665,525)	
Operating expenses		2,539,380	(2,539,380)	
Equipment		73,500	(73,500)	
Grants		34,306,934	(34,306,934)	
Total all funds	$0	$38,585,339	($38,585,339)	$0
Less estimated income		37,503,265	(37,503,265)	

General fund	$0	$1,082,054	($1,082,054)	$0
FTE	0.00	15.00	(15.00)	0.00

Dept. 608 - Department of Commerce - Community Services - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($1,665,525)	($1,665,525)
Operating expenses	(2,539,380)	(2,539,380)
Equipment	(73,500)	(73,500)
Grants	(34,306,934)	(34,306,934)
Total all funds	($38,585,339)	($38,585,339)
Less estimated income	(37,503,285)	(37,503,285)
General fund	($1,082,054)	($1,082,054)
FTE	(15.00)	(15.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Tourism - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$905,785	($905,785)	
Operating expenses		3,300,437	(3,300,437)	
Equipment		15,378	(15,378)	
Grants		100,000	(100,000)	
Lewis and Clark Bicentennial		755,751	(755,751)	
Total all funds	$0	$5,077,351	($5,077,351)	$0
Less estimated income		363,000	(363,000)	
General fund	$0	$4,714,351	($4,714,351)	$0
FTE	0.00	9.00	(9.00)	0.00

Dept. 609 - Department of Commerce - Tourism - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($905,785)	($905,785)
Operating expenses	(3,300,437)	(3,300,437)
Equipment	(15,378)	(15,378)
Grants	(100,000)	(100,000)
Lewis and Clark Bicentennial	(755,751)	(755,751)
Total all funds	($5,077,351)	($5,077,351)
Less estimated income	(363,000)	(363,000)
General fund	($4,714,351)	($4,714,351)
FTE	(9.00)	(9.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Workforce Development - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$191,267	($191,267)	
Operating expenses		50,000	(50,000)	
Equipment		25,000	(25,000)	
Grants		675,000	(675,000)	
Total all funds	$0	$941,267	($941,267)	$0
Less estimated income		60,564	(60,564)	
General fund	$0	$880,703	($880,703)	$0
FTE	0.00	2.00	(2.00)	0.00

Dept. 610 - Department of Commerce - Workforce Development - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($191,267)	($191,267)
Operating expenses	(50,000)	(50,000)
Equipment	(25,000)	(25,000)
Grants	(675,000)	(675,000)
Total all funds	($941,267)	($941,267)
Less estimated income	(60,584)	(60,584)
General fund	($880,703)	($880,703)
FTE	(2.00)	(2.00)

1 Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

The following schedule compares Governor Schafer's recommendation, Governor Hoeven's recommendation, the Senate version, and the House version:

	2001-03 SCHAFER RECOMMENDATION	2001-03 HOEVEN RECOMMENDATION	SENATE VERSION	HOUSE VERSION
Department of Economic Development and Finance - SB 2019 as amended	$20,411,391			
Tourism Department - HB 1022	4,960,778			
Division of Community Services - HB 1015	39,096,238			
Department of Commerce - SB 2019 as amended		$60,968,906	$61,068,906	$61,015,117
Total	$64,470,407	$60,968,906	$61,068,906	$61,015,117
General fund	$19,805,180	$17,402,349	$17,502,349	$17,424,226
Other funds	$44,665,227	$43,566,559	$43,566,559	$43,590,891
FTE	62.00	53.00	53.00	57.00

Date: 3-22-01
Roll Call Vote #: 7

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House Appropriations - Government Operations Division Committee

☑ Subcommittee on [redacted] Gov't Ops.

or

☐ Conference Committee

Legislative Council Amendment Number 18045.0206

Action Taken Do Pass As Amended

Motion Made By Rep Skarphol Seconded By Rep Huether

Representatives	Yes	No	Representatives	Yes	No
Rep. Rex R. Byerly - Chairman	✓		Rep. Eliot Glassheim	✓	
Rep. Ron Carlisle - Vice Chairman	✓		Rep. Robert Huether	✓	
Rep. Kim Koppelman	✓				
Rep. Bob Skarphol	✓				
Rep. Blair Thoreson	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Rep Skarphol.

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

Date: 3-30-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House APPROPRIATIONS Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number 18045.0206

Action Taken motion to adopt amendments

Motion Made By Rep. Skarphol Seconded By Rep. Byerly

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman					
Wald - Vice Chairman					
Rep - Aarsvold			Rep - Koppelman		
Rep - Boehm			Rep - Martinson		
Rep - Byerly			Rep - Monson		
Rep - Carlisle			Rep - Skarphol		
Rep - Delzer			Rep - Svedjan		
Rep - Glassheim			Rep - Thoreson		
Rep - Gulleson			Rep - Warner		
Rep - Huether			Rep - Wentz		
Rep - Kempenich					
Rep - Kerzman					
Rep - Klimiske					

Voice Vote

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Passed

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

Date: 3-30-01
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2019

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken motion to amend

Motion Made By Rep. Glassheim Seconded By Rep. Huether

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman					
Wald - Vice Chairman					
Rep - Aarsvold			Rep - Koppelman		
Rep - Boehm			Rep - Martinson		
Rep - Byerly			Rep - Monson		
Rep - Carlisle			Rep - Skarphol		
Rep - Delzer			Rep - Svedjan		
Rep - Glassheim			Rep - Thoreson		
Rep - Gulleson			Rep - Warner		
Rep - Huether			Rep - Wentz		
Rep - Kempenich					
Rep - Kerzman					
Rep - Kliniske					

Total (Yes) _____ No _____ failed

Absent _____

Floor Assignment _____

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

to further amend to decrease the grants to counties

18045.0204
Title.

Prepared by the Legislative Council staff for
Representative Monson
March 22, 2001

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2019

Page 3, line 28, remove "within North Dakota"

Page 4, line 6, remove "in North Dakota"

Page 8, line 11, overstrike "and which has a"

Page 8, overstrike line 12

Page 8, line 13, replace "eight" with "six" and overstrike "fifty" and insert immediately thereafter "twenty-five"

Page 8, line 14, overstrike "An ethanol plant that was"

Page 8, line 15, overstrike "in operation before July 1, 1995, and which"

Page 8, line 17, remove "produced fifteen million [56781000] liters or"

Page 8, remove lines 18 through 20

Page 8, line 21, remove "year" and overstrike the period

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Dept. 605 - Department of Commerce - Senate Action

This amendment removes the provision that ethanol produced in North Dakota must be sold in North Dakota to qualify for an ethanol incentive payment. It also changes the allocation of ethanol incentive payments to provide that any ethanol plant in operation before July 1, 1995, may receive production incentives of up to $625,000 per year. As recommended in the executive budget and in the Senate version, an ethanol plant with production capacity of fewer than 15 million gallons would have been eligible for incentives of up to $850,000 per year and an ethanol plant producing 15 million gallons or more in the previous fiscal year and any new plant would have been eligible for incentives of up to $400,000 per year.

Date: 3-30-01
Roll Call Vote #: 3

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

House APPROPRIATIONS Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number 18045.0204

Action Taken to adopt amendment.

Motion Made By Rep. Monson Seconded By Rep. Warner

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman					
Wald - Vice Chairman					
Rep - Aarsvold			Rep - Koppelman		
Rep - Boehm			Rep - Martinson		
Rep - Byerly			Rep - Monson		
Rep - Carlisle			Rep - Skarphol		
Rep - Delzer			Rep - Svedjan		
Rep - Glassheim			Rep - Thoreson		
Rep - Gulleson			Rep - Warner		
Rep - Huether			Rep - Wentz		
Rep - Kempenich					
Rep - Kerzman					
Rep - Kliniske					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

fails

Date: 3-30-01
Roll Call Vote #: 4

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2019

House APPROPRIATIONS Committee

☐ Subcommittee on _____

or

☐ Conference Committee

Legislative Council Amendment Number 18045.0206

Action Taken Do Pass As Amended.

Motion Made By Rep. Skarphol Seconded By Rep Koppelman

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman	✓				
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedjan	✓	
Rep - Glassheim	✓		Rep - Thoreson	✓	
Rep - Gulleson	✓		Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Kerzman	✓				
Rep - Kliniske	✓				

Total (Yes) 21 No Ø

Absent Ø

Floor Assignment Rep Skarphol.

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

SIGNING OF BILLS AND RESOLUTIONS

The Speaker signed the following enrolled bills: HB 1032, HB 1046, HB 1216, HB 1218, HB 1234, HB 1259, HB 1282, HB 1350, HB 1391, HB 1401, HB 1406, HB 1417, HB 1431, HB 1465.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The Speaker has signed: SB 2190, SB 2252, SB 2298, SCR 4001, SCR 4003, SCR 4004, SCR 4005, SCR 4014, SCR 4022, SCR 4024, SCR 4027, SCR 4029, SCR 4031, SCR 4032, SCR 4033, SCR 4034, SCR 4042, SCR 4045.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The Speaker has signed and your signature is respectfully requested on: HB 1032, HB 1046, HB 1216, HB 1218, HB 1234, HB 1259, HB 1282, HB 1350, HB 1391, HB 1401, HB 1406, HB 1417, HB 1431, HB 1465.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House has amended, subsequently passed, and the emergency clause carried: SB 2403.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House has amended and subsequently passed: SB 2337, SB 2379.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House has amended and subsequently passed: SB 2162.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House has passed unchanged: SB 2005, SB 2006, SB 2010, SB 2113, SB 2264, SB 2297, SB 2342, SCR 4046.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House has amended and subsequently passed: SB 2002, SB 2008, SB 2013, SB 2033, SB 2124, SB 2150, SB 2328, SB 2373.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House has amended, subsequently passed, and the emergency clause carried: SB 2001, SB 2090.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)
MR. SPEAKER: The Senate has adopted the conference committee report on: SB 2102.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)
MR. SPEAKER: The Senate has failed to pass: HCR 3007, HCR 3045.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)
MR. SPEAKER: The Senate has passed and your favorable consideration is requested on: SCR 4049.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)
MR. SPEAKER: The Senate has passed unchanged: HB 1065, HB 1210, HB 1318, HCR 3016, HCR 3035, HCR 3042.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)
MR. SPEAKER: The Senate has amended and subsequently failed: HB 1272.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)
MR. SPEAKER: The Senate has adopted the conference committee report and subsequently passed: HB 1182, HB 1226, HB 1363, HB 1398.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)
MR. SPEAKER: The Senate has adopted the conference committee report and subsequently passed: SB 2097, SB 2116, SB 2187, SB 2197, SB 2226, SB 2384.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House does not concur in the Senate amendments to HB 1435 and HB 1462 and the Speaker has appointed as a conference committee to act with a like committee from the Senate on:

HB 1435: Reps. DeKrey; Grande; Eckre
HB 1462: Reps. Porter; F. Klein; Cleary

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House has concurred in the Senate amendments and subsequently passed: HCR 3039.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The House has concurred in the Senate amendments and subsequently passed: HB 1115, HB 1233, HB 1251, HB 1358, HB 1371, HB 1377, HB 1426, and HB 1458.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)
MR. SPEAKER: The Senate does not concur in the House amendments to SB 2082, SB 2220, SB 2427, and SCR 4020 and the President has appointed as a conference committee to act with a like committee from the House on:

SB 2082: Sens. Kilzer; Dever; C. Nelson
SB 2220: Sens. Lyson; Cook; Christenson
SB 2427: Sens. Freborg; Fischer; Every
SCR4020: Sens. Wardner; Dever; T. Mathern

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)
MR. PRESIDENT: The Speaker has appointed as a conference committee to act with a like committee from the Senate on:

SB 2118: Reps. Kretschmar; Wrangham; Delmore
SB 2181: Reps. Drovdal; Clark; Winrich
SB 2365: Reps. Disrud; Brekke; Fairfield
SB 2455: Reps. Carlson; Rennerfeldt; S. Kelsh

REPORT OF STANDING COMMITTEE
SB 2014: Appropriations Committee (Rep. Timm, Chairman) recommends **DO PASS** (21 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2014 was placed on the Fourteenth order on the calendar.

REPORT OF STANDING COMMITTEE
SB 2018: Appropriations Committee (Rep. Timm, Chairman) recommends **DO PASS** (19 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2018 was placed on the Fourteenth order on the calendar.

REPORT OF STANDING COMMITTEE
SB 2019, as engrossed: Appropriations Committee (Rep. Timm, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2019 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "statements" with "a statement"

Page 1, line 3, replace "legislative" with "a report to the budget section"

Page 1, line 4, remove "council studies"

Page 1, replace lines 17 through 24 with:

"Salaries and wages	$6,028,893
Operating expenses	10,480,832
Equipment	199,936
Grants	36,080,226
North Dakota development fund	2,250,000
Agricultural products utilization	5,007,270
Lewis and Clark bicentennial	805,751
Transitional expenses	162,209
Total all funds	$61,015,117
Less estimated income	43,590,891
Total general fund appropriation	$17,424,226"

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 11

Page 3, line 13, remove "subdivision 2 of"

Page 3, line 19, remove "subdivision 2 of"

Page 3, line 23, remove "subdivision 2 of"

Page 3, line 26, remove "within North Dakota"

Page 3, line 31, remove "An ethanol plant shall notify the agricultural products utilization"

Page 4, remove lines 1 and 2

Page 4, line 3, remove "payments authorized by this section."

Page 4, line 6, remove "in North Dakota"

Page 4, line 12, remove "an ethanol plant"

Page 4, remove line 13

Page 4, line 14, remove "incentive payments for the biennium beginning July 1, 2001, and ending June 30, 2003, or if"

Page 4, line 17, remove "funds certified by the agricultural products utilization commission"

Page 4, line 18, remove "as not needed for ethanol incentive payments or the"

Page 4, line 22, remove "subdivision 2 of"

Page 4, replace lines 26 through 31 with:

"**SECTION 6. LEGISLATIVE INTENT - TOURISM OPERATING EXPENSES.** It is the intent of the legislative assembly that the sum of $3,300,437 included in the operating expenses line item in section 1 of this Act be allocated for tourism-related activities, including tourism-related administrative costs as approved by the tourism division director for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 7. DEPARTMENT OF COMMERCE - PERFORMANCE REPORT - BUDGET SECTION. The director of the department of commerce shall establish performance measures and report to the budget section at the budget section's first meeting after June 30, 2002, on the department's progress in achieving its performance measures for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 5, line 2, replace "$1,616,000" with "$2,250,000"

Page 5, remove lines 18 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 5 through 27

Page 8, line 13, remove the overstrike over "seven" and remove "eight"

Page 8, line 20, replace "four" with "five"

Page 9, line 30, replace "23" with "13"

Page 10, line 1, replace "22" with "12"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2019 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Department of Economic Development and Finance				
Total all funds	$[illegible]	$0	$0	$0
Less estimated income	[illegible]	0.00	0.00	0.00
General fund	$[illegible]	$0	$0	$0
Department of Commerce				
Total all funds	$0	$0	$61,915,117	$61,915,117
Less estimated income	0	0	[illegible]	[illegible]

General fund	$0	$0	$17,484,[illegible]	$17,484,[illegible]
Department of Commerce - Administration				
Total all funds	$0	$1,164,[illegible]	$0	$0
Less estimated income	0	[illegible]	[illegible]	0
General fund	$0	$[illegible]	$[illegible]	$0
Department of Commerce - Economic Development				
Total all funds	$0	$15,[illegible]	$0	$0
Less estimated income	0	[illegible]	[illegible]	0
General fund	$0	$[illegible]	$[illegible]	$0
Department of Commerce - Community Services				
Total all funds	$0	$30,[illegible]	$0	$0
Less estimated income	0	[illegible]	[illegible]	0
General fund	$0	$[illegible]	$[illegible]	$0
Department of Commerce - Tourism				
Total all funds	$0	$6,[illegible]	$0	$0
Less estimated income	0	[illegible]	[illegible]	0
General fund	$0	$[illegible]	$[illegible]	$0
Department of Commerce - Workforce Development				
Total all funds	$0	$941,[illegible]	$0	$0
Less estimated income	0	[illegible]	[illegible]	0
General fund	$0	$[illegible]	$[illegible]	$0
Bill Total				
Total all funds	$30,471,[illegible]	$61,[illegible]	$61,915,117	$61,915,117
Less estimated income	[illegible]	[illegible]	[illegible]	[illegible]
General fund	$[illegible]	$[illegible]	$[illegible]	$[illegible]

Senate Bill No. 2019 - Department of Commerce - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages			$6,[illegible]	$6,[illegible]
Operating expenses			10,[illegible]	10,[illegible]
Equipment			[illegible]	[illegible]
Grants			36,[illegible]	36,[illegible]
North Dakota development fund			2,[illegible]	2,[illegible]
Agricultural products utilization			5,897,270	5,897,270
Lewis and Clark Bicentennial			886,751	886,751
Transitional expenses			152,288	152,288
Total all funds	$0	$0	$61,915,117	$61,915,117
Less estimated income			[illegible]	[illegible]
General fund	$0	$0	$17,484,[illegible]	$17,484,[illegible]
FTE	0.00	0.00	57.00	57.00

Dept. 605 - Department of Commerce - Detail of House Changes

	COMBINE FUNDING [1]	ADD TRANSITIONAL FUNDING [2]	REDUCE DEVELOPMENT FUND [3]	TRANSFER GRANTS TO OPERATING [4]	ADD FUNDING FOR GRANTS [5]	ADD FUNDING FOR LEWIS AND CLARK [6]
Salaries and wages	$6,[illegible]					
Operating expenses	10,[illegible]			$[illegible]		
Equipment	[illegible]					
Grants	36,[illegible]			[illegible]	$[illegible]	
North Dakota development fund	2,[illegible]		($[illegible])			
Agricultural products utilization	5,897,270					
Lewis and Clark Bicentennial	886,751					[illegible]
Transitional expenses		$152,288				
Total all funds	$[illegible]	$152,288	($[illegible])	$0	$[illegible]	$[illegible]
Less estimated income	[illegible]	24,332				
General fund	$17,[illegible]	$127,977	($[illegible])	$0	$[illegible]	$[illegible]
FTE	53.00	4.00	0.00	0.00	0.00	0.00

	TOTAL HOUSE CHANGES
Salaries and wages	$6,[illegible]
Operating expenses	10,[illegible]
Equipment	[illegible]
Grants	36,[illegible]
North Dakota development fund	2,[illegible]
Agricultural products utilization	5,897,270
Lewis and Clark Bicentennial	886,751
Transitional expenses	152,288
Total all funds	$61,915,117

Total all funds	[illegible]
General fund	$12,494,286
FTE	57.00

1 Funding for the Department of Commerce is addressed line-item-by-line-item as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

2 A transmittal expenses line item is added providing funding for 4 FTE administrative positions formerly employed by the Department of Economic Development and Finance, Division of Community Services, and the Tourism Department for one year of the 2001-03 biennium. The 4 FTE positions are budgeted only for the first year of the biennium. These 4 FTE positions were removed in Governor Hoeven's recommendation and the Senate version.

3 Funding for the development fund is provided at $2,000,000 from the general fund, $884,000 more than the Senate version ($1,116,000), $500,000 less than Governor Hoeven's recommendation ($2,500,000), and $1,000,000 more than Governor Schafer's recommendation ($1,000,000).

4 The grants line item is reduced by $100,000 and the operating expenses line item is increased by $100,000. This grant was previously provided by the Tourism Department to the Greater North Dakota Association for publication of the North Dakota Horizons magazine.

5 Funding is added for providing a grant to the North Dakota Cowboy Hall of Fame in accordance with provisions of Senate Bill No. 2165. The Senate removed the funding for this grant.

6 The Lewis and Clark line item is increased by $100,000 from the general fund for providing grants to political subdivisions for Lewis and Clark-related projects as determined by the Tourism Division director. The Senate had increased the Lewis and Clark line item by $100,000 from the general fund for additional Lewis and Clark marketing.

This amendment:

- Adds a section of legislative intent that $3,300,437 of the operating expenses line item be used for tourism-related activities, including tourism-related administrative costs as approved by the Tourism Division director.
- Adds a section providing that the director of the Department of Commerce establish performance measures and report to the Budget Section on the department's progress in meeting its measures after the first year of the 2001-03 biennium.
- Increases the total annual ethanol incentive payments that may be paid to an ethanol plant that produced 15 million gallons or more in the previous fiscal year and to a new ethanol plant from a total of $400,000 to a total of $500,000.
- Reduces the total annual ethanol incentive payments that may be paid to an ethanol plant that has production capacity of fewer than 15 million gallons from $850,000 to $750,000.
- Removes the provision that ethanol produced in North Dakota must be sold in North Dakota to qualify for an ethanol incentive payment.
- Removes provisions added by the Senate that in order to be eligible for ethanol incentives during the 2001-03 biennium, an ethanol plant must notify the Agricultural Products Utilization Commission by October 1, 2001, of the plant's intention to request ethanol incentives during the 2001-03 biennium.

This amendment makes the following additional funding changes to the Senate version:

- Removes $100,000 from the general fund provided for the Economic Development Foundation.
- Removes $40,000 from the general fund added to the Economic Development Division for marketing.
- Removes $50,000 from the general fund added to the Economic Development Division for grants.
- Restores the $40,000 from the general fund removed from the Community Services Division relating to renaissance zone program administration.
- Restores $191,287, of which $130,703 is from the general fund and 2 FTE positions to the Economic Development and Finance Division that were transferred to the Workforce Development Division.
- Removes $50,000 from the general fund added for operating expenses of the Workforce Development Division.

- Removes $95,000 from the general fund added for equipment of the Workforce Development Division.
- Removes $875,000 from the general fund added for grants of the Workforce Development Division.

This amendment removes the following sections added by the Senate:

- The section providing that the Legislative Council monitor the establishment of the Department of Commerce during the 2001-02 interim.
- The section of legislative intent that the department develop a strategic plan.
- The section providing that $250,000 of the funding provided for Economic Development Division marketing be spent for cooperative marketing grants involving local economic development corporations.
- The section providing that $15,000 of the Economic Development Division grants line item be allocated for professional training grants to economic development professionals in communities with a population of less than 10,000.
- The section providing that $50,000 of the Economic Development Division grants line item be used for grants for a pilot project for remodeling of abandoned public school buildings.
- The section of legislative intent providing that the development fund continue its current mission and not become involved in the new markets initiative during the 2001-03 biennium.
- The section of legislative intent that the additional $100,000 general fund appropriation added by the Senate for Lewis and Clark marketing not be considered part of the department's base budget for the purpose of submitting the budget request for the 2003-05 biennium.
- The section providing that $75,000 of the Workforce Development Division grants line item be allocated to United States Department of Agriculture designated Champion/REAP Alliance communities for providing funding for an economic development coordinator for each of these communities.
- The section providing that $400,000 of the Workforce Development Division grants line item be allocated for the development of a public/private partnership statewide talent recruitment initiative.
- The section providing that $200,000 of the Workforce Development Division grants line item be allocated for grants to local communities and regions for labor availability research and for identification of employer workforce needs.

Senate Bill No. 2019 - Department of Commerce - Administration - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$877,474	($877,474)	
Operating expenses		187,513	(187,513)	
Economic development foundation		100,000	(100,000)	
Total all funds	$0	$1,164,987	($1,164,987)	$0
Less estimated income		248,487	(248,487)	
General fund	$0	$916,500	($916,500)	$0
FTE	0.00	6.00	(6.00)	0.00

Dept. 606 - Department of Commerce - Administration - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($877,474)	($877,474)
Operating expenses	(187,513)	(187,513)
Economic development foundation	(100,000)	(100,000)
Total all funds	($1,164,987)	($1,164,987)
Less estimated income	248,487	248,487
General fund	($916,500)	($916,500)

FTE	(0.00)	(0.00)	

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Economic Development - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$2,348,668	($2,348,668)	
Operating expenses		4,485,489	(4,485,489)	
Equipment		111,988	(111,988)	
Grants		1,788,288	(1,788,288)	
North Dakota development fund		1,646,688	(1,646,688)	
Agricultural products utilization		5,887,278	(5,887,278)	
Total all funds	$0	$16,388,941	($16,388,941)	$0
Less estimated income		5,388,888	(5,388,888)	
General fund	$0	$9,999,738	($9,999,738)	$0
FTE	0.00	19.00	(19.00)	0.00

Dept. 007 - Department of Commerce - Economic Development - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($2,348,668)	($2,348,668)
Operating expenses	(4,485,489)	(4,485,489)
Equipment	(111,988)	(111,988)
Grants	(1,788,288)	(1,788,288)
North Dakota development fund	(1,646,688)	(1,646,688)
Agricultural products utilization	(5,887,278)	(5,887,278)
Total all funds	($16,388,941)	($16,388,941)
Less estimated income	(5,388,888)	(5,388,888)
General fund	($9,999,738)	($9,999,738)
FTE	(19.00)	(19.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Community Services - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$1,888,535	($1,888,535)	
Operating expenses		2,538,388	(2,538,388)	
Equipment		73,588	(73,588)	
Grants		34,388,884	($34,388,884)	
Total all funds	$0	$38,588,338	($38,588,338)	$0
Less estimated income		37,388,388	(37,388,388)	
General fund	$0	$1,088,954	($1,088,954)	$0
FTE	0.00	15.00	(15.00)	0.00

Dept. 606 - Department of Commerce - Community Services - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($1,888,535)	($1,888,535)
Operating expenses	(2,538,388)	(2,538,388)
Equipment	(73,588)	(73,588)
Grants	($34,388,884)	($34,388,884)
Total all funds	($38,588,338)	($38,588,338)
Less estimated income	(37,388,388)	(37,388,388)
General fund	($1,088,954)	($1,088,954)
FTE	(15.00)	(15.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Tourism - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$685,765	($685,765)	
Operating expenses		3,388,437	(3,388,437)	
Equipment		15,378	(15,378)	
Grants		188,888	(188,888)	
Lewis and Clark Bicentennial		288,751	(288,751)	
Total all funds	$0	$5,877,264	($5,877,264)	$0
Less estimated income		283,888	(283,888)	
General fund	$0	$5,714,351	($5,714,351)	$0
FTE	0.00	0.00	(0.00)	0.00

Dept. 669 - Department of Commerce - Tourism - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($685,765)	($685,765)
Operating expenses	(3,388,437)	(3,388,437)
Equipment	(15,378)	(15,378)
Grants	(188,888)	(188,888)
Lewis and Clark Bicentennial	(288,751)	(288,751)
Total all funds	($5,877,264)	($5,877,264)
Less estimated income	(283,888)	(283,888)
General fund	($5,714,351)	($5,714,351)
FTE	(0.00)	(0.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Workforce Development - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages		$191,287	($191,287)	
Operating expenses		50,000	(50,000)	
Equipment		25,000	(25,000)	
Grants		675,000	($675,000)	
Total all funds	$0	$941,287	($941,287)	$0
Less estimated income		50,584	(50,584)	
General fund	$0	$890,703	($890,703)	$0
FTE	0.00	2.00	(2.00)	0.00

Dept. 610 - Department of Commerce - Workforce Development - Detail of House Changes

	COMBINE FUNDING [1]	TOTAL HOUSE CHANGES
Salaries and wages	($191,287)	($191,287)
Operating expenses	(50,000)	(50,000)
Equipment	(25,000)	(25,000)
Grants	($675,000)	($675,000)
Total all funds	($941,287)	($941,287)
Less estimated income	(50,584)	(50,584)
General fund	($890,703)	($890,703)
FTE	(2.00)	(2.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven. The Senate appropriated funding separately to each of the divisions of the department.

The following schedule compares Governor Schafer's recommendation, Governor Hoeven's recommendation, the Senate version, and the House version:

	2001-03 SCHAFER RECOMMENDATION	2001-03 HOEVEN RECOMMENDATION	SENATE VERSION	HOUSE VERSION
Department of Economic Development and Finance - SB 2019 as originally introduced	$38,411,391			
Tourism Department - HB 1022	4,980,778			
Division of Community Services - HB 1015	38,080,238			
Department of Commerce - SB 2019 as amended		$80,968,908	$81,068,908	$81,016,117
Totals	$81,472,407	$80,968,908	$81,068,908	$81,016,117

[redacted]

REPORT OF STANDING COMMITTEE

SB 2194, as engrossed: Agriculture Committee (Rep. Nicholas, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2194 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "4-09-14.3,"

Page 1, line 3, replace the first comma with "and" and remove ", and seed fees"

Page 2, remove lines 30 and 31

Page 3, remove lines 1 through 16

Page 5, line 1, remove ", with the approval of the state seed commission,"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2194: Agriculture Committee (Rep. Nicholas, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2194 was placed on the Fourteenth order on the calendar.

REPORT OF STANDING COMMITTEE

SB 2239, as reengrossed: Appropriations Committee (Rep. Timm, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Reengrossed SB 2239 was placed on the Sixth order on the calendar.

Page 1, line 1, after "25-17" insert "and a new subsection to section 50-10-06"

Page 1, line 2, after "law" insert "and services for treatment of phenylketonuria and maple syrup urine disease"

Page 2, line 24, after "council" insert "and the department of human services"

Page 2, line 29, after the second period insert:

"1."

Page 3, line 1, overstrike "1." and insert immediately thereafter "a."

Page 3, line 4, overstrike "2." and insert immediately thereafter "b."

Page 3, remove lines 8 through 24

Page 3, line 25, replace "7" with "c"

Page 3, after line 26, insert:

"2. The department of human services, as a program provided under chapter 50-10, shall:

a. Provide medical food at no cost to males under age twenty-two and females under age forty-five who are diagnosed with phenylketonuria or maple syrup urine disease, regardless of income. If treatment services under this subsection are provided to an individual by the department, the department may seek reimbursement from any government program that provides coverage to that individual for the treatment services provided by the department.

b. Offer for sale at cost medical food to females age forty-five and over and to males age twenty-two and over who are diagnosed with phenylketonuria or maple syrup urine disease, regardless of income. These individuals are responsible for payment to the department for the cost of medical food.

c. Provide low-protein modified food products, if medically necessary as determined by a qualified health care provider, to females under age forty-five and males under age twenty-two who are receiving medical assistance and are diagnosed with phenylketonuria or maple syrup urine disease."

Page 5, line 12, after "a" insert "state", after "health" insert "or department of human services", and after the period insert:

"**SECTION 8.** A new subsection to section 50-10-06 of the North Dakota Century Code is created and enacted as follows:

Provide medical food and low-protein modified food products under chapter 25-17 to individuals with phenylketonuria or maple syrup urine disease."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2352, as engrossed: Appropriations Committee (Rep. Timm, Chairman) recommends **DO PASS** (16 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2352 was placed on the Fourteenth order on the calendar.

REPORT OF CONFERENCE COMMITTEE

HB 1119, as engrossed: Your conference committee (Sens. Dever, Kilzer, C. Nelson and Reps. Brusegaard, Haas, Cleary) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 813, adopt further amendments as follows, and place HB 1119 on the Seventh order:

That the Senate recede from its amendments as printed on page 813 of the House Journal and page 687 of the Senate Journal and that Engrossed House Bill No. 1119 be amended as follows:

Page 1, line 17, after the period insert "Development of the written policy must include input from employees."

Page 2, line 7, replace "twenty" with "twenty-five"

Renumber accordingly

Engrossed HB 1119 was placed on the Seventh order of business on the calendar.

REPORT OF CONFERENCE COMMITTEE

HB 1184, as engrossed: Your conference committee (Sens. Stenehjem, Trenbeath, O'Connell and Reps. Carlson, Ruby, Mahoney) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 839, adopt further amendments as follows, and place HB 1184 on the Seventh order:

That the Senate recede from its amendments as printed on page 839 of the House Journal and page 719 of the Senate Journal and that Engrossed House Bill No. 1184 be amended as follows:

Page 1, line 1, replace "subsection" with "subsections" and after "2" insert "and 3"

Page 1, line 2, after "credits" insert "; and to provide an effective date"

Page 1, line 4, replace "Subsection" with "Subsections" and after "2" insert "and 3"

Page 1, line 5, replace "is" with "are"

Page 1, after line 18, insert:

"3. Except as otherwise permitted in this chapter, before the transferee of a registered vehicle may operate the vehicle on a highway, the transferee must apply for and obtain a new registration of the vehicle, as on an original registration. To provide the transferee adequate time to obtain a new registration, the director may provide for the issuance of a temporary registration certificate to permit the transferee to operate the vehicle for thirty days after the date of acquisition. The certificate must be printed on the reverse side of each vehicle registration card and must be available to

2001 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2019

2001 SENATE CONFERENCE COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2019

Senate Appropriations Committee

☐ Conference Committee

Hearing Date April 11, 2001

Tape Number	Side A	Side B	Meter #
3	X		8.3-36.1
Committee Clerk Signature	Dottie Lorenz		

Minutes:

Senator Grindberg opened the conference committee on SB 2019. We will keep this discussion to these six members and asked for discussion on the amendments from the House.

Representative Byerly: It is nature for combining departments. Looking at the House amendments on page 2, we put in Tourism and in Section 6 took open line item for Tourism of $3.3 million allocated for tourism-related activities approved by the tourism division director. We put a fence around some money items for Tourism for control of the money as it comes and goes. In Section 7 the director of the department of commerce will establish performance measures and report to the budget section at the first meeting after June 30, 2002, on the department's progress in achieving these measures for the biennium from July 1, 2001, to June 30, 2002.

Senator Grindberg: Is this a strategic plan?

Representative Byerly: Generally, there is no set criteria in the commerce bill, so we put in money for the transition which was needed. We felt it would take a while for this transition and added $162,209 to keep all the administrative employees for the year. The four FTE's will eventually go away but will not occur by 7/1/01 and this will give them time.

Senator Grindberg: The 4 FTE's, presently the departments has 55 FTE's, this will go down to 53 FTE's, where are the 4 FTE?

Representative Byerly: The 4 FTE will go away, the 2 FTE will be new hire with marketing with the transition given for a year.

Representative Skarphol: In Section 6, the $3.3 million, none will transfer and funds are to be approved by the tourism director. Section 7 put in the one year to prove results and the bring the performance measure.

Representative Byerly: On page 3, shows money changed to this bill. Explained $2.616 million change from the House a reduction of $336,000. The $30,000 increase was for the ND Horizon magazine was in the tourism budget and needed here. The $100,000 increase grant line item was for the Cowboy Hall of Fame. The $150,000 increase was for the Lewis and Clark Bicentennial. Explained this grant program by the tourism director, is for the political subdivisions. This is for certain rescues for the bicentennial and will help with the problems with these rescues and the costs incurred.

Senator Andrist: How do they know the difference if it is someone from the bicentennial stuck and needs to be rescued verses just a boater on the river?

Representative Byerly: No they don't just rescue anybody but are specific on this. The other changes were to the ethanol in which we removed the requirements on the subsidy for only North Dakota, now sales can take place outside of the state. We changed the ratio setup on these

subsidies also. These changes made by the House were after looking at the original bill and not how it was sent from the Senate.

Senator Grindberg: We are having this conference to get the feel on the changes. The issues before us will be the FTEs and where we going with them, what is warranted and what isn't with the different divisions and the amendments. With our next meeting we will proceed we will discuss the various issues on this bill and where find the money. Here is handout (attached) from the Economic Development Association of North Dakota for your review for that meeting.

Representative Byerly: The House gave you an explanation of their amendments, why is the Senate not doing this as well.

Senator Grindberg: These will be discussed and explained with our next meeting.

Conference committee was closed.

Tape #3, Side A, meter 36.1

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2019

Senate Appropriations Committee

☑ Conference Committee

Hearing Date 4/18/01

Tape Number	Side A	Side B	Meter #
2	x		11-54.4
		x	0-7.7
Committee Clerk Signature			

Minutes:

Senator Grindberg: Opened the second conference committee meeting on 2019.

Roll Taken, all present.

Senator Grindberg: When they had left the last meeting, they indicated that they would walk through the Senate action. Went through comparison sheet(attached) that Legislative Council prepared. Explained moving 1 million from development fund, and what they did with those moneys. Addressed other sections of the bill. Section 8 calls for legislative intent that the Dept. of Commerce engage a strategic plan. Section 9 states that the Legislative Council shall monitor that process. Section 17 relates to workforce development, recruiting and training. As a result of the discussion yesterday, there is language similar in SB 2020, we think we can meld those two together and we don't need this in the Commerce bill. That is the extent of the Senate's work on the bill.

Representative Byerly: Basically, there are a lot of similarities between the two bills. The one we need to iron out is the concept of having it all inclusive the way the House did, as far as money is concerned. Explained differences. One thing we need to deal with is do we separate all the money out or do we leave it together.

Senator Heitkamp: Not everyone in the Senate was in total agreement on everything about the concept.

Senator Grindberg: Put together a document for committee to look at(attached). Went through it.

Representative Byerly: On the FTE for APUC, I am assuming that Senator Bowman's bill that we passed probably is going to have some impact on APUC. Is that where this person comes from?

Senator Grindberg: I am not sure, I do know that there is a lot of activity with APUC and I think they need some help there. I think the workforce division speaks for itself.

Representative Huether: Just to understand, before, the entities started out with a total of 55 employees. On the House side, we were going to see 4 of them go away by 2 marketing people added with a net result of 53. What you're saying is that you'd like these two folks back in so we ould end up with 55 again?

presentative Byerly: We're not really saving any personnel by doing this because we would end up with 55 full-time after one year has gone by. We actually have 57 for the first year.

Senator Grindberg: Continued through number 7 on the sheet.

Representative Skarphol: Wasn't there $100,000 put in for marketing Lewis & Clark somewhere else in another budget? Are we duplicating that? We need to make sure on that.

Senator Andrist: That bill got killed.

Representative Skarphol: I also think that somewhere else, Representative Martinson had stated that there was $100,00 put in. I'd like to check on that just to make sure.

Discussion on $100,000 for political subdivisions.

Senator Grindberg: Continued to through number 12 on the sheet.

Representative Skarphol: Puzzled by the language in that section. Does it require that there be a project that's going to locate in that school prior to the remodeling or are we going to remodel the school in hopes of getting a project. I can support one of those but not the other.

Senator Andrist: This is really only a small part of the investment.

Representative Skarphol: My response would be that our new Director would be more than willing to do this without having directive. He should have discretionary funds that he can work with.

Discussion on that. Meter number 37.5-40.1.

Senator Grindberg: Continues through number 13 on the sheet.

Representative Byerly: In the ITE budget, and now in Vocational Education, we are going through the same kind of thing for another program. The House wanted the name in the bill and the Senate is resisting it very strongly. They both do the same kind of thing.

Senator Grindberg: I don't know if the Senate resisted this.

Senator Heitkamp: These Champion Communities, this is more of a western North Dakota thing. The impression that was made on me, is that this is working pretty well.

Representative Skarphol: I think it's a good thing and the grant are going to be available, I just don't know that they need to be written into the bill. I think the Director is going to take care of that. My understanding of the grant moneys, it indicated a willingness on the state of ND to

make an investment in this program and thereby they may be able to raise some private foundation dollars. It's just kind of ironic that we need to put it into statue.

Senator Andrist: Explains history of Champion Communities.

Representative Byerly: In our committee, we had the people in from the group for at least an hour. It is not our intention to say it's bad. The reason we didn't ultimately putting it in, was that the people from the Dept. of Commerce let them do it too, and we didn't get any sense that they weren't going to fund it. That's one of the reasons that we had the opinion that we wouldn't line item it as such.

Senator Grindberg: My understanding that this is a 4 or 5 year deal and USDA is going to back out after this two year phase and so we really need to evaluate whether the program is worthwhile. We had intent language last biennium for the same thing, so we are consistent in this language to convince whoever that the state is committed to this. Continued through number 18 and explained other items on sheet.

Senator Andrist: Wants to review item 11.

Representative Huether: In our local county economic development board, we had two or three directors, and it seems that half the funds that they raised were always salary. Three years ago we went to contract, and I think we've had better results.

Representative Skarphol: I guess I have a lot of excitement about the prospect of having Mr. Peterson running ED & F. The proposal that the Governor put forward is a proposal that Mr. Peterson likes, and gives him the flexibility that he needs to work with. I'd hate to see us put too many restrictions on him that make his job more difficult. He promised us in our committee that within a year he would have results, and I would like to hold him to that. I think we need to have confidence in him.

Senator Heitkamp: In regards to the handout, the Dept. of Commerce was something that was pitched in the beginning days of the session, even though you're creating another bureaucracy, you're saving a couple dollars by putting these agencies together. That came from the executive branch. Now we are finding out that the employees we were saving the money on, are going to come back. There's going to be some concerns about that. I just bring that to the committee's attention. There also some concerns about whether or not to take the Dept. of Commerce out of Central Personnel. Some people have contacted me in regards to tourism, and some of the employees there. On #14, when you look at what those funds pertain to, that's just naturally going to be high. These are just little red flags.

Senator Grindberg: I think we declassified ED & F last session and I think it's worked very well. I think most people will tell you that. So the issue really is do we debate on the entire department. Discusses ND's role in venture capital funds with Senator Heitkamp.

Senator Grindberg: To follow up with Representative Skarphol's comments, I will agree that we do not want to micro manage the staff or the process, however I do believe we have influence. I don't think we've really sent the message that we are going to micro manage. I think what we have before us needs to come out of the shoot strong, and cannot rely on the back of one individual. I think we need to recognize that. It involves the legislature, the private sector, and those that are going to help make that department a reality. I think it's very important that we don't come back here in two years and bicker if the thing falls flat. I would hate to see that happen. Closed the meeting.

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2019

Senate Appropriations Committee

☒ Conference Committee

Hearing Date April 19, 2001

Tape Number	Side A	Side B	Meter #
Tape # 3	x		1.3 - 52.2

Committee Clerk Signature Vonnie Pietsch

Minutes:

Senator Grindberg, Chair of SB2019 Conference Committee (Economic Development and Finance-Commerce Department), called the meeting to order at 3:00 pm, on Thursday, April 20th in the Harvest Room.

Roll Call: Senator Grindberg, Chair; Senator Andrist; Senator Heitkamp; Representative Skarphol; Representative Byerly; and Representative Huether. All members present.

Senator Grindberg: At this meeting I'd like to focus and check off the non-monetary items we have discussed in part at previous meetings -- determine agreement/disagreement items.

#1: Tourism alone

Representative Skarphol: Best alternative -- complicates the operation portion most --- House added section to assure their money is safe --- can be transferred only with the Director's authorization.

Senator Grindberg indicated that be acceptable to put into amendment changes --Allen Knudsen acknowledged it will be done.

#4 - grants to operations --- agreed okay.

#5 and # 6 -- We okayed previously that letter of request must be sent before okay (section 4 of engrossed bill)

Senator Heitkamp: If they don't do the letter --- own fault.

Senator Grindberg: Agreed, continuing...

#6 - remove *sale in North Dakota* -- okayed previously - still in agreement. No negatives.

#10 settled yesterday.

#11 - second career people -- comfortable with intent line -- continuing training/assisting local economic development people --- perhaps some of the individuals in the audience (Mr. Peterson, Mr. Rozenberger or Ms Butts) would like to address this)?

Mr. Peterson, Director of ED&F: Many small towns have individuals working in the area of economic development who have never had training or education in that area. There is a basic training session -- held throughout the US ---which are open to them, but dollars keep the smaller towns from being able to send their individuals. The basic training is a 4-day workshop, which we would like all individuals to have taken, then on an annual basis, review and perhaps have a refresher course.

Senator Andrist: Think a small line appropriation would allow you to do this?

Mr. Peterson: We are doing it, and will continue. Communities want this -- we need to get people up to speed --- have to do the work.

Senator Grindberg: The RC meeting is held in the west -- some developers help small community leaders to attend?

Mr. Peterson: In our minds, there is no small community. It is costly -- approximately 5 thousand dollars -- so mostly major cities are involved --- there are instances where 2500 is granted to help market this.

Senator Heitkamp: You do work through regional councils? Know that when cities in my area (example: Hankinson) has a project -- they seek training and help from the Lake Aggazzi Council -- assume you will continue to use such networks?

Mr. Peterson: We do, and will, work through regional councils -- each has a specialist -- working to have this come together.

Senator Heitkamp: Tracy Anderson has the area's trust; comfortable now.

Senator Grindberg: #14 -- agreed that the study resolution is okay?

Senator Heitkamp: Being upfront you know that there is some discussion -- some opposition.

#15 -- verbiage okay?

#17 - information forward on Workforce matching dollars; federal dollars worked out -- House removed dollars - discussion?

#18 restoration of renaissance zone -- 3rd party contracts -- leave in?

Representative Byerly: 10 thousand dollar fiscal note --- like to see the 40 left in. Part of line: can't absorb problem.

Senator Grindberg: Perhaps a half check there --- get some handouts on information.

Representative Byerly: 40-10 end of world?

Mr. Rozenberger: There are 10 new programs; including a manufacturing plant in Twin Butte -- also the renaissance program growing at a fast pace.

Senator Grindberg: Half check - come back to it.

Senator Andrist: Modular building thing --- only 10 thousand -- put dollars in?

Senator Grindberg: Page 1, FTE's discussion?

Senator Heitkamp: As we seek efficiency in government -- now going away from that --- if this stays in there will be a debate -- many things involved including cost -- just want to alert the committee.

Representative Byerly: APUC administrative overhead is paying for one FTE --- the Workforce -- general fund dollars -- federal transfer?

Senator Grindberg: General fund. Question is 4 versus 2 FTEs -- will need to figure out where. We hear Senator Heitkamp -- the efficiency scale is to bring together 2 departments -- whatever we do, it has the tools to make the difference -- consider 4 for year of transition or 2, since they have been in office only 2 months.

Representative Skarphol: Responsibility shift here -- Workforce training --- may be need for FTE's to take care of this.

Senator Heitkamp: During hearings from the department itself -- those people are not rookies; they are people who support it, not naive to polities; no hearing of need for additional people. Didn't make the commitment --- could save by couple FTEs.

Representative Skarphol: Not doing this to save bucks - more effective delivers of economic development and tourism. Not number of personnel. Make the investment, if job not done-- make adjustment.

Senator Heitkamp: This is brand new -- see how it works? 2 employees here -- adds to dollars, previously not state responsibility --- perhaps it will go.

Representative Byerly: From the hearings that we had --- we don't like to add FTEs either -- but there were other bills -- APUC person; Senator Bowman's value added commodity --- there are more duties to be addressed here -- don't like it but.

Senator Grindberg: The Industry, Business and Industry Committee addressed this earlier today -- recommendation was for language that would declassify the entire department.

Representative Byerly: 2 for transition period -- okay; now 4 -- same dollars; wording end of year needs to be changed from 4 to 2 (House version).

Senator Grindberg: Council will work with agency for a blueprint of fiscal effect.

Representative Byerly: Change all 4 to general? APUC administrative overhead part? Could be possible general fund dollars --- need to work on next meeting (#2).

#3 - hold for future meeting.

#7 -

Representative Byerly: 150 thousand we did, is not the Senate's 100 plus 50 --- this is different money. This is to go directly to political subdivisions. For reactor situations -- to assure individuals --- those extra ordinary expenses tied to that --- tie to tourism: Lewis and Clark type things and in tourism, Al can make decisions about the relationship to Lewis and Clark --- his discretion.

Senator Andrist: Some discomfort -- understand the concept -- perhaps more appropriate in the law enforcement budget area?

Representative Skarphol: Example: Burleigh County spent 30 thousand dollars searching when an overturned boat showed up --- to find that the person was safe elsewhere --- with this 150 thousand (1/4 of the executive recommendation). ...still 100 thousand over House.

8

Senator Grindberg: Earmarked out of grants --- not operating?

Representative Byerly: Foundation needs seed dollars.

9?

Representative Skarphol: Section 8 not incorporated with foundation -- perhaps needs more language -- reference to association.

Allen Knudsen, Legislative Council Staff Analyst: Can put in -- not to name specific organization.

9 (House) Use House section 7 deadline to budget section --- direct swap?

Allen Knudsen: 2 separate -- budget, house performance

Representative Byerly: Interim Committee yet to deal with --- change specific that they report to Budget.

Representative Skarphol: Need to begin developing benchmarks.

8 - checked okay.

#12

Senator Grindberg: Go along with rewording, have to have a person/business ready to occupy before remodeling is done -- not do the remodeling on the hope of getting someone into the vacated schools.

Senator Andrist: Why would one remodel if they didn't have someone in mind?

Representative Byerly: 5 thousand per application is grant limitation.

Allen Knudsen: Can add that the department may not provide on application -- date certain in October 1, 2002.

Representative Skarphol: Not in the bill?

Senator Grindberg: Our proposed date.

13

Senator Grindberg: Need to bring in leaders --- let the Commerce Department make the grants.

Senator Andrist: Comfortable -- not much money --- won't be there in 2 years.

Representative Byerly: Fundamental problem -- put off at this time? Could work all into state network.

16

Senator Grindberg: Senate action is trying to assist in the public-private professionals back to the state program. There is a trend in the Midwest example: mid American Economic Development Council of Iowa put together 260 families who relocated back to their area from the Chicago market. Can be done. Economic Development identified Workforce --gave dollars and direction for "project back home" need to set up benchmarks, see if it works.

Representative Skarphol: Assuming Fargo -- Cass County? Anticipated cost of projects --- what does 400 thousand buy?

Senator Grindberg: Correct. No numbers for you.

Representative Skarphol: Not out of development fund -- 400 thousand where?

Senator Grindberg: Thoughts? Different dollars with various other cuts in other bills, there is an estimated one half million dollars on the table (HB1413 and HB1460) Room to pull together -- 2 FTE's need to be ?

Issue #7: pull together, see how it fits?

Representative Byerly: Clarification: same page, House versus breakdown on budget --- Senate breakdown -- individual agencies versus one line?

Senator Grindberg: Page 3 of handout -- hones in on general fund.

Representative Byerly: House versus not sing department -- one set of line items. Senate specific number to each department --- which do we work off of? House version?

Representative Byerly: 3 - 7 - 13 -16 all ave half checks.

Representative Skarphol: #13, 13,000 out of grants?

Senator Grindberg: Yes.

Representative Skarphol: 1.77 million difference -- our version.

Senator Grindberg: 750 thousand into workforce -- 75 thousand intent in Senate version.

Representative Skarphol: Public private value --- we know, but where does the 400 thousand come from?

Senator Grindberg: Couple thoughts -- additional study of global markets -- council work there

Senator Andrist: The historical society budget is on the table ---things regarding an interpretation center for 100 thousand at Washburn.

Representative Byerly: General fund dollars?

Senator Andrist: Yes.

Senator Grindberg: Believe that's as far as we can go today -- perhaps Allen can draft some amendments; we'll adjourn 'til the call of the schedulers.

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2019

Senate Appropriations Committee

☒ Conference Committee

Hearing Date April 20, 2001

Tape Number	Side A	Side B	Meter #
Tape # 2	x		0.0 - 10.6
Committee Clerk Signature	Connie Pitsch		

Minutes:

Senator Grindberg, Chair of the SB2019 Conference Committee (ED&F, Commerce Department), called the meeting to order at 9:00 am, Friday, April 20th in the Harvest Room. Roll Call: Senator Grindberg, Chair; Senator Andrist; Senator Heitkamp; Representative Skarphol; Representative Byerly; and Representative Huether present.

Senator Grindberg: All members present, we'll proceed with our discussion - and I enter the following for consideration (a copy attached). He led the discussion which pertained to SB2019, Department of Commerce -- items under consideration by conference committee. This has been through APU.

Representative Skarphol: In the state of Washington -- it was reported at a conference there that for every dollar invested there were 7 dollars returned nationally in the global market; Washington indicated theirs was 3 dollars for every dollar. Good investment, timing good.

Senator Grindberg: Believe this is the right direction -- agree that the language on House version okay.

#3 regarding the dollar issue: there is an additional half million to work with.

#7 --on other sheet we have --- 150 thousand for political subs House over Senate -- think now all okay?

Senator Grindberg: Language could be explicit to Lewis and Clark --- accidents attributed the.

Representative Skarphol: Not casual --- serious.

Representative Byerly: Restrict it to reactor type.

Senator Andrist; Not spent if no extra ordinary costs involved.

Representative Byerly: River related rescues Lewis and Clark rein actors -- something like that?

Allen Stenehjem: Tourism Director (who was in the audience and acknowledged by Chair Grindberg: Don't want this to change our mission -- if they come in knowing that funds are available -- this could be a dangerous path -- like to help, but not change our mission which is to bring individuals to North Dakota.

Representative Byerly: Accept Al's statements -- but this is a unique situation -- more appropriate to place on this budget -- didn't have it in the Game and Fish Department, nor the Highway Patrol.

Senator Andrist: Insert term extra ordinary costs related to Lewis and Clark visitors, then leave it up to the Tourism Department to make the decision of reimbursement.

Senator Grindberg: 150 top of Senate and over executive budget.

Senator Grindberg: I've received some information from Mr. Hersch regarding the recruitment pilot program -- 200 - 300 thousand dollars -- this would be used to match dollar for dollar with local workforce councils -- with local measures to be developed.

Representative Skarphol: Back Home North Dakota Project? Exception? Designate position of 250 thousand?

Senator Grindberg: Encourage match.

Senator Andrist: Use may then leave it up to the department's discretion.

Senator Grindberg: Leave 100 thousand in the general fund or? Investment in other areas?

Representative Skarphol: More in development fund -- a tool to work with in rural North Dakota.

Senator Andrist: Like that.

Senator Grindberg: Agree. Development Fund at 2 million 350 thousand biannum. Agree Conference Champion Com. Language venture capital

Representative Skarphol: 75,000 figure stay.

Representative Byerly: Let the department make decision.

Senator Grindberg: Believe Allen (Allen Knudsen, Legislative Council Staff Analyst) has enough information to pull this together. Should have draft proposals ready for the next meeting. Until then gentlemen, we stand adjourned until the call of the schedulers.

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2019

Senate Appropriations Committee

☒ Conference Committee

Hearing Date April 23, 2001

Tape Number	Side A	Side B	Meter #
Tape # 1		x	3.4 - 4.7
Committee Clerk Signature	Jennie Retzlaff		

Minutes:

Senator Grindberg, Chair of SB2019 Conference Committee (Economic Development and Finance - Commerce Department), called the meeting to order at 3:30 pm on Monday, April 23rd in the Harvest Room.

Roll Call: Senator Grindberg, Chair; Senator Andrist; Senator Heitkamp; Representative Skarphol; Representative Byerly; and Representative Huether responded.

Senator Grindberg: All members present; copies of the proposed amendments (#18045.0211) were distributed to all members earlier today. (A copy of amendments attached.) Everyone had a chance to review them? Confirm that all of our decisions made previously have been incorporated as we intended? Any questions?

Senator Heitkamp: There isn't anything in here that we haven't agreed to -- but as I've alerted you before, there will be some floor discussion.

Senator Grindberg: For the record, one of those items will be study -- venture capital, as we all know.

Senator Byerly: I recommend that the House recede from its amendments and we amend as in #18045.0211. Second by Representative Skarphol. Discussion; call for the vote: Roll Call Vote: 6 yes; 0 no; 0 absent and not voting.

Senator Grindberg: Thank you conference committee members, this meeting is adjourned.

18045.0211
Title.
Fiscal No. 1

Prepared by the Legislative Council staff for
Senator Grindberg
April 20, 2001

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2019

That the House recede from its amendments as printed on pages 1151-1157 of the Senate Journal and pages 1201-1208 of the House Journal and that Engrossed Senate Bill No. 2019 be amended as follows:

Page 1, line 4, after the semicolon insert "to provide for reports to the budget section;"

Page 1, replace lines 17 through 24 with:

"Salaries and wages	$6,103,893
Operating expenses	10,480,832
Equipment	199,936
Grants	36,330,226
North Dakota development fund	2,350,000
Agricultural products utilization	5,082,270
Lewis and Clark bicentennial	905,751
Transitional expenses	81,104
Total all funds	$61,534,012
Less estimated income	43,653,725
Total general fund appropriation	$17,880,287"

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 11

Page 3, line 13, remove "subdivision 2 of"

Page 3, line 19, remove "subdivision 2 of"

Page 3, line 23, remove "subdivision 2 of"

Page 3, line 26, remove "subdivision 2 of"

Page 3, line 28, remove "within North Dakota"

Page 4, line 6, remove "in North Dakota"

Page 4, line 22, remove "subdivision 2 of"

Page 4, replace lines 26 through 31 with:

"**SECTION 6. LEGISLATIVE INTENT - TOURISM OPERATING EXPENSES.** It is the intent of the legislative assembly that the sum of $3,300,437 included in the operating expenses line item in section 1 of this Act be allocated for tourism-related activities, including tourism-related administrative costs as approved by the tourism division director for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 7. DEPARTMENT OF COMMERCE - STATUS REPORTS - PERFORMANCE REPORT - BUDGET SECTION. The commissioner of the department of commerce shall periodically report to the budget section on the status of the establishment of the department of commerce during the 2001-02 interim. The director shall establish performance measures and report to the budget section at the budget section's first meeting after June 30, 2002, on the department's progress in achieving its performance measures for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 5, line 2, replace "$1,616,000" with "$2,350,000"

Page 5, line 19, after "commerce" insert ", with the assistance of an economic development consultant,"

Page 5, line 20, replace "the assistance of the national" with "input from a task force including members of the economic development foundation"

Page 5, line 21, remove "association of state development agencies"

Page 5, line 22, replace the first "of" with "appointed by"

Page 5, replace lines 24 through 31 with:

"**SECTION 10. LEGISLATIVE INTENT - ECONOMIC DEVELOPMENT FOUNDATION AND STRATEGIC PLAN.** It is the intent of the legislative assembly that up to $100,000 of the grants line item in section 1 of this Act be allocated for expenses of the economic development foundation and for the development of a strategic plan for economic development in North Dakota for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 11. LEGISLATIVE INTENT - POLITICAL SUBDIVISION GRANTS - EXTRAORDINARY COSTS. It is the intent of the legislative assembly that $150,000 of the Lewis and Clark bicentennial line item in section 1 of this Act be allocated for grants to reimburse political subdivisions for extraordinary costs incurred in river rescues directly related to Lewis and Clark bicentennial activities for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 6, remove lines 1 through 7

Page 6, line 10, remove "subdivision 2 of"

Page 6, line 13, after the period insert "The department may provide a grant only for an approved project."

Page 6, line 14, replace "proposed" with "approved"

Page 6, line 15, replace "proposed" with "approved"

Page 6, line 19, after the period insert "Any funds not obligated under this section on October 1, 2002, may be used for other purposes as determined by the commissioner of the department of commerce."

Page 6, line 21, remove "subdivision 5 of"

Page 6, remove lines 28 through 31

Page 7, remove lines 5 through 16

Page 7, line 17, remove "**LEGISLATIVE INTENT -**"

Page 7, line 18, remove "It is the intent of the legislative assembly that $400,000"

Page 7, line 19, replace "of the" with "The", remove "subdivision 5 of", and replace "be allocated" with "includes $250,000"

Page 7, line 21, after the period insert "The department of commerce and the workforce development council shall establish criteria for the distribution of grants under this section and may require a grant applicant to provide matching funds."

Page 7, replace lines 22 through 27 with:

"**SECTION 16. LEGISLATIVE COUNCIL STUDY - VENTURE CAPITAL.** The legislative council shall consider studying, during the 2001-02 interim, the availability of venture capital, tax credits, and other financing and research and development programs for new or expanding businesses. If chosen, the study must include an inventory of the programs available, a review of the difference between public and private venture capital programs, an assessment of the needs of business and industry, the research and development efforts of the North Dakota university system, and a review of the investments of the state investment board and the feasibility and desirability of investing a portion of these funds in North Dakota.

SECTION 17. LEGISLATIVE COUNCIL STUDY - GLOBAL MARKETS. The legislative council shall consider studying, during the 2001-02 interim, the feasibility and desirability of expanding North Dakota's economic development marketing efforts to include international markets and establishing a global marketing division within the department of commerce."

Page 8, line 13, remove the overstrike over "~~seven~~" and remove "eight"

Page 8, line 20, replace "four" with "five"

Page 9, line 30, replace "23" with "21"

Page 10, line 1, replace "22" with "20"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2019 - Summary of Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Department of Economic Development and Finance						
Total all funds	$20,411,391	$0	$0	$0	$0	$0
Less estimated income	6,396,902					
General fund	$14,014,489	$0	$0	$0	$0	$0
Department of Commerce						
Total all funds	$0	$0	$61,534,012	$61,534,012	$61,015,117	$518,895

Less estimated income			43,653,725	43,653,725	43,590,891	62,834
General fund	$0	$0	$17,880,287	$17,880,287	$17,424,226	$456,061
Department of Commerce - Administration						
Total all funds	$0	$1,164,990	($1,164,990)	$0	$0	$0
Less estimated income		249,487	(249,487)			
General fund	$0	$915,503	($915,503)	$0	$0	$0
Department of Commerce - Economic Development						
Total all funds	$0	$15,299,941	($15,299,941)	$0	$0	$0
Less estimated income		5,390,203	(5,390,203)			
General fund	$0	$9,909,738	($9,909,738)	$0	$0	$0
Department of Commerce - Community Services						
Total all funds	$0	$38,585,339	($38,585,339)	$0	$0	$0
Less estimated income		37,503,285	(37,503,285)			
General fund	$0	$1,082,054	($1,082,054)	$0	$0	$0
Department of Commerce - Tourism						
Total all funds	$0	$5,077,351	($5,077,351)	$0	$0	$0
Less estimated income		363,000	(363,000)			
General fund	$0	$4,714,351	($4,714,351)	$0	$0	$0
Department of Commerce - Workforce Development						
Total all funds	$0	$941,287	($941,287)	$0	$0	$0
Less estimated income		60,584	(60,584)			
General fund	$0	$880,703	($880,703)	$0	$0	$0
Bill Total						
Total all funds	$20,411,391	$61,068,908	$465,104	$61,534,012	$61,015,117	$518,895
Less estimated income	6,396,902	43,566,559	87,166	43,653,725	43,590,891	62,834
General fund	$14,014,489	$17,502,349	$377,938	$17,880,287	$17,424,226	$456,061

Senate Bill No. 2019 - Department of Economic Development and Finance - Conference Committee Action

The conference committee did not change the House or Senate version for the Department of Economic Development and Finance.

Senate Bill No. 2019 - Department of Commerce - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages			$6,103,893	$6,103,893	$6,028,893	$75,000
Operating expenses			10,480,832	10,480,832	10,480,832	
Equipment			199,936	199,936	199,936	
Grants			36,330,226	36,330,226	36,080,226	250,000
North Dakota development fund			2,350,000	2,350,000	2,250,000	100,000
Agricultural products utilization			5,082,270	5,082,270	5,007,270	75,000
Lewis and Clark bicentennial			905,751	905,751	805,751	100,000
Transitional expenses			61,104	61,104	162,209	(61,105)
Total all funds	$0	$0	$61,534,012	$61,534,012	$61,016,117	$518,895
Less estimated income			43,653,725	43,653,725	43,590,891	62,834
General fund	$0	$0	$17,880,287	$17,880,287	$17,424,226	$456,061
FTE	0.00	0.00	57.00	57.00	57.00	0.00

Dept. 605 - Department of Commerce - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	ADD TRANSITIONAL FUNDING [2]	REDUCE DEVELOPMENT FUND [3]	TRANSFER GRANTS TO OPERATING [4]	ADD FUNDING FOR COWBOY HALL OF FAME [5]	ADD FUNDING FOR LEWIS AND CLARK [6]
Salaries and wages	$6,028,893					
Operating expenses	10,450,832			$30,000		
Equipment	199,936					
Grants	36,010,226			(30,000)	$100,000	
North Dakota development fund	2,616,000		($266,000)			
Agricultural products utilization	5,007,270					
Lewis and Clark bicentennial	655,751					$150,000
Transitional expenses		$61,104				
Total all funds	$60,968,908	$61,104	($266,000)	$0	$100,000	$150,000
Less estimated income	43,566,559	12,166				

General fund	$17,402,349	$68,938	($266,000)	$0	$100,000	$150,000
FTE	53.00	2.00	0.00	0.00	0.00	0.00

	ADD FUNDING FOR LEWIS AND CLARK MARKETING [7]	ADD POSITIONS [8]	ADD FUNDING FOR TALENT RECRUITMENT INITIATIVE [9]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages		$75,000		$6,103,893
Operating expenses				10,460,832
Equipment				199,936
Grants			$250,000	36,330,226
North Dakota development fund				2,350,000
Agricultural products utilization		75,000		5,082,270
Lewis and Clark bicentennial	$100,000			905,751
Transitional expenses				61,104
Total all funds	$100,000	$150,000	$250,000	$61,534,012
Less estimated income		75,000		43,653,725
General fund	$100,000	$75,000	$250,000	$17,880,287
FTE	0.00	2.00	0.00	57.00

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

[2] A transitional expenses line item is added providing funding for two FTE administrative positions currently employed by the Department of Economic Development and Finance, Division of Community Services, and the Tourism Department for one year of the 2001-03 biennium. The two FTE positions are authorized only for the first year of the biennium. Governor Hoeven's recommendation and the Senate version removed four FTE administrative positions. The House had provided funding and authorized four FTE administrative positions for the first year of the biennium.

[3] Funding for the development fund is provided at $2,350,000 from the general fund, $100,000 more than the House version ($2,250,000), $734,000 more than the Senate version ($1,616,000), $266,000 less than Governor Hoeven's recommendation ($2,616,000), and $1,600,000 more than Governor Schafer's recommendation ($750,000).

[4] The grants line item is reduced by $30,000 and the operating expenses line item is increased by $30,000, the same as the House version. This grant was previously provided by the Tourism Department to the Greater North Dakota Association for publication of the North Dakota Horizons magazine.

[5] Funding is added for providing a grant to the North Dakota Cowboy Hall of Fame in accordance with provisions of Senate Bill No. 2195. The House and Senate versions also included this funding.

[6] The Lewis and Clark line item is increased by $150,000 from the general fund for providing grants to reimburse political subdivisions for Lewis and Clark-related costs, the same as the House version. The funding is intended to be provided only for the 2001-03 biennium. A section of legislative intent is added providing that these funds be used to reimburse political subdivisions for extraordinary costs incurred in river rescues directly related to Lewis and Clark bicentennial activities.

[7] Funding is added for additional marketing of the Lewis and Clark bicentennial, the same as the Senate version. The House removed this funding.

[8] Funding of $75,000 from the general fund is provided for a workforce development position; the House did not include this position and the Senate transferred a position from the Economic Development and Finance Division to the Workforce Development Division for this position.

Funding of $75,000 of special funds from the agricultural fuel tax fund is added for an additional position for the Agricultural Products Utilization Commission.

[9] Funding is added for the development of a public/private partnership statewide talent recruitment initiative. A section is added providing that the department and the Workforce Development Council establish criteria for the distribution of these grants and allows the department to require an applicant to provide local matching funds. The House did not include funding for this initiative. The Senate added a section providing that the Workforce Development Division allocate $400,000 of its grants line item for this initiative.

This amendment:

- Adds a section of legislative intent that $3,300,437 of the operating expenses line item be used for tourism-related activities, including tourism-related administrative costs as approved by the Tourism Division director, the same as the House version.
- Adds a section providing that the commissioner of the Department of Commerce report periodically to the Budget Section on the status of the establishment of the department and that the commissioner establish performance measures and report to the Budget Section on the department's progress in meeting its measures after the first year of the 2001-03 biennium. The House included the performance report and the Senate included a section that the department report to an interim Legislative Council committee on the status of the establishment of the department.
- Increases the total annual ethanol incentive payments that may be paid to an ethanol plant that produced 15 million gallons or more in the previous fiscal year and to a new ethanol plant from a total of $400,000 to a total of $500,000, the same as the House version.

- Reduces the total annual ethanol incentive payments that may be paid to an ethanol plant that has production capacity of fewer than 15 million gallons from $850,000 to $750,000, the same as the House version.

- Removes the provision that ethanol produced in North Dakota must be sold in North Dakota to qualify for an ethanol incentive payment, the same as the House version.

- Adds a section of legislative intent that the department allocate $100,000 of its grants line item for expenses of the economic development foundation and for the development of a strategic plan. The House did not include these provisions. The Senate added $100,000 from the general fund for the economic development foundation.

- Adds a section providing that the department develop a strategic plan. The Senate included a section providing for a strategic plan and the House did not.

- Changes the section added by the Senate providing that $50,000 of the grants line item be used for grants for a pilot project for remodeling of abandoned school buildings. The changes restrict the grants to only approved projects and allow the director to use any unobligated moneys on October 1, 2002, for other purposes.

- Adds two sections providing for Legislative Council studies of venture capital and global markets.

This amendment makes the following additional funding changes to the engrossed bill:

- Removes $40,000 from the general fund added to the Economic Development Division for marketing, the same as the House version.

- Removes $50,000 from the general fund added to the Economic Development Division for grants, the same as the House version.

- Restores the $40,000 from the general fund removed from the Community Services Division relating to renaissance zone program administration, the same as the House version.

- Returns the research position to the Division of Economic Development and Finance that the Senate had transferred to the Workforce Development Division.

- Removes $50,000 from the general fund added for operating expenses of the Workforce Development Division, the same as the House version.

- Removes $25,000 from the general fund added for equipment of the Workforce Development Division, the same as the House version.

- Removes $675,000 from the general fund added for grants of the Workforce Development Division, the same as the House version.

This amendment removes the following sections from the engrossed bill:

- The section added by the Senate providing that $250,000 of the funding provided for Economic Development Division marketing be spent for cooperative marketing grants involving local economic development corporations.

- The section providing that $15,000 of the Economic Development Division grants line item be allocated for professional training grants to economic development professionals in communities with a population of less than 10,000.

- The section of legislative intent providing that the development fund continue its current mission and not become involved in the new markets initiative during the 2001-03 biennium.

- The section of legislative intent added by the Senate that the additional $100,000 general fund appropriation for Lewis and Clark marketing not be considered part of the department's base budget for the purpose of submitting the budget request for the 2003-05 biennium.

- The section providing that $200,000 of the Workforce Development Division grants line item be allocated for grants to local communities and regions for labor availability research and for identification of employer workforce needs.

Senate Bill No. 2019 - Department of Commerce - Administration - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$877,474	($877,474)			
Operating expenses		187,516	(187,516)			
Economic development foundation		100,000	(100,000)			
Total all funds	$0	$1,164,990	($1,164,990)	$0	$0	$0
Less estimated income		249,487	(249,487)			
General fund	$0	$915,503	($915,503)	$0	$0	$0
FTE	0.00	8.00	(8.00)	0.00	0.00	0.00

Dept. 606 - Department of Commerce - Administration - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($877,474)	($877,474)
Operating expenses	(187,516)	(187,516)
Economic development foundation	(100,000)	(100,000)
Total all funds	($1,164,990)	($1,164,990)
Less estimated income	(249,487)	(249,487)
General fund	($915,503)	($915,503)
FTE	(8.00)	(8.00)

1 Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Economic Development - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$2,388,822	($2,388,822)			
Operating expenses		4,453,499	(4,453,499)			
Equipment		111,058	(111,058)			
Grants		1,723,292	(1,723,292)			
North Dakota development fund		1,616,000	(1,616,000)			
Agricultural products utilization		5,007,270	(5,007,270)			
Total all funds	$0	$15,299,941	($15,299,941)	$0	$0	$0
Less estimated income		5,390,203	(5,390,203)			
General fund	$0	$9,909,738	($9,909,738)	$0	$0	$0
FTE	0.00	19.00	(19.00)	0.00	0.00	0.00

Dept. 607 - Department of Commerce - Economic Development - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($2,388,822)	($2,388,822)
Operating expenses	(4,453,499)	(4,453,499)
Equipment	(111,058)	(111,058)
Grants	(1,723,292)	(1,723,292)
North Dakota development fund	(1,616,000)	(1,616,000)
Agricultural products utilization	(5,007,270)	(5,007,270)
Total all funds	($15,299,941)	($15,299,941)
Less estimated income	(5,390,203)	(5,390,203)
General fund	($9,909,738)	($9,909,738)

FTE	(19.00)	(19.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Community Services - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$1,665,525	($1,665,525)			
Operating expenses		2,539,380	(2,539,380)			
Equipment		73,500	(73,500)			
Grants		34,306,934	(34,306,934)			
Total all funds	$0	$38,585,339	($38,585,339)	$0	$0	$0
Less estimated income		37,503,285	(37,503,285)			
General fund	$0	$1,082,054	($1,082,054)	$0	$0	$0
FTE	0.00	15.00	(15.00)	0.00	0.00	0.00

Dept. 608 - Department of Commerce - Community Services - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($1,665,525)	($1,665,525)
Operating expenses	(2,539,380)	(2,539,380)
Equipment	(73,500)	(73,500)
Grants	(34,306,934)	(34,306,934)
Total all funds	($38,585,339)	($38,585,339)
Less estimated income	(37,503,285)	(37,503,285)
General fund	($1,082,054)	($1,082,054)
FTE	(15.00)	(15.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Tourism - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$905,785	($905,785)			
Operating expenses		3,300,437	(3,300,437)			
Equipment		15,378	(15,378)			
Grants		100,000	(100,000)			
Lewis and Clark bicentennial		755,751	(755,751)			
Total all funds	$0	$5,077,351	($5,077,351)	$0	$0	$0
Less estimated income		363,000	(363,000)			
General fund	$0	$4,714,351	($4,714,351)	$0	$0	$0
FTE	0.00	9.00	(9.00)	0.00	0.00	0.00

Dept. 609 - Department of Commerce - Tourism - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($905,785)	($905,785)
Operating expenses	(3,300,437)	(3,300,437)
Equipment	(15,378)	(15,378)
Grants	(100,000)	(100,000)
Lewis and Clark bicentennial	(755,751)	(755,751)
Total all funds	($5,077,351)	($5,077,351)
Less estimated income	(363,000)	(363,000)
General fund	($4,714,351)	($4,714,351)
FTE	(9.00)	(9.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Workforce Development - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$191,287	($191,287)			
Operating expenses		50,000	(50,000)			
Equipment		25,000	(25,000)			
Grants		675,000	(675,000)			
Total all funds	$0	$941,287	($941,287)	$0	$0	$0
Less estimated income		60,584	(60,584)			
General fund	$0	$880,703	($880,703)	$0	$0	$0
FTE	0.00	2.00	(2.00)	0.00	0.00	0.00

Dept. 610 - Department of Commerce - Workforce Development - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($191,287)	($191,287)
Operating expenses	(50,000)	(50,000)
Equipment	(25,000)	(25,000)
Grants	(675,000)	(675,000)
Total all funds	($941,287)	($941,287)
Less estimated income	(60,584)	(60,584)
General fund	($880,703)	($880,703)
FTE	(2.00)	(2.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

The following schedule compares Governor Schafer's recommendation, Governor Hoeven's recommendation, the Senate version, the House version, and the Conference Committee version:

	2001-03 SCHAFER RECOMMENDATION	2001-03 HOEVEN RECOMMENDATION	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE VERSION
Department of Economic Development and Finance - SB 2019	$20,411,391				
Tourism Department - HB 1022	4,960,778				
Division of Community Services - HB 1015	39,098,238				
Department of Commerce - SB 2019 as amended		$60,968,908	$61,068,908	$61,015,117	$61,534,012
Total	$64,470,407	$60,968,908	$61,068,908	$61,015,117	$61,534,012
General fund	$19,805,180	$17,402,349	$17,502,349	$17,424,226	$17,880,287
Other funds	$44,665,227	$43,566,559	$43,566,559	$43,590,891	$43,653,725
FTE	82.00	53.00	53.00	57.00	57.00

Date: 4-23-01

Roll Call Vote #: _____

2001 CONFERENCE COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2019

CONFERENCE COMMITTEE-Economic Development and Finance-Commerce Dept.

Legislative Council Amendment Number 18045.0211

☐ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from) the (Senate/House) amendments on (SJ/HJ) page(s) 1151 - 1157

☐ having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

Action Taken _____

Motion Made By Senator/Representative Byerly Seconded By Senator/Representative Skarphol

Senators	Yes	No	Representative	Yes	No
Senator Grindberg	✓		Representative Skarphol	✓	
Senator Andrist	✓		Representative Byerly	✓	
Senator Heitkamp	✓		Representative Huether	✓	

Carrier: _____

Total Yes 6 No 0 Absent 0

REPORT OF CONFERENCE COMMITTEE

SB 2019, as engrossed: Your conference committee (Sens. Grindberg, Andrist, Heitkamp and Reps. Skarphol, Byerly, Huether) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1151-1157, adopt amendments as follows, and place SB 2019 on the Seventh order:

That the House recede from its amendments as printed on pages 1151-1157 of the Senate Journal and pages 1201-1208 of the House Journal and that Engrossed Senate Bill No. 2019 be amended as follows:

Page 1, line 4, after the semicolon insert "to provide for reports to the budget section;"

Page 1, replace lines 17 through 24 with:

"Salaries and wages	$6,103,893
Operating expenses	10,480,832
Equipment	199,936
Grants	36,330,226
North Dakota development fund	2,350,000
Agricultural products utilization	5,082,270
Lewis and Clark bicentennial	905,751
Transitional expenses	81,104
Total all funds	$61,534,012
Less estimated income	43,653,725
Total general fund appropriation	$17,880,287"

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 11

Page 3, line 13, remove "subdivision 2 of"

Page 3, line 19, remove "subdivision 2 of"

Page 3, line 23, remove "subdivision 2 of"

Page 3, line 26, remove "subdivision 2 of"

Page 3, line 28, remove "within North Dakota"

Page 4, line 6, remove "in North Dakota"

Page 4, line 22 remove "subdivision 2 of"

Page 4, replace lines 26 through 31 with:

"SECTION 6. LEGISLATIVE INTENT - TOURISM OPERATING EXPENSES. It is the intent of the legislative assembly that the sum of $3,300,437 included in the operating expenses line item in section 1 of this Act be allocated for tourism-related activities, including tourism-related administrative costs as approved by the tourism division director for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 7. DEPARTMENT OF COMMERCE - STATUS REPORTS - PERFORMANCE REPORT - BUDGET SECTION. The commissioner of the department of commerce shall periodically report to the budget section on the status of the establishment of the department of commerce during the 2001-02 interim. The director shall establish performance measures and report to the budget section at the budget section's first meeting after June 30, 2002, on the department's progress in

achieving its performance measures for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 5, line 2, replace "$1,616,000" with "$2,350,000"

Page 5, line 19, after "commerce" insert ", with the assistance of an economic development consultant,"

Page 5, line 20, replace "the assistance of the national" with "input from a task force including members of the economic development foundation"

Page 5, line 21, remove "association of state development agencies"

Page 5, line 22, replace the first "of" with "appointed by"

Page 5, replace lines 24 through 31 with:

"**SECTION 10. LEGISLATIVE INTENT - ECONOMIC DEVELOPMENT FOUNDATION AND STRATEGIC PLAN.** It is the intent of the legislative assembly that up to $100,000 of the grants line item in section 1 of this Act be allocated for expenses of the economic development foundation and for the development of a strategic plan for economic development in North Dakota for the biennium beginning July 1, 2001, and ending June 30, 2003.

SECTION 11. LEGISLATIVE INTENT - POLITICAL SUBDIVISION GRANTS - EXTRAORDINARY COSTS. It is the intent of the legislative assembly that $150,000 of the Lewis and Clark bicentennial line item in section 1 of this Act be allocated for grants to reimburse political subdivisions for extraordinary costs incurred in river rescues directly related to Lewis and Clark bicentennial activities for the biennium beginning July 1, 2001, and ending June 30, 2003."

Page 6, remove lines 1 through 7

Page 6, line 10, remove "subdivision 2 of"

Page 6, line 13, after the period insert "The department may provide a grant only for an approved project."

Page 6, line 14, replace "proposed" with "approved"

Page 6, line 15, remove "proposed"

Page 6, line 19, after the period insert "Any funds not obligated under this section on October 1, 2002, may be used for other purposes as determined by the commissioner of the department of commerce."

Page 6, line 21, remove "subdivision 5 of"

Page 6, remove lines 28 through 31

Page 7, remove lines 5 through 16

Page 7, line 17, remove "**LEGISLATIVE INTENT -**"

Page 7, line 18, replace "It is the intent of the legislative assembly that $400,000" with "The"

Page 7, line 19, remove "of the", remove "subdivision 5 of", and replace "be allocated" with "includes $250,000"

Page 7, line 21, after the period insert "The department of commerce and the workforce development council shall establish criteria for the distribution of grants under this section and may require a grant applicant to provide matching funds."

Page 7, replace lines 22 through 27 with:

"**SECTION 16. LEGISLATIVE COUNCIL STUDY - VENTURE CAPITAL.** The legislative council shall consider studying, during the 2001-02 interim, the availability of venture capital, tax credits, and other financing and research and development programs for new or expanding businesses. If chosen, the study must include an inventory of the programs available, a review of the difference between public and private venture capital programs, an assessment of the needs of business and industry, the research and development efforts of the North Dakota university system, and a review of the investments of the state investment board and the feasibility and desirability of investing a portion of these funds in North Dakota. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-eighth legislative assembly.

SECTION 17. LEGISLATIVE COUNCIL STUDY - GLOBAL MARKETS. The legislative council shall consider studying, during the 2001-02 interim, the feasibility and desirability of expanding North Dakota's economic development marketing efforts to include international markets and establishing a global marketing division within the department of commerce. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-eighth legislative assembly."

Page 8, line 13, remove the overstrike over "~~seven~~" and remove "eight"

Page 8, line 20, replace "four" with "five"

Page 9, line 30, replace "23" with "21"

Page 10, line 1, replace "22" with "20"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2019 - Summary of Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Department of Economic Development and Finance						
Total all funds	$20,411,391	$0	$0	$0	$0	$0
Less estimated income	6,396,902					
General fund	$14,014,489	$0	$0	$0	$0	$0
Department of Commerce						
Total all funds	$0	$0	$61,634,012	$61,634,012	$61,016,117	$618,895
Less estimated income			43,653,725	43,653,725	43,590,891	62,834
General fund	$0	$0	$17,980,287	$17,980,287	$17,424,226	$456,061
Department of Commerce - Administration						
Total all funds	$0	$1,164,990	($1,164,990)	$0	$0	$0
Less estimated income		249,487	(249,487)			

General fund	$0	$915,503	($915,503)	$0	$0	$0
Department of Commerce - Economic Development						
Total all funds	$0	$15,299,941	($15,299,941)	$0	$0	$0
Less estimated income		5,390,203	(5,390,203)			
General fund	$0	$9,909,738	($9,909,738)	$0	$0	$0
Department of Commerce - Community Services						
Total all funds	$0	$38,585,339	($38,585,339)	$0	$0	$0
Less estimated income		37,503,285	(37,503,285)			
General fund	$0	$1,082,054	($1,082,054)	$0	$0	$0
Department of Commerce - Tourism						
Total all funds	$0	$5,077,351	($5,077,351)	$0	$0	$0
Less estimated income		363,000	(363,000)			
General fund	$0	$4,714,351	($4,714,351)	$0	$0	$0
Department of Commerce - Workforce Development						
Total all funds	$0	$941,287	($941,287)	$0	$0	$0
Less estimated income		60,584	(60,584)			
General fund	$0	$880,703	($880,703)	$0	$0	$0
Bill Total						
Total all funds	$20,411,391	$81,068,908	$465,104	$81,534,012	$81,015,117	$518,895
Less estimated income	6,396,902	43,566,559	87,166	43,653,725	43,590,891	62,834
General fund	$14,014,489	$17,502,349	$377,938	$17,880,287	$17,424,226	$456,061

Senate Bill No. 2019 - Department of Economic Development and Finance - Conference Committee Action

The conference committee did not change the House or Senate version for the Department of Economic Development and Finance.

Senate Bill No. 2019 - Department of Commerce - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages			$6,103,893	$6,103,893	$6,028,893	$75,000
Operating expenses			10,480,832	10,480,832	10,480,832	
Equipment			199,936	199,936	199,936	
Grants			36,330,226	36,330,226	36,080,226	250,000
North Dakota development fund			2,350,000	2,350,000	2,250,000	100,000
Agricultural products utilization			5,082,270	5,082,270	5,007,270	75,000
Lewis and Clark bicentennial			905,751	905,751	805,751	100,000
Transitional expenses			81,104	81,104	162,209	(81,105)
Total all funds	$0	$0	$81,534,012	$81,534,012	$81,015,117	$518,895
Less estimated income			43,653,725	43,653,725	43,590,891	62,834
General fund	$0	$0	$17,880,287	$17,880,287	$17,424,226	$456,061
FTE	0.00	0.00	57.00	57.00	57.00	0.00

Dept. 605 - Department of Commerce - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	ADD TRANSITIONAL FUNDING [2]	REDUCE DEVELOPMENT FUND [3]	TRANSFER GRANTS TO OPERATING [4]	ADD FUNDING FOR COWBOY HALL OF FAME [5]	ADD FUNDING FOR LEWIS AND AND CLARK [6]
Salaries and wages	$6,028,893					
Operating expenses	10,450,832			$30,000		
Equipment	199,936					
Grants	36,010,226			(30,000)	$100,000	
North Dakota development fund	2,616,000		($266,000)			
Agricultural products utilization	5,007,270					
Lewis and Clark bicentennial	655,751					$150,000
Transitional expenses		$81,104				

Total all funds	$60,968,908	$81,104	($266,000)	$0	$100,000	$150,000
Less estimated income	43,566,559	12,166				
General fund	$17,402,349	$68,938	($266,000)	$0	$100,000	$150,000
FTE	53.00	2.00	0.00	0.00	0.00	0.00

	ADD FUNDING FOR LEWIS AND CLARK MARKETING [7]	ADD POSITIONS [8]	ADD FUNDING FOR TALENT RECRUITMENT INITIATIVE [9]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages		$75,000		$6,103,893
Operating expenses				10,480,832
Equipment				199,906
Grants			$250,000	36,330,226
North Dakota development fund				2,350,000
Agricultural products utilization		75,000		5,082,270
Lewis and Clark bicentennial	$100,000			905,751
Transitional expenses				81,104
Total all funds	$100,000	$150,000	$250,000	$61,534,012
Less estimated income		75,000		43,653,725
General fund	$100,000	$75,000	$250,000	$17,880,287
FTE	0.00	2.00	0.00	57.00

1 Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

2 A transitional expenses line item is added providing funding for two FTE administrative positions currently employed by the Department of Economic Development and Finance, Division of Community Services, and the Tourism Department for one year of the 2001-03 biennium. The two FTE positions are authorized only for the first year of the biennium. Governor Hoeven's recommendation and the Senate version removed four FTE administrative positions. The House had provided funding and authorized four FTE administrative positions for the first year of the biennium.

3 Funding for the development fund is provided at $2,350,000 from the general fund, $100,000 more than the House version ($2,250,000), $734,000 more than the Senate version ($1,616,000), $266,000 less than Governor Hoeven's recommendation ($2,616,000), and $1,600,000 more than Governor Schafer's recommendation ($750,000).

4 The grants line item is reduced by $30,000 and the operating expenses line item is increased by $30,000, the same as the House version. This grant was previously provided by the Tourism Department to the Greater North Dakota Association for publication of the North Dakota Horizons magazine.

5 Funding is added for providing a grant to the North Dakota Cowboy Hall of Fame in accordance with provisions of Senate Bill No. 2195. The House and Senate versions also included this funding.

6 The Lewis and Clark line item is increased by $150,000 from the general fund for providing grants to reimburse political subdivisions for Lewis and Clark-related costs, the same as the House version. The funding is intended to be provided only for the 2001-03 biennium. A section of legislative intent is added providing that these funds be used to reimburse political subdivisions for extraordinary costs incurred in river rescues directly related to Lewis and Clark bicentennial activities.

7 Funding is added for additional marketing of the Lewis and Clark bicentennial, the same as the Senate version. The House removed this funding.

8 Funding of $75,000 from the general fund is provided for a workforce development position; the House did not include this position and the Senate transferred a position from the Economic Development and Finance Division to the Workforce Development Division for this position.

Funding of $75,000 of special funds from the agricultural fuel tax fund is added for an additional position for the Agricultural Products Utilization Commission.

9 Funding is added for the development of a public/private partnership statewide talent recruitment initiative. A section is added providing that the department and the Workforce Development Council establish criteria for the distribution of these grants and allows the department to require an applicant to provide local matching funds. The House did not include funding for this initiative. The Senate added a section providing that the Workforce Development Division allocate $400,000 of its grants line item for this initiative.

This amendment:

- Adds a section of legislative intent that $3,300,437 of the operating expenses line item be used for tourism-related activities, including tourism-related administrative costs as approved by the Tourism Division director, the same as the House version.

- Adds a section providing that the commissioner of the Department of Commerce report periodically to the Budget Section on the status of the establishment of the department and that the commissioner establish performance measures and report to the Budget Section on the department's progress in meeting its measures after the first year of the 2001-03 biennium. The House included the performance report and the Senate included a section that the department report to an interim Legislative Council committee on the status of the establishment of the department.

- Increases the total annual ethanol incentive payments that may be paid to an ethanol plant that produced 15 million gallons or more in the previous fiscal year and to a new ethanol plant from a total of $400,000 to a total of $500,000, the same as the House version.

- Reduces the total annual ethanol incentive payments that may be paid to an ethanol plant that has production capacity of fewer than 15 million gallons from $850,000 to $750,000, the same as the House version.

- Removes the provision that ethanol produced in North Dakota must be sold in North Dakota to qualify for an ethanol incentive payment, the same as the House version.

- Adds a section of legislative intent that the department allocate $100,000 of its grants line item for expenses of the economic development foundation and for the development of a strategic plan. The House did not include these provisions. The Senate added $100,000 from the general fund for the economic development foundation.

- Adds a section providing that the department develop a strategic plan. The Senate included a section providing for a strategic plan and the House did not.

- Changes the section added by the Senate providing that $50,000 of the grants line item be used for grants for a pilot project for remodeling of abandoned school buildings. The changes restrict the grants to only approved projects and allow the director to use any unobligated moneys on October 1, 2002, for other purposes.

- Adds two sections providing for Legislative Council studies of venture capital and global markets.

This amendment makes the following additional funding changes to the engrossed bill:

- Removes $40,000 from the general fund added to the Economic Development Division for marketing, the same as the House version.

- Removes $50,000 from the general fund added to the Economic Development Division for grants, the same as the House version.

- Restores the $40,000 from the general fund removed from the Community Services Division relating to renaissance zone program administration, the same as the House version.

- Returns the research position to the Division of Economic Development and Finance that the Senate had transferred to the Workforce Development Division.

- Removes $50,000 from the general fund added for operating expenses of the Workforce Development Division, the same as the House version.

- Removes $25,000 from the general fund added for equipment of the Workforce Development Division, the same as the House version.

- Removes $675,000 from the general fund added for grants of the Workforce Development Division, the same as the House version.

This amendment removes the following sections from the engrossed bill:

- The section added by the Senate providing that $250,000 of the funding provided for Economic Development Division marketing be spent for cooperative marketing grants involving local economic development corporations.

- The section providing that $15,000 of the Economic Development Division grants line item be allocated for professional training grants to economic development professionals in communities with a population of less than 10,000.

- The section of legislative intent providing that the development fund continue its current mission and not become involved in the new markets initiative during the 2001-03 biennium.

- The section of legislative intent added by the Senate that the additional $100,000 general fund appropriation for Lewis and Clark marketing not be considered part of the department's base budget for the purpose of submitting the budget request for the 2003-05 biennium.

- The section providing that $200,000 of the Workforce Development Division grants line item be allocated for grants to local communities and regions for labor availability research and for identification of employer workforce needs.

Senate Bill No. 2019 - Department of Commerce - Administration - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$877,474	($877,474)			
Operating expenses		187,516	(187,516)			
Economic development foundation		100,000	(100,000)			
Total all funds	$0	$1,164,990	($1,164,990)	$0	$0	$0
Less estimated income		249,487	(249,487)			
General fund	$0	$915,503	($915,503)	$0	$0	$0
FTE	0.00	6.00	(6.00)	0.00	0.00	0.00

Dept. 606 - Department of Commerce - Administration - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($877,474)	($877,474)
Operating expenses	(187,516)	(187,516)
Economic development foundation	(100,000)	(100,000)
Total all funds	($1,164,990)	($1,164,990)
Less estimated income	(249,487)	(249,487)
General fund	($915,503)	($915,503)
FTE	(6.00)	(6.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Economic Development - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$2,388,822	($2,388,822)			
Operating expenses		4,453,499	(4,453,499)			
Equipment		111,058	(111,058)			
Grants		1,723,292	(1,723,292)			
North Dakota development fund		1,816,000	(1,816,000)			
Agricultural products utilization		5,007,270	(5,007,270)			
Total all funds	$0	$15,299,941	($15,299,941)	$0	$0	$0
Less estimated income		5,390,203	(5,390,203)			
General fund	$0	$9,909,738	($9,909,738)	$0	$0	$0
FTE	0.00	19.00	(19.00)	0.00	0.00	0.00

Dept. 607 - Department of Commerce - Economic Development - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($2,388,822)	($2,388,822)
Operating expenses	(4,453,499)	(4,453,499)
Equipment	(111,058)	(111,058)
Grants	(1,723,292)	(1,723,292)
North Dakota development fund	(1,816,000)	(1,816,000)
Agricultural products utilization	(5,007,270)	(5,007,270)
Total all funds	($15,299,941)	($15,299,941)
Less estimated income	(5,390,203)	(5,390,203)
General fund	($9,909,738)	($9,909,738)
FTE	(19.00)	(19.00)

[1] Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Community Services - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$1,665,525	($1,665,525)			
Operating expenses		2,639,380	(2,639,380)			
Equipment		73,500	(73,500)			
Grants		34,306,934	(34,306,934)			
Total all funds	$0	$38,685,339	($38,685,339)	$0	$0	$0
Less estimated income		37,603,285	(37,603,285)			
General fund	$0	$1,082,054	($1,082,054)	$0	$0	$0
FTE	0.00	15.00	(15.00)	0.00	0.00	0.00

Dept. 608 - Department of Commerce - Community Services - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($1,665,525)	($1,665,525)
Operating expenses	(2,539,380)	(2,539,380)
Equipment	(73,500)	(73,500)
Grants	(34,306,934)	(34,306,934)
Total all funds	($38,585,339)	($38,585,339)
Less estimated income	(37,503,285)	(37,503,285)
General fund	($1,082,054)	($1,082,054)
FTE	(15.00)	(15.00)

1 Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Tourism - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$905,785	($905,785)			
Operating expenses		3,300,437	(3,300,437)			
Equipment		15,378	(15,378)			
Grants		100,000	(100,000)			
Lewis and Clark bicentennial		755,751	(755,751)			
Total all funds	$0	$5,077,351	($5,077,351)	$0	$0	$0
Less estimated income		363,000	(363,000)			
General fund	$0	$4,714,351	($4,714,351)	$0	$0	$0
FTE	0.00	9.00	(9.00)	0.00	0.00	0.00

Dept. 609 - Department of Commerce - Tourism - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($905,785)	($905,785)
Operating expenses	(3,300,437)	(3,300,437)
Equipment	(15,378)	(15,378)
Grants	(100,000)	(100,000)
Lewis and Clark bicentennial	(755,751)	(755,751)
Total all funds	($5,077,351)	($5,077,351)
Less estimated income	(363,000)	(363,000)
General fund	($4,714,351)	($4,714,351)
FTE	(9.00)	(9.00)

1 Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

Senate Bill No. 2019 - Department of Commerce - Workforce Development - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages		$191,287	($191,287)			

Operating expenses		50,000	(50,000)			
Equipment		25,000	(25,000)			
Grants		675,000	(675,000)			
Total all funds	$0	$941,287	($941,287)	$0	$0	$0
Less estimated income		60,584	(60,584)			
General fund	$0	$880,703	($880,703)	$0	$0	$0
FTE	0.00	2.00	(2.00)	0.00	0.00	0.00

Dept. 610 - Department of Commerce - Workforce Development - Detail of Conference Committee Changes

	COMBINE FUNDING [1]	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	($191,287)	($191,287)
Operating expenses	(50,000)	(50,000)
Equipment	(25,000)	(25,000)
Grants	(675,000)	(675,000)
Total all funds	($941,287)	($941,287)
Less estimated income	(60,584)	(60,584)
General fund	($880,703)	($880,703)
FTE	(2.00)	(2.00)

1 Funding for the Department of Commerce is combined into one subdivision as recommended by Governor Hoeven and included in the House version. The Senate appropriated funding separately to each of the divisions of the department.

The following schedule compares Governor Schafer's recommendation, Governor Hoeven's recommendation, the Senate version, the House version, and the Conference Committee version:

	2001-03 SCHAFER RECOMMENDATION	2001-03 HOEVEN RECOMMENDATION	SENATE VERSION	HOUSE VERSION	CONFERENCE COMMITTEE VERSION
Department of Economic Development and Finance - SB 2019	$20,411,391				
Tourism Department - HB 1022	4,960,778				
Division of Community Services - HB 1015	39,098,238				
Department of Commerce - SB 2019 as amended		$60,968,908	$61,068,908	$61,015,117	$61,534,012
Total	$64,470,407	$60,968,908	$61,068,908	$61,015,117	$61,534,012
General fund	$19,805,180	$17,402,349	$17,502,349	$17,424,226	$17,880,287
Other funds	$44,665,227	$43,566,559	$43,566,559	$43,590,891	$43,653,725
FTE	62.00	53.00	53.00	57.00	57.00

Engrossed SB 2019 was placed on the Seventh order of business on the calendar.

SB 2019

April 18, 2001

S.B. 2019 DEPT OF COMMERCE--Conference Committee

1. House changed funding for DOC into one sub-division. **Senate can agree on House action with a few exceptions. Question...Tourism 2001-2003 bienium**

2. House added #4 FTE's for transitional work for one year. **Senate proposes 2 FTE's for transition for a year and 2 permanant FTE's. (#1 authority in APUC and #1 for workforce Division and $$) Additionally, can we agree to remove entire Department from central personnel?**

3. House restored the ND Development Fund by adding $634,000($2,250,000) **Senate proposes ??? to a level of $$$??? ($317,000 Difference)**

4. North Dakota Horizons Magazine $30,000 **Senate concurs**

5. Cowboy Hall of Fame...**House & Senate Agreement**

6. House changed level for plants less that 15 million to $500,000 and plants higher than 15 Million to $750,000. **Senate can concur but would like date certain language restored**

7. House increased L&C by $50,000 over the Senate version ($150,000) and directed director use dollars for L&C activity with local political sub-divsions. **Senate recommends $200,000 for tourism director($100,000 for Mktg and $100,000 for political sub-divsions)**

8. House removed $100,000 for start-up funding for strategic planning for formation of foundation. **Senate requests $$ dedicated from operating line in budget.**

9. House removed sections 8 & 9 relating to strategic planning and monitoring of new Department. **Senate requests language be re-instated and we include performance measures.**

10. House removed section 10 relating to cooperative marketing grants. **Senate can concur**

11. House removed section 11 relating to ED professional training grants. **Senate can concur**

12. House removed section 12 relating to remodeling of school buildings. **Senate requests section be restored and a date certain is added to section. 10/1/02**

13. House removed section 13 relating to grants for Champion Communities. **Senate requests section be restored.**

14. House removed section 14 relating to mission of ND development fund. **Senate will concur if a study resolution is adopted that address the issue of venture capital programs in the state, public versus private sector funds and explores the States trust funds for possible ND investments.**

15. House removed section 17 relating to study on Workforce Development. **Senate can concur and note S.B. 2020 for revised language.**

16. House removed section 18 relating to the development of a public/private partnership for recruiting of talent to the state. **Senate cannot concur**

17. House removed section 19 relating to grants for local communities for ED research projects. **Senate concurs**

18. House restored $40,000 for Renasance zone administration. **Senate requests additional information.**

Other Items:
--Study resolution of Global Markets
--$10,000 fiscal note "Third Party" contracting bill
--$$$ $317,000 ND Development Fund H.B. 1413 & H.B. 1460 $500,000 $817,000

Prepared by the North Dakota Legislative Council
staff for Senator Grindberg
April 2001

DEPARTMENT OF COMMERCE - GENERAL FUND COMPARISON

	1999-2001 Legislative Appropriation	2001-03 Biennium			
		Schafer Recommendation	Hoeven Recommendation	Senate Version	House Version
Department of Economic Development and Finance	$7,813,802	$14,014,489			
Department of Tourism	4,016,000	4,597,778			
Division of Community Services	1,123,498	1,192,913			
Department of Commerce			$17,402,349	$17,502,349	$17,424,226
Total general fund	$12,953,300	$19,805,180	$17,402,349	$17,502,349	$17,424,226

Prepared by the North Dakota Legislative Council
staff for Senator Grindberg
April 2001

SENATE BILL NO. 2019 - DEPARTMENT OF COMMERCE - ITEMS UNDER CONSIDERATION BY CONFERENCE COMMITTEE

	General Fund	Special Funds	Total
1. FTE positions			
a. Remove 2 of the 4 FTE transitional positions, added by House for the first year of the biennium	($68,939)	($12,166)	($81,105)
b. Add 1 FTE Agricultural Products Utilization Commission position; funding is provided from the agricultural fuel tax fund		75,000	75,000
c. Add 1 FTE workforce development position	75,000		75,000
Total	$6,061	$62,834	$68,895

2. **SECTION _____. LEGISLATIVE INTENT - ECONOMIC DEVELOPMENT FOUNDATION AND STRATEGIC PLAN.** It is the intent of the legislative assembly that up to $100,000 of the grants line item in section 1 of this Act be allocated for expenses of the economic development foundation and for the development of a strategic plan for economic development in North Dakota for the biennium beginning July 1, 2001, and ending June 30, 2003.

3. **SECTION _____. LEGISLATIVE INTENT - DEPARTMENT OF COMMERCE STRATEGIC PLAN.** It is the intent of the legislative assembly that the department of commerce, with the assistance of an economic development consultant, develop a strategic plan including the new economy initiative, with input from a task force including members of the economic development foundation, three legislators appointed by the chairman of the legislative council, and one member appointed by the economic development association of North Dakota for the biennium beginning July 1, 2001, and ending June 30, 2003.

4. **SECTION _____. DEPARTMENT OF COMMERCE - STATUS REPORTS - PERFORMANCE REPORT - BUDGET SECTION.** The director of the department of commerce shall periodically report to the budget section on the status of the establishment of the department of commerce during the 2001-02 interim. The director shall establish performance measures and report to the budget section at the budget section's first meeting after June 30, 2002, on the department's progress in achieving its performance measures for the biennium beginning July 1, 2001, and ending June 30, 2003.

5. **SECTION _____. LEGISLATIVE INTENT - GRANTS LINE ITEM - REMODELING OF ABANDONED PUBLIC SCHOOL BUILDINGS PILOT PROJECT.** It is the intent of the legislative assembly that $50,000 of the grants line item in section 1 of this Act be used to establish a pilot project to provide grants to cities, school districts, or authorized job development authorities to assist in the remodeling of abandoned public school buildings to be used for the location or relocation of a new or expanding business. The department may provide a grant only for an approved project. If the applicant provides matching funds of at least twenty percent for the approved project, the department may award a grant of up to $5,000 for each new full-time job to be created as a result of the project. The maximum amount of a grant under this section is $50,000. The grant funds may be used only to remodel closed public school buildings in a city in which the closed school was the only school in the city. The department may establish additional guidelines for the awarding of grants under this section. Any funds not obligated under this section on October 1, 2002, may be used for other purposes as determined by the director of the department of commerce.

6. **SECTION _____. LEGISLATIVE COUNCIL STUDY - GLOBAL MARKETS.** The legislative council shall consider studying, during the 2001-02 interim, the feasibility and desirability of expanding North Dakota's economic development marketing efforts to include international markets and establishing a global marketing division within the department of commerce.

2001 TESTIMONY

SB 2019

Prepared by the North Dakota Legislative Council staff for Senate Appropriations
January 9, 2001

Department 601 - Department of Economic Development and Finance
Senate Bill No. 2019

	FTE Positions	General Fund	Other Funds	Total
2001-03 Executive Budget	30.00	$14,014,489	$6,396,902	$20,411,391[1]
1999-2001 Legislative Appropriations	23.00	7,813,802	4,093,075	11,906,877[2]
Increase (Decrease)	7.00	$6,200,687	$2,303,827	$8,504,514

[1] This amount includes $2.5 million from the highway tax distribution fund for ethanol incentives as included in Senate Bill No. 2019. The executive budget book reflects only $1.5 million.

[2] The 1999-2001 appropriation amounts include $14 from the general fund for the agency's share of the $1.4 million funding pool appropriated to the Office of Management and Budget for assisting agencies in providing the $35 per month minimum salary increases in July 1999 and July 2000. The 1999-2001 appropriation amounts do not include $1,352,698 of additional spending authority resulting from Emergency Commission action during the 1999-2001 biennium.

Major Items Affecting Department of Economic Development and Finance 2001-03 Budget

	General Fund	Other Funds	Total
1. Adds the following 8 FTE positions:	$951,819		$951,819

Position Title	Amount
Communications and public relations	$105,054
Administrative assistant	64,122
Research analyst	114,894
Research analyst	115,171
Data base web developer	115,171
Division manager	183,654
Marketing specialist	115,171
Investment and joint ventures	138,582
Total general fund	$951,819

2. Increases funding for operating expenses relating to marketing, electronic data management systems (EDMS), geographic information systems (GIS), and research and analysis.	$3,710,515		$3,710,515
3. Increases funding for equipment relating to the new positions.	$200,000		$200,000
4. Provides funding for the manufacturing extension partnership (MEP). The 1999 Legislative Assembly provided that $150,000 of the department's grants line item be used for the manufacturing extension partnership.	$924,485	$1,848,970	$2,773,455
5. Transfers 1 FTE work force development position ($121,555) and related operating expenses ($86,759) to the Board for Vocational and Technical Education.	($104,157)	($104,157)	($208,314)
6. Removes funding from the agricultural fuel tax fund for obtaining assistance in resolving beef industry trade issues.		($100,000)	($100,000)
7. Removes funding relating to the contingent ethanol incentive appropriation from the highway tax distribution fund.		($300,000)	($300,000)
8. Increases funding for ethanol incentives from the highway tax distribution fund. The recommendation provides for a total of $2.5 million for ethanol incentives. It is estimated that of this amount, the Alchem plant in Grafton will be eligible to receive up to $1.7 million, and the ADM plant in Walhalla and any new plant that may begin operations will be eligible to receive up to $800,000.		$993,000	$993,000
9. Increases general fund support for the Agricultural Products Utilization Commission to replace the anticipated reduction in special funds available in the agricultural fuel tax fund.	$426,403	($304,954)	$121,449

Major Legislation Affecting the Department of Economic Development and Finance

Senate Bill No. 2032 consolidates the Department of Economic Development and Finance, the Division of Community Services, and the Tourism Department into a department of commerce administered by a commissioner of commerce; creates a North Dakota commerce cabinet; and allows for creation of a privately funded North Dakota economic development foundation.

House Bill No. 1095 increases per diem for members of the Agricultural Products Utilization Commission by $12.50 per day, from $50 to $62.50 and authorizes the payment of per diem to commission members for conducting official commission business in addition to meetings.

Prepared by the North Dakota Legislative Council
staff for Senate Appropriations
January 18, 2001

epartment 601 - Department of Economic Development and Finance
Senate Bill No. 2019

	FTE Positions	General Fund	Other Funds	Total
2001-03 Schafer Executive Budget	30.00	$14,014,489	$6,396,902	$20,411,391[1]
1999-2001 Legislative Appropriations	23.00	7,813,802	4,093,075	11,906,877[2]
Increase (Decrease)	7.00	$6,200,687	$2,303,827	$8,504,514
2001-03 Hoeven Executive Budget	0.00	$0	$0	$0
Hoeven increase (Decrease) to Schafer	(30.00)	($14,014,489)	($6,396,902)	($20,411,391)

[1] This amount includes $2.5 million from the highway tax distribution fund for ethanol incentives as included in Senate Bill No. 2019. The executive budget book reflects only $1.5 million.

[2] The 1999-2001 appropriation amounts include $14 from the general fund for the agency's share of the $1.4 million funding pool appropriated to the Office of Management and Budget for assisting agencies in providing the $35 per month minimum salary increases in July 1999 and July 2000. The 1999-2001 appropriation amounts do not include $1,352,698 of additional spending authority resulting from Emergency Commission action during the 1999-2001 biennium.

Major Schafer Recommendations Affecting Department of Economic Development and Finance 2001-03 Budget

	General Fund	Other Funds	Total
1. Adds the following 8 FTE positions:	$951,819		$951,819

Position Title	Amount
Communications and public relations	$105,054
Administrative assistant	64,122
Research analyst	114,894
Research analyst	115,171
Data base web developer	115,171
Division manager	183,654
Marketing specialist	115,171
Investment and joint ventures	138,582
Total general fund	$951,819

2. Increases funding for operating expenses relating to marketing, electronic data management systems (EDMS), geographic information systems (GIS), and research and analysis.	$3,710,515		$3,710,515
3. Increases funding for equipment relating to the new positions.	$200,000		$200,000
4. Provides funding for the manufacturing extension partnership (MEP). The 1999 Legislative Assembly provided that $150,000 of the department's grants line item be used for the MEP.	$924,485	$1,848,970	$2,773,455
5. Transfers 1 FTE work force development position ($121,555) and related operating expenses ($86,759) to the Board for Vocational and Technical Education.	($104,157)	($104,157)	($208,314)
6. Removes funding from the agricultural fuel tax fund for obtaining assistance in resolving beef industry trade issues.		($100,000)	($100,000)
7. Removes funding relating to the contingent ethanol incentive appropriation from the highway tax distribution fund.		($300,000)	($300,000)
8. Increases funding for ethanol incentives from the highway tax distribution fund. The recommendation provides for a total of $2.5 million for ethanol incentives. It is estimated that of this amount, the Alchem plant in Grafton will be eligible to receive up to $1.7 million,		$993,000	$993,000

13. Adds funding for tourism marketing	$50,000	$50,000
14. Adds funding for the Development Fund - A total of $2,616,000 from the general fund is provided for the Development Fund.	$1,866,000	$1,866,000

Major Legislation Affecting the Department of Commerce

Senate Bill No. 2032 consolidates the Department of Economic Development and Finance, the Division of Community Services, and the Tourism Department into a department of commerce administered by a commissioner of commerce; creates a North Dakota commerce cabinet; and allows for creation of a privately funded North Dakota economic development foundation.

House Bill No. 1095 increases per diem for members of the Agricultural Products Utilization Commission by $12.50 per day, from $50.00 to $62.50 and authorizes the payment of per diem to commission members for conducting official commission business in addition to meetings. (Passed House)

Prepared by the North Dakota Legislative Council staff for House Appropriations
February 28, 2001

Department 605 - Department of Commerce
Senate Bill No. 2019

	1999-2001 Legislative Appropriations	2001-03 Schafer Recommendation	2001-03 Hoeven Recommendation	Hoeven Increase (Decrease) to 1999-2001	Hoeven Increase (Decrease) to Schafer
Department of Economic Development and Finance	$11,906,877	$20,411,391	**$0**	($11,906,877)	**($20,411,391)**
Department of Tourism	4,379,000	4,960,778	**0**	(4,379,000)	**(4,960,778)**
Division of Community Services	42,039,780	39,098,238	**0**	(42,039,780)	**(39,098,238)**
Department of Commerce	0	0	**60,968,908**	60,968,908	**60,968,908**
Total	$58,325,657	$64,470,407	**$60,968,908**	$2,643,251	**($3,501,499)**
General fund	$12,953,300	$19,805,180	**$17,402,349**	$4,449,049	**($2,402,831)**
Other funds	$45,372,357	$44,665,227	**$43,566,559**	($1,805,798)	**($1,098,668)**
FTE	55.00	62.00	**53.00**	(2.00)	**(9.00)**

Major Hoeven Recommendations Affecting Department of Commerce 2001-03 Budget Compared to Senate Bill No. 2019 as Introduced (Schafer Budget)

	FTE	General Fund	Other Funds	Total
1. Adds a business development director.	1.00	$183,266		$183,266
2. Adds a marketing director.	1.00	$183,266		$183,266
3. Removes the new FTE positions added into the Department of Economic Development and Finance in the Schafer budget.	(8.00)	($951,819)		($951,819)
4. Removes administrative positions from the existing Department of Economic Development and Finance, Tourism Department, and Division of Community Services.	(12.00)	($742,688)	($399,337)	($1,142,025)
5. Adds administrative positions in an administration program of the Department of Commerce.	8.00	$669,513	$207,961	$877,474
6. Adds the work force development position that the Schafer budget transferred from the Department of Economic Development and Finance to the Board for Vocational and Technical Education ($121,168) and related operating expenses ($86,759).	1.00	$103,964	$103,963	$207,927
7. Adds funding for additional rent costs.		$128,490	$41,526	$170,016
8. Adds funding for one-time technology costs relating to relocation.		$17,500		$17,500
9. Removes the additional general fund support added to the Department of Economic Development and Finance in the Schafer budget for operating expenses relating to marketing, electronic data management systems (EDMS), geographic information systems (GIS), and research and analysis.		($3,675,515)		($3,675,515)
10. Removes funding for the Department of Economic Development and Finance added in the Schafer budget for the Department of Economic Development and Finance for equipment relating to the 8 new FTE positions.		($200,000)		($200,000)
11. Reduces funding added in the Schafer budget for the manufacturing extension partnership (MEP) ($1,199,280 remains for the MEP, $400,000 of which is from the general fund).		($524,485)	($1,049,690)	($1,574,175)

12. Adds funding for economic development marketing. The Senate added an additional $40,000 from the general fund for economic development marketing.	$646,902	$646,902
13. Adds funding for tourism marketing.	$50,000	$50,000
Adds funding for the Development Fund - A total of $2,616,000 from the general fund is provided for the Development Fund. The Senate reduced this funding by $1,000,000, to a total of $1,616,000.	$1,866,000	$1,866,000

Major Legislation Affecting the Department of Commerce

Senate Bill No. 2032 consolidates the Department of Economic Development and Finance, the Division of Community Services, and the Tourism Department into a department of commerce administered by a commissioner of commerce; creates a North Dakota commerce cabinet; and allows for creation of a privately funded North Dakota economic development foundation.

House Bill No. 1095 increases per diem for members of the Agricultural Products Utilization Commission by $12.50 per day, from $50.00 to $62.50, and authorizes the payment of per diem to commission members for conducting official commission business in addition to meetings.

House Bill No. 1400 provides that the Department of Economic Development and Finance administer a rural growth incentive program

House Bill No. 1414 creates the Business Products Utilization Commission and appropriates $125,000 from the general fund to the Department of Economic Development and Finance for the commission.

Summary of Legislative Changes Resulting From First House Action

See Statement of Purpose of Amendment (attached).

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2019 - Funding Summary

	Executive Budget	Senate Changes	Senate Version
Dept. of Economic Development & Finance			
Salaries and wages	$3,725,220	($3,725,220)	
Operating expenses	8,944,228	(8,944,228)	
Equipment	296,358	(296,358)	
Grants	1,673,292	(1,673,292)	
North Dakota development fund	750,000	(750,000)	
Agricultural products utilization	5,022,293	(5,022,293)	
Total all funds	$20,411,391	($20,411,391)	$0
Less estimated income	6,396,902	(6,396,902)	0
General fund	$14,014,489	($14,014,489)	$0
FTE	30.00	(30.00)	0.00
DOC - Administration			
Salaries and wages		$877,474	$877,474
Operating expenses		187,516	187,516
Economic development foundation		100,000	100,000
Total all funds	$0	$1,164,990	$1,164,990
Less estimated income	0	249,487	249,487
General fund	$0	$915,503	$915,503
FTE	0.00	8.00	8.00
DOC - Economic Development			
Salaries and wages		$2,388,822	$2,388,822
Operating expenses		4,453,499	4,453,499
Equipment		111,058	111,058
Grants		1,723,292	1,723,292
North Dakota development fund		1,616,000	1,616,000
Agricultural products utilization		5,007,270	5,007,270
Total all funds	$0	$15,299,941	$15,299,941
Less estimated income	0	5,390,203	5,390,203
General fund	$0	$9,909,738	$9,909,738
FTE	0.00	19.00	19.00
DOC - Community Services			
Salaries and wages		$1,665,525	$1,665,525
Operating expenses		2,539,380	2,539,380
Equipment		73,500	73,500
Grants		34,306,934	34,306,934
Total all funds	$0	$38,585,339	$38,585,339
Less estimated income	0	37,503,285	37,503,285
General fund	$0	$1,082,054	$1,082,054
FTE	0.00	15.00	15.00
DOC - Tourism			
Salaries and wages		$905,785	$905,785
Operating expenses		3,300,437	3,300,437
Equipment		15,378	15,378
Grants		100,000	100,000
Lewis and Clark		755,751	755,751

Centennial			
Total all funds	$0	$5,077,351	$5,077,351
Less estimated income	0	363,000	363,000
General fund	$0	$4,714,351	$4,714,351
FTE	0.00	9.00	9.00
DOC - Workforce Development			
Salaries and wages		$191,287	$191,287
Operating expenses		50,000	50,000
Equipment		25,000	25,000
Grants		675,000	675,000
Total all funds	$0	$941,287	$941,287
Less estimated income	0	60,584	60,584
General fund	$0	$880,703	$880,703
FTE	0.00	2.00	2.00
Bill Total			
Total all funds	$20,411,391	$40,657,517	$61,068,908
Less estimated income	6,396,902	37,169,657	43,566,559
General fund	$14,014,489	$3,487,860	$17,502,349
FTE	30.00	23.00	53.00

Senate Bill No. 2019 - Dept. of Economic Development & Finance - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	$3,725,220	($3,725,220)	
Operating expenses	8,944,228	(8,944,228)	
Equipment	296,358	(296,358)	
Grants	1,673,292	(1,673,292)	
North Dakota development fund	750,000	(750,000)	
Agricultural products utilization	5,022,293	(5,022,293)	
Total all funds	$20,411,391	($20,411,391)	$0
Less estimated income	6,396,902	(6,396,902)	0
General fund	$14,014,489	($14,014,489)	$0
FTE	30.00	(30.00)	0.00

Department No. 601 - Dept. of Economic Development & Finance - Detail of Senate Changes

	Consolidate with Department of Commerce[1]	Total Senate Changes
Salaries and wages	($3,725,220)	($3,725,220)
Operating expenses	(8,944,228)	(8,944,228)
Equipment	(296,358)	(296,358)
Grants	(1,673,292)	(1,673,292)
North Dakota development fund	(750,000)	(750,000)
Agricultural products utilization	(5,022,293)	(5,022,293)
Total all funds	($20,411,391)	($20,411,391)
Less estimated income	(6,396,902)	(6,396,902)
General fund	($14,014,489)	($14,014,489)
FTE	(30.00)	(30.00)

Funding for the Department of Economic Development and Finance is removed and consolidated into the Department of Commerce as recommended by Governor Hoeven.

Senate Bill No. 2019 - DOC - Administration - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages		$877,474	$877,474
Operating expenses		187,516	187,516
Economic development foundation		100,000	100,000
Total all funds	$0	$1,164,990	$1,164,990
Less estimated income	0	249,487	249,487
General fund	$0	$915,503	$915,503
FTE	0.00	8.00	8.00

Department No. 606 - DOC - Administration - Detail of Senate Changes

	Create Department of Commerce[1]	Add Funding for Foundation	Total Senate Changes
Salaries and wages	$877,474		$877,474
Operating expenses	187,516		187,516
Economic development foundation		100,000	100,000
Total all funds	$1,064,990	$100,000	$1,164,990
Less estimated income	249,487	0	249,487
General fund	$815,503	$100,000	$915,503
FTE	8.00	0.00	8.00

[1] This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

A section is added providing that the Legislative Council consider monitoring the establishment of the department during the 2001-02 interim.

A section of legislative intent is added providing that the department develop a strategic plan.

Senate Bill No. 2019 - DOC - Economic Development - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages		$2,388,822	$2,388,822
Operating expenses		4,453,499	4,453,499
Equipment		111,058	111,058
Grants		1,723,292	1,723,292
North Dakota development fund		1,616,000	1,616,000
Agricultural products utilization		5,007,270	5,007,270
Total all funds	$0	$15,299,941	$15,299,941
Less estimated income	0	5,390,203	5,390,203
General fund	$0	$9,909,738	$9,909,738
FTE	0.00	19.00	19.00

Department No. 607 - DOC - Economic Development - Detail of Senate Changes

	Create Department of Commerce[1]	Transfer Workforce Development[2]	Reduce Development Fund[3]	Increase Funding for Marketing	Add Funding for Grants	Total Senate Changes
Salaries and wages	$2,580,109	($191,287)				$2,388,822
Operating expenses	4,413,499			40,000		4,453,499
Equipment	111,058					111,058
Grants	1,673,292				50,000	1,723,292
North Dakota development fund	2,616,000		(1,000,000)			1,616,000
Agricultural products utilization	5,007,270					5,007,270
Total all funds	$10,401,228	($191,287)	($1,000,000)	$40,000	$50,000	$15,299,941
Less estimated income	5,450,787	(60,584)	0	0	0	5,390,203
General fund	$10,950,441	($130,703)	($1,000,000)	$40,000	$50,000	$9,909,738
FTE	21.00	(2.00)	0.00	0.00	0.00	19.00

[1] This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

[2] The workforce development position and a research position are transferred to the workforce development division of the department.

[3] Funding for the development fund is provided at $1,616,000 from the general fund, $1,000,000 less than recommended by Governor Hoeven and $866,000 more than Governor Schafer's recommendation.

Provisions are added removing the allocation of $7,000 of the funding provided for the ethanol incentive program audit. A section is added requiring the Tax Commissioner to conduct an audit of the program during the 2001-03 biennium.

Provisions are added requiring the ethanol plants to notify the Agricultural Products Utilization Commission by October 1, 2001, if the plants intend to request ethanol incentives during the 2001-03 biennium. If any plants do not intend to request the incentives, the funding appropriated for those incentives will be used for Agricultural Products Utilization Commission grants during the 2001-03 biennium.

A section is added providing that $250,000 of the funding provided for marketing be spent for cooperative marketing grants involving local economic development corporations.

A section is added providing that $15,000 of the grants line item be allocated for professional training grants to economic development professionals in communities with a population of less than 10,000.

A section is added providing that $50,000 of the grants line item be used for grants for a pilot project for remodeling of abandoned public school buildings.

A section of legislative intent is added providing that the development fund continue its current mission and not become involved in the new markets initiative during the 2001-03 biennium.

Senate Bill No. 2019 - DOC - Community Services - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages		$1,665,525	$1,665,525
Operating expenses		2,539,380	2,539,380
Equipment		73,500	73,500
Grants		34,306,934	34,306,934
Total all funds	$0	$38,585,339	$38,585,339
Less estimated income	0	37,503,285	37,503,285
General fund	$0	$1,082,054	$1,082,054
FTE	0.00	15.00	15.00

Department No. 608 - DOC - Community Services - Detail of Senate Changes

	Create Department of Commerce[1]	Reduce Funding for Renaissance Administration[2]	Total Senate Changes
Salaries and wages	$1,665,525		$1,665,525
Operating expenses	2,579,380	(40,000)	2,539,380
Equipment	73,500		73,500
Grants	34,306,934		34,306,934
Total all funds	$38,625,339	($40,000)	$38,585,339
Less estimated income	37,503,285	0	37,503,285
General fund	$1,122,054	($40,000)	$1,082,054
FTE	15.00	0.00	15.00

[1] This change provides funding for this division of the Department of Commerce as recommended by Governor Hoeven.

[2] The funding provided for the administration of the renaissance zone program is removed.

Senate Bill No. 2019 - DOC - Tourism - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages		$905,785	$905,785
Operating expenses		3,300,437	3,300,437
Equipment		15,378	15,378
Grants		100,000	100,000
Lewis and Clark Bicentennial		755,751	755,751
Total all funds	$0	$5,077,351	$5,077,351
Less estimated income	0	363,000	363,000
General fund	$0	$4,714,351	$4,714,351
FTE	0.00	9.00	9.00

Prepared by the North Dakota Legislative Council staff

November 1999

NORTH DAKOTA ECONOMIC DEVELOPMENT COST

STATE SPENDING ON ECONOMIC DEVELOPMENT

Attached as Appendix A is a schedule on North Dakota's economic development general fund appropriations for the 1999-2001 biennium as compared to the appropriations for the 1997-99 biennium. The total general fund appropriations were $19.2 million compared to $17.75 million for the 1997-99 biennium, an increase of $1,485,764.

Attached as Appendix B is a memorandum comparing 1999-2001 legislative appropriations for agriculture-related funding to funding provided for the 1997-99 biennium. In addition to the amounts included in Appendix A, this memorandum provides information regarding funding for the NDSU Extension Service, the Northern Crops Institute, the agricultural experiment stations, the state meat inspection program, and the State Seed Department.

LOCAL SPENDING ON ECONOMIC DEVELOPMENT

According to the Tax Department there are currently 75 cities and one county levying a local sales tax. These sales taxes are used for various purposes, including economic development and infrastructure costs. The Tax Department does not compile information regarding the use of these funds for economic development. Attached as Appendix C is a copy of a memorandum that details the use of city sales tax dollars for the 10 largest cities in North Dakota, including information regarding the portion of the sales tax devoted to economic development.

TAX EXEMPTIONS FOR NEW AND EXPANDED BUSINESS

North Dakota Century Code Chapter 40-57.1 allows a city or county to grant an exemption for up to 10 years for buildings and structures used in a project that produces or manufactures a product from agricultural commodities. In addition, payments in lieu of taxes in any amount may be allowed for a new or expanded business through the 20th year of project operations. The chapter also allows a qualifying project to obtain an exemption from state income tax for up to five years upon approval of the State Board of Equalization. Economic development representatives believe that these exemptions and tax incentives provide the community an opportunity to invest now to receive benefits later and do not consider it a property tax revenue loss when a new project is established with the property tax exemption, because if the project did not exist, there would be no additional tax base.

Representatives of the Tax Department and the Department of Economic Development and Finance are unable to determine the total amount of property tax and income tax exemptions provided statewide.

1999-2000 INTERIM LEGISLATIVE COUNCIL STUDIES

The Commerce and Labor Committee is studying, pursuant to Section 16 of House Bill No. 1019, the economic development efforts in North Dakota, including the provision of economic development services statewide. A copy of the background memorandum provided to the committee in July 1999 is attached as Appendix D.

The Taxation Committee is studying, pursuant to Senate Concurrent Resolution No. 4041, the potential tax incentives and regulatory relief that will encourage greater investment participation by North Dakota residents in agricultural business ownership. Attached as Appendix E is a copy of the background memorandum regarding the committee's study.

ATTACH:5

Prepared by the North Dakota Legislative Council staff

November 1999

NORTH DAKOTA ECONOMIC DEVELOPMENT GENERAL FUND APPROPRIATIONS

	1997-99 Appropriation	1999-2001 Appropriation	Increase (Decrease)
Department of Economic Development and Finance - HB 1019			
Operating costs and grants	$5,678,247	$6,079,923	$401,676
North Dakota Development Fund	1,909,875	750,000	(1,159,875)
Technology Transfer, Inc.	500,000	0	(500,000)
Agricultural Products Utilization Commission	1,083,864	983,865	(99,999)
Total	$9,171,986	$7,813,788	($1,358,198)
Agriculture Department - SB 2009			
Pride of Dakota	$150,000	$151,516	$1,516
Agricultural mediation	218,664	175,464	(43,200)
Total	$368,664	$326,980	($41,684)
State Board for Vocational and Technical Education - HB 1020, HB 1443			
Farm management program line item	$445,760	$475,760	$30,000
Work force training contracts	0	875,000	875,000
Total	$445,760	$1,350,760	$905,000
Job Service - HB 1017			
Work Force 2000	$1,850,754	$1,250,000	($600,754)
Bank of North Dakota - HB 1015			
PACE	$4,600,000	$6,000,000 *	$1,400,000
Ag PACE	397,100	1,500,000	1,102,900
Beginning farmer loan program	921,500	1,000,000	78,500
Total	$5,918,600	$8,500,000	$2,581,400
Total North Dakota economic development	$17,755,764	$19,241,528	$1,485,764

* Of the $6 million appropriated for PACE, $500,000 is designated for technology PACE.

APPENDIX A

Prepared by the North Dakota Legislative Council staff
April 19[illegible]

1999-2001 BIENNIUM AGRICULTURE-RELATED FUNDING AND TAX REDUCTIONS

1999 Bill No.	Agency/Explanation	1997-99 Legislative Appropriations			1999-2001 Legislative Appropriations			Increase (Decrease) from 1997-99		
		General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
HB 1015	Bank of North Dakota									
	Ag PACE	$387,100		$387,100	$1,500,000		$1,500,000	$1,102,900		$1,102,900
	Beginning farmer loans program	921,500		921,500	1,000,000		1,000,000	78,500		78,500
	Total Bank of North Dakota	$1,318,600	$0	$1,318,600	$2,500,000	$0	$2,500,000	$1,181,400	$0	$1,181,400
HB 1019	Department of Economic Development and Finance									
	Agricultural Products Utilization Commission									
	Administration and grants	$1,083,864	$1,506,598	$2,590,462	$983,865	$1,495,046	$2,478,911	($99,999)	($11,552)	($111,551)
	Ethanol incentives		1,507,000	1,507,000		1,807,000	1,807,000		300,000	300,000
	Beef industry trade issues					100,000	100,000		100,000	100,000
	Total Department of Economic Development and Finance	$1,083,864	$3,013,598	$4,097,462	$983,865	$3,402,046	$4,385,911	($99,999)	$388,448	$288,449
HB 1020	Board for Vocational and Technical Education									
	Farm management program	$219,802	$225,958	$445,760	$299,802	$225,958	$525,760	$80,000		$80,000
HB 1021	NDSU Extension Service	$12,302,198	$13,017,988	$25,320,186	$12,817,207	$16,732,669	$29,549,876	$515,019	$3,714,671	$4,229,690
	Northern Crops Institute	$642,936	$335,977	$978,913	$662,091	$407,957	$1,070,048	$19,155	$71,980	$91,135
	Agricultural Experiment Station	$31,213,885	$24,448,885	$55,662,550	$33,163,438	$25,676,816	$58,840,254	$1,949,773	$1,227,931	$3,177,704
SB 2009	Agriculture Department	$4,590,240	$4,873,761	$9,464,001	$4,461,363	$4,133,216	$8,594,579	($128,877)	($740,545)	($869,422)
HB 1269	State meat inspection program					454,000	454,000		454,000	454,000
	Total Agriculture Department	$4,590,240	$4,873,761	$9,464,001	$4,461,363	$4,587,216	$9,048,579	($128,877)	($286,545)	($415,422)
SB 2009	Transfer to minor use pesticide fund		$350,000	$350,000		$285,000	$285,000		($65,000)	($65,000)
SB 2009	Legislative Council - Crop Harmonization Committee				$15,000	$165,000	$180,000	$15,000	$165,000	$180,000
SB 2015	Seed Department		$5,508,104	$5,509,104		$5,314,833	$5,314,833		($194,271)	($194,271)
Total agriculture-related funding		$51,371,295	$51,775,281	$103,146,576	$54,902,766	$56,797,495	$111,700,261	$3,531,471	$5,022,214	$8,553,685

Note: The following bills provide for an agriculture-related tax reduction:

1999 Bill No.	Explanation	1999-2001 General Fund Revenue Impact	1999-2001 Special Funds Revenue Impact	Total 1999-2001 Revenue Impact
HB 1467 and SB 2217	Both of these bills provide for a reduction in the sales tax rate on farm machinery parts, used farm machinery, and used irrigation equipment	($4,471,000)	($389,000)	($4,860,000)

APPENDIX B

99499

Prepared by the North Dakota Legislative Council staff

January 5, 1999

LOCAL ECONOMIC DEVELOPMENT FUNDING

The following table shows local economic development funding, the source of the funding, and the number of professional staff for the major cities in North Dakota:

City	1997 Mills	1997 Dollar Amount Generated by Mill Levy	1997 City Sales Tax Dollars	Portion of Sales Tax Devoted for Economic Development	Professional Staff Size
Bismarck			$6,658,193	$1,500,000 (specific dollar amount)	2
Mandan			$1,039,570	Unspecified	With Bismarck
Devils Lake	3.48	$28,210	$1,316,545	$166,762 (19 percent of an equivalent of one percent of the citywide sales tax)	1
Dickinson			$1,726,902	$345,380 (20 percent)	1
Fargo			$12,567,053	$0 (no public funding; private donations)	3
Grand Forks			$10,507,560	$1,100,000 (18 percent of an equivalent of one percent of the citywide sales tax)	2
Jamestown			$1,446,784	$1,446,784 (100 percent)	1
Minot			$4,293,628	$1,717,451 (40 percent)	2
Wahpeton	4	$34,866	$719,550	$719,550 (100 percent)	2
Williston			$1,144,799	$286,200 (25 percent)	1

Prepared by the North Dakota Legislative Council staff for the Commerce and Labor Committee
July 1999

ECONOMIC DEVELOPMENT - BACKGROUND MEMORANDUM

INTRODUCTION

Section 16 of House Bill No. 1019 (1999) directs the Legislative Council to study the economic development efforts in North Dakota, including the provision of economic development services statewide and the related effectiveness, the potential for the privatization of the Department of Economic Development and Finance, and the appropriate location of the North Dakota Development Fund, including the potential transfer of the fund to the Bank of North Dakota.

PREVIOUS STUDIES

1997-98 Interim Commerce and Agriculture Committee

Section 12 of Senate Bill No. 2019 (1997) directed the Legislative Council to study economic development functions in North Dakota, including the Bank of North Dakota programs, Technology Transfer, Inc., the North Dakota Development Fund, the Department of Economic Development and Finance, and other related state agencies. The bill further provided that the study should include a review of the most appropriate, effective, and efficient method for the state to deliver economic development assistance in light of changing economic conditions and considerations.

The 1997-98 Commerce and Agriculture Committee received reports from representatives of the Department of Economic Development and Finance regarding the restructuring of the department, loan performance, and the programs administered by the department. A representative of the department testified that a reorganization of the department and its focus was necessary because the economic situation in the state differs greatly from 1991 when most of the economic development programs administered by the department were adopted. Therefore, the department was changing its focus from jobs creation to wealth creation and attempting to respond to the needs of existing businesses by assisting in work force training and development programs. The director of the department testified that although the department shares information and cooperates with the area's economic development programs outside the department, more of those programs should be administered within the department to promote efficiency. The committee received testimony that although 90 percent of the state's business assistance programs address financing, the department is attempting to become more of an information agency to help businesses make good business decisions.

The committee received testimony from representatives of the Bank of North Dakota regarding economic development programs administered by the Bank. In addition to the loan programs specifically authorized by statute, the Bank attempts to establish other programs to assist in creating jobs in the state and representatives of the Bank regularly meet with other economic development entities to attempt to coordinate funding activities. Representatives of the Bank indicated that because the Bank is a lending institution, the administration of economic development grant programs such as those administered by the Department of Economic Development and Finance may not be appropriate for the Bank of North Dakota.

The committee received testimony from individuals involved in economic development activities at the local level indicating that the Department of Economic Development and Finance and the Bank of North Dakota cooperate with local developers and that the state has the tools necessary to promote and sustain development. Although there has been a shortage of skilled employees in some areas, development officials stated that they have been working with institutions of higher education, particularly the two-year schools, to train employees.

The Commerce and Agriculture Committee made no recommendation with respect to its study of economic development functions in the state.

1993-94 Interim Jobs Development Commission

Senate Bill No. 2021 (1993) directed a study of methods and coordination of efforts to initiate and sustain new economic development in this state. The 1993-94 Interim Jobs Development Commission reviewed the various divisions and programs within the Department of Economic Development and Finance, the Bank of North Dakota, and the North Dakota Agricultural Products Utilization Commission. The commission made no recommendation with respect to its study of methods and coordination of efforts to initiate and sustain economic development within the state.

1989-90 Interim Jobs Development Commission

House Concurrent Resolution No. 3004 (1989) directed the Legislative Council to establish a Jobs Development Commission to study methods and coordinate efforts to initiate and sustain state economic

development and to stimulate the creation of new economic opportunities for the citizens of the state. The 1989-90 Interim Jobs Development Commission, pursuant to Senate Concurrent Resolution No. 4056, also conducted a study of the state's bountiful natural resources and outdoor recreational activities with an emphasis on the state's wildlife resources and enhancement of the resources for the benefit of North Dakota citizens and economic development.

The Jobs Development Commission worked closely with the North Dakota 2000 Committee, which was formed by the Greater North Dakota Association, and the Governor's Committee of 34, which was a committee of 34 members selected by the Governor for the purpose of developing and implementing a comprehensive economic development legislative program for 1991. The commission recommended several bills to the Legislative Council relating to economic development. Included among those bills was 1991 Senate Bill No. 2058, which provided for a comprehensive economic development program known as the "Growing North Dakota" program.

PREVIOUS LEGISLATION

1991 "Growing North Dakota" Legislation

Senate Bill No. 2058 (1991) replaced the Economic Development Commission with the Department of Economic Development and Finance. The bill required the Governor to appoint a director of the department and provided for a division of finance, a division of marketing and technical assistance, and a division of science and technology. The bill provided for the establishment of the following funds:

1. The agriculture partnership in assisting community expansion (Ag PACE) fund for the purpose of buying down the interest rate on loans to on-farm businesses.
2. The partnership in assisting community expansion (PACE) fund for the purpose of buying down the interest rate on loans made by lead financial institutions in participation with the Bank of North Dakota.
3. The primary sector development fund (North Dakota Economic Development Finance Corporation) for the purpose of taking equity positions in, providing loans to, or using other innovative financing mechanisms to provide capital for new or expanding businesses in the state or relocating businesses to the state. Every full-time employee of a business receiving moneys or other assistance from the primary sector development fund was required to be paid an income at least equal to 100 percent of the federal poverty level for a family of four for the life of the loan, equity position, or other financial relationship. (This requirement was often referred to as the "living wage" requirement.)
4. The regional rural development revolving loan fund for the purpose of providing financial assistance, research and development assistance, and loans or equity or debt financing on a matching basis to new or expanding primary sector businesses in areas in the state which are not located within five miles of any city with a population of more than 8,000. Funds in the regional rural development revolving loan fund were to be divided equally among the eight planning regions. Repayments from projects funded by the regional rural development revolving loan fund were to be credited to the local region.

The 1991 Legislative Assembly appropriated approximately $21 million for economic development purposes for the 1991-93 biennium. Funding for the economic development program came from transfers from earnings from the Bank of North Dakota to the general fund.

1993 "Growing North Dakota II"

The Growing North Dakota program established in 1991 was partially revised in 1993 by Senate Bill No. 2021. That bill changed the name of the Science and Technology Corporation to Technology Transfer, Inc., and changed the name of the North Dakota Economic Development Finance Corporation to the North Dakota Future Fund, Inc.

In 1993, legislation also eliminated the requirement that the Department of Economic Development and Finance include a division of marketing and technical assistance. The legislation authorized the director of the department to establish additional divisions as necessary; however, the legislation required the department to contain an office of North Dakota American Indian Business Development and an office of North Dakota Women's Business Development.

The 1993 Legislative Assembly appropriated additional funds for the Future Fund and Technology Transfer, Inc., for the remainder of the 1991-93 biennium because all the funds appropriated by the 1991 Legislative Assembly had been expended. In addition, the 1993 Legislative Assembly appropriated approximately $18.5 million for economic development programs for the 1993-95 biennium.

1995 Economic Development Legislation

The 1995 Legislative Assembly continued to make significant changes to the state's economic development tools. In House Bill No. 1021 (1995), the regional rural development revolving loan fund and the North Dakota Future Fund were replaced with the North Dakota Development Fund. However, the

Legislative Assembly provided that $6 million of the funds in the North Dakota Development Fund must be dedicated for the purpose of providing financial assistance, research and development assistance, and the loans or equity or debt financing on a matching basis to new or expanding primary sector businesses in areas in the state which are not within five miles of any city with a population of more than 8,000. Those funds were to be allocated for the benefit of each of the eight planning regions. The approximately $2 million balance in the fund was to be dedicated for projects as follows: 40 percent businesses in rural areas, 40 percent businesses in urban areas, and 20 percent North American Indian businesses. However, the director of the Department of Economic Development and Finance was allowed to reallocate up to 20 percent of any region's allocation to another region or regions during the biennium. The director was also permitted to reallocate among the Technology Transfer, Inc., fund and the North Dakota Development Fund for rural and nonrural development projects up to 10 percent of the amounts appropriated.

The 1995 Legislative Assembly also repealed the "living wage" requirement. The 1995 Legislative Assembly appropriated to the Department of Economic Development and Finance approximately $2 million for grants, $1,454,000 for Technology Transfer, Inc., and $1,968,750 for the Development Fund.

1997 Economic Development Legislation

The 1997 Legislative Assembly included within the appropriation for the Department of Economic Development and Finance (Senate Bill No. 2019) a provision that repealed Technology Transfer, Inc., as of July 1, 1999. The bill also appropriated to the department $1,909,875 for the North Dakota Development Fund, $500,000 for Technology Transfer, Inc., and $4,097,462 for the Agricultural Products Utilization Commission.

Senate Bill No. 2019 allowed the director of the Department of Economic Development and Finance to reallocate among the Technology Transfer, Inc., fund and the North Dakota Development Fund for rural and nonrural development projects up to 10 percent of the amounts appropriated for the biennium. The bill provided that the money transferred to the North Dakota Development Fund must be dedicated for projects as follows: 40 percent businesses and rural areas, 40 percent businesses and urban areas, and 20 percent North American Indian businesses. However, any unused funds in any category could be transferred to another category during the second year of the biennium, and the director of the department was permitted to reallocate up to 20 percent of any region's available remaining balance of regional rural development revolving loan funds to another region or regions. The bill further provides of the amount available in the North Dakota Development Fund, $4 million or the unobligated balance on July 1, 1997, relating to the transfer of regional rural development loan fund moneys, must continue to be dedicated for the purposes of providing financial assistance, research and development assistance, and loans or equity or debt financing on a matching basis to new or expanded primary sector businesses in areas of the state which are not within five miles of any city with a population of more than 8,000.

Senate Bill No. 2019 included a provision stating that a political subdivision or economic development authority may adopt a minimum wage requirement for any new business or business expansion in which a majority of the capital is provided by the North Dakota Development Fund and its own local development funds. The bill also provided that the Agricultural Products Utilization Commission is now a division of the Department of Economic Development and Finance. The bill included an agricultural prototype development program within the programs which the Agricultural Products Utilization Commission may administer.

Other 1997 legislation relating to economic issues included Senate Bill No. 2373, which provided a framework for investment in community development corporations by banks; Senate Bill No. 2398, which provided that the Industrial Commission, acting as the Farm Finance Agency, may establish the first-time farmer finance program to encourage first-time farmers to enter and remain in the livelihood of agriculture and to provide first-time farmers a source of financing at favorable rates and terms generally not available to them; Senate Bill No. 2396, which allowed a corporation or a limited liability company to own and operate the low-risk incentive fund, which makes loans to primary sector businesses; and House Bill No. 1401, which amended the seed capital investment credit provisions to eliminate the requirement of gross sales receipts of less than $2 million in the most recent year and to allow the credit to apply for a business that does not have a principal office in the state but has a significant operation in North Dakota or more than 25 employees or $250,000 of annual sales in a North Dakota operation.

Although the Department of Economic Development and Finance administered most of the major economic programs such as the North Dakota Development Fund, Technology Transfer, Inc., the Native American business development program, and the women's business development program, the Bank of North Dakota also administered economic development programs. The PACE fund was available to buy down the interest rate on loans made by lead financial institutions in participation with the Bank of North

Dakota. The 1997 Legislative Assembly appropriated $4,000,600 for the PACE fund.

The Ag PACE fund is a fund through which the Bank of North Dakota assists in buying down the interest rate on loans to on-farm businesses. The 1997 Legislative Assembly appropriated $397,100 to the Bank of North Dakota for the Ag PACE fund.

The beginning farmer revolving loan fund provided direct loans through the Bank of North Dakota to first-time purchasers of agricultural real estate for the purchase of agricultural real estate. The 1997 Legislative Assembly appropriated $921,600 to the Bank of North Dakota for the beginning farmer revolving loan fund.

1999 Economic Development Legislation

In House Bill No. 1019 (1999), the Legislative Assembly appropriated $750,000 to the Department of Economic Development and Finance for the North Dakota Development Fund, Inc., House Bill No. 1019 provides for ethanol incentives and provides that the money transferred to the North Dakota Development Fund must be dedicated for projects as follows: 40 percent businesses and rural areas, 40 percent businesses and urban areas, and 20 percent North American Indian businesses. However, any unused funds in any category may be transferred to another category during the second year of the biennium, and the director of the department is permitted to reallocate up to 20 percent of any region's available remaining balance of regional rural development revolving loan funds to another region or regions. The bill further provides of the amount available in the North Dakota Development Fund, $4 million or the unobligated balance on July 1, 1999, relating to the transfer of regional rural development loan fund moneys, must continue to be dedicated for the purposes of providing financial assistance, research and development assistance, and loans or equity or debt financing on a matching basis to new or expanded primary sector businesses in areas of the state which are not within five miles of any city with a population of more than 8,000. House Bill No. 1019 also included a provision stating that a political subdivision or economic development authority may adopt a minimum wage requirement for any new business or business expansion in which a majority of the capital is provided by the North Dakota Development Fund and its own local development funds.

House Bill No. 1141 eliminates the requirement that the Department of Economic Development and Finance have a division of science and technology. The bill replaces the requirement that the department report annually regarding loan performance of the department, including a comparison of dollars spent to the jobs created of all programs administered or supervised by the department and review of the timeliness of loan processing practices, with a requirement that the department report annually on the performance of all divisions of the department, including the amount of success and satisfaction the department has meeting business client, economic developer, and community client needs and expectations, including a comparison of dollars spent to the economic benefits created of all programs administered or supervised by the department. The bill repeals the requirement that the department send an annual product listing of manufacturers located in the state to registered architects and engineers.

House Bill No. 1492 allows the establishment of "renaissance zones" in cities. The bill provides an individual taxpayer, who purchases single-family residential property as a primary residence as part of a zone project, with an exemption from up to $10,000 of personal income tax liability on the long-form or short-form return for five years beginning with the date of occupancy. A business that purchases or leases property for a business purpose as part of a zone project is exempt from income tax for five taxable years for income derived from the business locations within the renaissance zone. An individual, partnership, limited partnership, limited liability company, trust, or corporation that purchases residential or commercial property as an investment as part of a zone project is exempt from income tax for five taxable years for income earned from the investment. A historic preservation and renovation tax credit is provided against financial institutions taxes, corporate income taxes, and individual income taxes on the long-form or short-form return for investments in historic preservation and renovation of property in the renaissance zone during the years 2000 through 2004. The credit for historic preservation and renovation is 50 percent of the amount invested and any excess credit may be carried forward for up to five taxable years. The bill provides a credit against state tax liability for financial institutions, corporate income taxes, and individual long-form or short-form returns for investments in a renaissance fund corporation. The credit is equal to 50 percent of the amount invested and excess credit may be carried forward for up to five taxable years. The total amount of credits for investments in renaissance fund corporations in the state may not exceed an aggregate of $2.5 million for all taxpayers for all taxable years. The bill allows a city to grant a property tax exemption for single-family residential property in a renaissance zone purchased by an individual as a primary place of residence. The exemption may not exceed five taxable years after the date of acquisition. A city may grant a partial or complete exemption for a building purchased by a business for a business purpose as part of a renaissance zone project. The exemption may not exceed five taxable years. A city may grant a partial or

complete exemption for up to five taxable years from property taxes for buildings and improvements to residential or commercial property in a zone project purchased solely for investment purposes.

House Bill No. 1443 provides the requirements for institutions of higher education that are assigned primary responsibility for work force training. After the Legislative Assembly adjourned sine die, the Governor vetoed Sections 7, 9, 10, and 11 of House Bill No. 1443, relating to funding work force training through employer work force investment fees.

House Bill No. 1456 allows an addition to a residential or commercial building to qualify for the property tax exemption for building improvements and extends from three years to five years the time for which the city or county governing body may grant an exemption for building improvements; Senate Bill No. 2096 provides new jobs training and education program services developed and coordinated by Job Service North Dakota must be provided to primary sector businesses that provide self-financing as funding for new jobs training programs and these employers may be reimbursed in an amount up to 60 percent of the allowable state income tax withholding generated from the new jobs positions; Senate Bill No. 2137 repeals the law relating to the participation by the Bank of North Dakota in loans to nonfarming small business concerns; and Senate Bill No. 2242 provides for a beginning entrepreneur loan guarantee program.

ORGANIZATION OF ECONOMIC DEVELOPMENT IN THE STATE

Interested Persons

A variety of state, local, and private actors are involved in providing economic development services in this state. State actors include the Department of Economic Development and Finance, North Dakota University System, Bank of North Dakota, Office of Intergovernmental Assistance (effective August 1, 1999, this office will be known as the Division of Community Services), Job Service North Dakota, Department of Agriculture, Governor Edward T. Schafer, and the North Dakota Workforce Development Council. Local government actors involved in providing economic development services include regional planning councils, regional human service centers, school districts, and local governing bodies. Private organizations involved in providing economic development services include the Economic Development Association of North Dakota, private schools, home schools, Greater North Dakota Association, and local government associations.

Privatization

Several states have entered partnerships with the private sector to promote economic development. These partnerships typically involve state financial backing for private lending institutions or venture capital firms to promote high-risk lending to businesses that would otherwise be unable to secure conventional funding.

The following information provided by the Council of State Governments' report *State Business Incentives: Trends and Options for the Future* addresses how states are using state-private relationships:

State	Program	Description
Alabama	Wallace Plan for Linked Deposits	The 1988 legislature authorized the state treasurer to use a small portion of the state's investment portfolio to deposit in Alabama banks or savings and loan associations and link these deposits to individual loans made to eligible small businesses or farmers. The financial institution pays up to a 3 percent lower rate on the state deposits and must charge a corresponding lower rate to the borrower. Eligibility: any person, corporation or partnership engaged in business and headquartered in Alabama, organized for profit, maintaining facilities primarily in Alabama, having no more than 150 employees, having debts equal to or greater than 35 percent of assets, and creating or sustaining job opportunities. Use of funds: land, buildings and equipment, repairs and renovations, rent, utilities, insurance and taxes, legal and accounting fees, and wages and inventory. Limits: The lower rate applies only to the first two years of the loan; however, the loan may be made for five to 10 years or longer. Job creation: One job must be created or sustained for each $15,000 of the loan, and loan requests above $250,000 must demonstrate that one job can be created for each $10,000 of the loan.

Alaska	Alaska Commercial Fishing and Agriculture Bank (CFAB)	Established by state statute, CFAB is a private lending cooperative in which borrowers become members. The cooperative provides its members with benefits such as competitive loan rates with terms and conditions designed to meet the needs of the individual and the industry; dividends on operating profits; a vote in the election of the Board of Directors; financial leverage by means of leveraged loan programs with the Farm Credit System; participation loans with the Alaska Industrial Development Authority, Farmers Home Administration and other lenders; expertise in specialized needs of the industries served; and availability to group insurance programs, including vessel insurance.
Arkansas	The Arkansas Capital Corporation (ACC)	The ACC is a privately owned, nonprofit organization established in 1957 to serve as an alternative source of financing for companies in Arkansas. Its main goal is to improve the economic climate in the state by providing long-term, fixed-rate loans to Arkansas companies. As a preferred lender for the Small Business Administration, ACC makes loans to existing operations and business start-ups for everything from new construction and equipment to working capital. ACC loans may be used in combination with bank loans, municipal bond issues or other sources of financing.
Connecticut	URBANK	This program encourages lenders to provide loans to small businesses that create and retain jobs in Connecticut, with added incentives for designated municipalities and the entire region of New London and Windham Counties. Use of funds: any business purpose involving the purchase of real estate and equipment, and lines of credit and term working capital that can be defined as agricultural, commercial, industrial, retail or service. Refinancing is allowed upon approval of the CDA if the refinancing retains or creates jobs and materially benefits the borrower. All loans made by participating lenders and enrolled in URBANK are insured through a CDA reserve fund. Targeted Business loans receive supplemental insurance. The loan amount cannot exceed $500,000, and can be up to $250,000 without CDA prior approval. There is a 0.5 percent program fee payable to the CDA at closing. The borrower is also responsible for payment of an insurance premium at closing that will range from 2 to 4.5 percent depending on the duration of the loan and options selected by the lender.
Delaware	Delaware Access Program	The Delaware Access Program is designed to give banks a flexible and nonbureaucratic tool to make business loans that are somewhat riskier than a conventional bank loan, in a manner consistent with safety and soundness. It is designated to use a small amount of public resources to generate a large amount of private bank financing, thus providing access to bank financing for many Delaware businesses that might otherwise not be able to obtain it. When a bank makes a loan under the program, the borrower pays a one-time premium charge, which is matched by a bank premium payment. The Delaware Economic Development Office then matches the combined total of the borrower's payment and the bank's payment. The program sets minimum and maximum limits for the borrower's payment. At a minimum, it must be at least 1.5 percent of the loan amount. The maximum is 3.5 percent. The premium payment and other up-front expenses may be financed as part of the loan.
	Delaware Innovation Fund	The Delaware Innovation Fund is a private, nonprofit, nonstock corporation established as a public/private sector initiative to assist in the initial capitalization of pre-seed and seed stage enterprises within the state. The fund provides financial and technical assistance to Delaware-based businesses that have the potential to launch innovative products and processes into

		national markets, to create new jobs, and to make a significant contribution to the economic diversity and the technology base of Delaware's communities. Biotechnology, agriscience, advanced materials, chemicals, computer software, information technology and telecommunications are among the innovative sectors that provide a competitive edge for the commercial market. Investments take the form of long-term debt with royalty-based interest paybacks. Two funding vehicles exist: demonstration funding and commercialization funding. Demonstration funding, with limited one-time availability, provides $10,000 to $25,000 to aid in establishing patents, business plans and proof of concept issues. Commercialization funding, ranging from $25,000 to $150,000, is used to begin the commercialization process of early-stage businesses and may be available in multiple years. Because the Delaware Innovation Fund seeks to maximize its limited investment funds, a one-to-one match is required for investments. This match may take the form of dollars, sweat equity or a combination of both. The board of directors of the Delaware Innovation Fund evaluates the matches.
	Delaware Venture Partners	Delaware is a limited partner in a venture capital fund known as Delaware Venture Partners, which funds seed stage, early stage and later stage companies. The investment focus is on: computers, high-technology, biotechnology, medical, communications, environmental and manufacturing. Investments can range from $100,000 for seed stage companies up to $2 million for later stage companies.
Florida	Enterprise Florida	Enterprise Florida is a public/private partnership among the state's business, government and education sectors: Enterprise Florida Capital Partnership. The Capital Partnership, a nonprofit corporation that is in the start-up phase, develops programs to bring together Florida's companies and businesses with leading venture capital firms across the nation. A pool of $51 million, created by the Cypress Equity Fund, provides firms greater access to the national venture capital industry and, over time, seeks to establish a world-quality venture capital industry in Florida. The Capital Partnership has also created the Florida Development Finance Corporation (FDFC), a market-driven development bank for small Florida manufacturers and other economic-based firms. The FDFC provides access to tax-exempt loans as small as $500,000 for up to 15 years with fixed or floating interest rates at or below the prime lending rate. Enterprise Florida Innovation Partnership. The Innovation Partnership is a nonprofit corporation that centers on the creation and expansion of innovative, technology-based firms in the state such as biochemical, computer, microelectronics and software development. The partnership provides seed capital, expertise and direct production problem assistance. The partnership created Innovations and Commercialization Corporations (ICCs), which provide management, financial and marketing services for the commercialization of technologies developed at universities, federal laboratories and private firms. The Technology Research Investment Fund co-invests with Florida companies to develop new products or processes for the marketplace. Repayment through royalties is required. Florida Manufacturing Technology Centers, consisting of six regional field engineers, assists small- to mid-size manufacturers in overcoming problems and improvements in the manufacturing process.
Georgia	Business Development Corporation of Georgia	The Business Development Corporation of Georgia is a privately owned and managed lender that makes loans to Georgia businesses unable to obtain conventional financing. Terms range from five to 20 years for loans of $100,000 to $500,000. Amounts

		up to $1.25 million are available in conjunction with loans from such government programs as the Small Business Administration.
	Georgia Venture Capital Network	Venture Capital offers financing for high-risk opportunities in which the abilities of a company's management team serve as collateral. It is available to new, fast-growing companies that have substantial capital needs without enough assets to secure conventional loans. Venture capital investors require a high rate of return and invest only in companies with good prospects for rapid growth. The privately operated Georgia Venture Capital Network provides a database matching investors to companies.
Hawaii	Hawaii Strategic Development Corporation	The Hawaii Strategic Development Corporation is a cooperative partnership with private industry developed to encourage and foster the development of new business, especially in high technology and diversified industries. The corporation may take equity positions in eligible seed or venture capital organizations that make direct investments in enterprises, provide direct financing for eligible enterprises; or provide businesses with insurance, guarantees, or letters of credit through agreements with lending institutions and borrowers.
Illinois	Community Development Deposit Program	The Illinois Treasurer's Office targets state deposits where they will be used to support community development projects. The state treasurer may deposit funds in an approved Illinois financial institution, contingent upon the financial institution making a corresponding loan to a qualified business at a favorable interest rate.
Indiana	The Capital Access Program (CAP)	This program helps financial institutions lend money to Indiana businesses that do not qualify for loans under conventional lending policies. Loan proceeds must be used for commercial or industrial purposes for a project located in Indiana that fosters the economic development of the state. CAP loans may be of any amount. The lender and the borrower negotiate all terms and conditions of the loan. A reserve fund is established for each participating lender. The borrower, lender and Indiana Development Finance Authority (IDFA) make premium payments into the account each time a CAP loan is made. The borrower pays a premium between 1.5 percent and 3.5 percent of the loan amount, as required by the lender; the lender matches the payment and the IDFA matches the combined total.
Kansas	Kansas Venture Capital, Inc. (KVCI)	The KVCI is a statewide risk capital system designed to meet the special needs of businesses throughout Kansas. The system seeks to create private risk capital for investment in smaller Kansas businesses. All funds invested by KVCI must be invested in Kansas businesses solely for the purpose of enhancing productive capacity within the state, or for the purpose of adding value to goods or services produced or processed within the state. Most corporate businesses that meet the Small Business Administration's definition of a small business qualify for KVCI assistance. Any type of business can apply to the KVCI for assistance.
Louisiana	LA Link (Linked Deposit Program)	This investment program is designed to bring together small business owners and agricultural processors with lending institutions. This program allows the state treasurer to channel a small portion of the state's investment portfolio into reduced-rate certificates of deposit (CDs). These reduced rate investments are then linked to reduced rate loans by banks for use by qualified small businesses and agricultural processors. The maximum amount of the loan that may be matched by the state's CD is $200,000. The amount of the state's CD can not exceed the loan balance. The

		state's commitment is structured for one year with two additional renewals available.
	Venture Capital Co-Investment	This program allows the LEDC to co-invest with qualified venture capital funds in Louisiana-based enterprises. Its purpose is to encourage the formation of seed and venture capital funds in Louisiana. LEDC can participate up to 25 percent of the local venture capital investment, or a maximum co-investment of $350,000.
Maine	Linked Investment Program for Agriculture and Small Business	In cooperation with the State Treasurer's Office, Maine agrees to make investments of up to $8 million in state funds at a reduced rate of return for certain agricultural and commercial loans. Investments are limited to $200,000 per business for a term of one year, with the option of a one-year renewal for most program participants. In turn, the financial institution in which the state funds are invested agrees to finance an eligible agricultural or small-business borrower at a comparably reduced rate of return.
Massachusetts	Capital Access Program	The program provides participating banks with a cash collateral guarantee. The program is designed to encourage banks to make loans to small businesses and is available to Massachusetts companies with annual sales less than $5 million that have borrowing needs up to $500,000.
	The Massachusetts Capital Resource Company (MCRC)	This private company established in conjunction with the state acts as an economic catalyst by providing capital to businesses throughout the commonwealth.
	The Massachusetts Business Development Corporation (MBDC)	This private corporation under state charter provides loans to firms unable to obtain full financing from commercial lenders.
Michigan	Capital Access Program	Participating banks throughout Michigan offer the Capital Access Program directly to companies that need credit enhancement. Similar to a loan loss reserve fund, the bank, company and the Michigan Strategic Fund place a small percentage of the loan into a reserve that makes it possible for the company to receive fixed-asset and working-capital financing.
Minnesota	Capital Access Program	This program provides limited guarantees to private lenders for loans made to small- and medium-sized businesses for start-up or expansion costs.
Missouri	Missouri FIRST Linked Deposit Program	The state treasurer provides low-interest state funds to Missouri banks, savings and loan institutions, and credit unions that make loans to new and expanding businesses that create or retain jobs in the state. The state funds are deposited with a participating lending institution at up to 3 percent below the one-year Treasury Bill rate, with the lender passing on this interest savings to the business borrower. To be eligible, the borrower must be a new, existing or expanding company that is able to create or retain at least one new job for each $25,000 borrowed and must employ 10 or more persons. The funds may be used for any purpose approved by the lender. All Missouri banks may participate in this program. The state treasurer will offer deposits of state funds, dollar-for-dollar, for the amount of approved loans. The minimum deposit is $90,000, and there is a $5 million maximum.
	Missouri FIRST Linked Deposit Program for Small Businesses	The state treasurer has reserved a portion of available linked deposit funds for small businesses. To be eligible, a company must have less than 25 employees, be headquartered in Missouri and be operating for profit. Small business linked deposit loans are available for working capital. The maximum loan amount is $100,000.
Nevada	The Nevada Development Capital Corporation	The capital corporation is a private, market-based, for-profit development fund that finances growth opportunities for small

		Nevada businesses that do not qualify for conventional financing. The corporation has $3 million in commitments from investors, which include Nevada banks, utilities, mining companies and other firms. The Nevada Legislature appropriated $200,000 to fund the corporation's start-up costs.
New Mexico	Venture Capital Investment Program	Venture Capital Investments are severance tax permanent fund investments in qualified venture capital funds. The funds may be invested in entrepreneurial businesses under the following conditions: an experienced management team; a rapidly growing and potentially large market; a convincing proprietary or competitive advantage; the existence of barriers to entry for other businesses; and an opportunity for significant capital appreciation for investors over a five- to seven-year period.
North Dakota	Partnership in Assisting Community Expansion (PACE)	PACE is an interest buy-down program that provides financing to businesses through a carefully orchestrated partnership between local lenders, local governments, and the state-owned Bank of North Dakota. The PACE program offers its funds to all North Dakota businesses, whether new or expanding, to meet their real property, equipment, expansion, working capital, and inventory needs. PACE has no funding limits or equity requirements. Payback periods can be up to 15 years for real estate loans. PACE funds are available for projects in manufacturing, processing, value-added processing and targeted service industries.
Oklahoma	Oklahoma Capital Investment Board	Though its venture capital program, the Oklahoma Capital Investment Board facilitates investment in venture capital funds that focus on investing in quality Oklahoma companies. To date, $10 million in aggregate investments has been made in three venture capital firms. These investments are in Ventures Medical II, a $14-million firm specializing in early stage, technology-based medical companies; Richland Ventures, a $42-million firm specializing in later stage service companies; and Intersouth Partners II, a $20-million seed capital investor in both technology and non-technology companies. The board has extended $12 million in preliminary commitments to an additional three firms and plans to make additional commitments in the coming months.
Oregon	The Capital Access Program	This program is designed to increase the availability of loans from banks to small businesses in Oregon. The program provides loan portfolio insurance so lenders may make business loans that carry higher than conventional risks but are within the soundness and safety requirements of federal and state banking regulations. The department establishes a loss reserve fund earmarked for each participating lender to cover loans made under the program. When a loan is made, the borrower and the lender each pay a fee to 2 percent to 3.5 percent of the amount of the loan. The department pays an amount equal to the combined total of the two fees (this can double in distressed areas). The fund grows as the lender continues to make loans under the program, and it can be drawn upon by the lender to cover a loss that would result from a defaulting loan.
Pennsylvania	PennCAP	This program provides loan guarantees through participating banks for businesses seeking to obtain commercial financing. Loan amounts can be between $25,000 and $200,000. No restriction is placed on the category of business that may apply for the loan guarantee. Businesses can apply for loans directly with a participating local bank.
Utah	Participating Loans Program	Administered by the Utah Technology Finance Corporation (UTFC), the participating loan program with Utah banks has a two-fold purpose: (1) to establish a commercial relationship between a new firm and a Utah bank, and (2) to encourage banks

		to become more active in lending to technology-based companies. The program works through an agreement between the UTFC and a bank. UTFC will provide one-third of a loan up to a maximum participation on UTFC's part of $125,000. UTFC takes a subordinated position to the bank under terms established by the bank. UTFC deals directly with the bank and only indirectly with the small business.
Vermont	Financial Access Fund	To stimulate lending, the Vermont Economic Development Authority has been authorized to create a fund to reimburse participating banks for losses incurred on loans registered under this program with VEDA. On each specific loan, a premium payment is made by the bank and the borrower to create the loan loss reserve fund. The state pledges its guarantee to the participating bank in an amount equal to total reserve payments. Because of this share risk pool, many small businesses will find it easier to obtain necessary capital for business expansions or start-ups. These loans are available only to business start-ups or those businesses with gross annual sales of less than $5 million. Loans can be up to $200,000.

North Dakota Development Fund

The North Dakota Development Fund, Inc., is the statewide nonprofit development corporation provided for under North Dakota Century Code Chapter 10-30.5. Section 10-30.5-02(1) provides the "corporation's principal mission is the development and expansion of primary sector business in this state" and that the corporation may "take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state." Chapter 10-30.5 provides that the corporation's board of directors must include the director of the Department of Economic Development and Finance and that the corporation's chief executive officer be the deputy director of the finance division of the Department of Economic Development and Finance.

The corporation is established from moneys appropriated from the general fund and transfers from other funds. In 1999 the Legislative Assembly appropriated to the Department of Economic Development and Finance the sum of $750,000 for the North Dakota Development Fund. This appropriation reflects a reduction of $250,000 from the Governor's proposed executive budget.

STUDY APPROACH

A possible approach to the study of economic development functions would be to:

1. Receive testimony regarding the provision and effectiveness of economic development efforts of state agencies, local governments, and private organizations.
2. Receive testimony from representatives of other states and private organizations involved in public and private partnerships for economic development to illicit information regarding privatization of economic development services.
3. Receive testimony from representatives of the North Dakota Development Fund, Department of Economic Development and Finance, and the Bank of North Dakota regarding the most effective organization and location of the North Dakota Development Fund.

Prepared by the North Dakota Legislative Council staff for the Taxation Committee
July 1999

ENCOURAGING INVESTMENT IN AGRICULTURAL BUSINESS - BACKGROUND MEMORANDUM

Senate Concurrent Resolution No. 4041 (attached as an appendix) directs the Legislative Council to study potential tax incentives and regulatory relief that would encourage greater investment participation by North Dakota residents in agricultural business ownership. The sponsor of the resolution observed in standing committee testimony that North Dakotans invest huge sums of money outside the state and said it is his hope that the study will conceive incentives for those investments to be made within the state in businesses to produce quality agricultural products to mutually benefit investors and the agricultural economy.

There are several existing programs under state law to encourage investment in and development of agricultural businesses.

TAX EXEMPTIONS FOR NEW AND EXPANDED BUSINESS

Under North Dakota Century Code (NDCC) Chapter 40-57.1, a city or county may grant an exemption for up to 10 years for buildings and structures used in a project that produces or manufactures a product from agricultural commodities. In addition, payments in lieu of taxes in any amount may be allowed for any new or expanded business through the 20th year of project operations. This chapter also allows a qualifying project to obtain an exemption from state income tax for up to five years upon approval of the State Board of Equalization.

Although Chapter 40-57.1 provides property and income tax incentives to a business and not directly to investors, availability of these incentives can certainly be an indirect benefit to investors.

SEED CAPITAL INVESTMENT CREDIT

Under NDCC Chapter 57-38.5, an investor in a qualified business may be entitled to a seed capital investment tax credit against income tax liability but only against liability on the individual long-form return. The taxpayer may qualify for a credit of 30 percent of the amount invested in qualified businesses for investments by the taxpayer during the year of at least $5,000 and not more than $50,000. The taxpayer may not take more than 50 percent of the credit in a single taxable year and the credit is limited to not more than 50 percent of the taxpayer's tax liability. Unused credit may be carried forward for up to 15 taxable years. The aggregate amount of seed capital investment tax credits for all taxpayers in any taxable year is limited to $250,000. A qualified business for purposes of the seed capital investment tax credit must have North Dakota residents as a majority of its employees in the North Dakota principal office or satellite operation, have its principal office in this state, have a majority of its business activity performed in this state or have a significant operation in North Dakota, and have a majority of its ownership interests owned by one or more individuals for whom operation of the business is their full-time professional activity.

LOW-RISK INCENTIVE FUND

Under NDCC Chapter 26.1-50, an insurer or group of insurers may establish a corporation or limited liability company to operate the North Dakota low-risk incentive fund. The fund may make loans to low-risk businesses for primary sector business projects in this state. An insurer participating in a loan under this chapter is entitled to a credit against insurance premium tax liability equal to the difference between interest earned on the loan and the amount the insurer could have earned at 300 basis points more than a comparable treasury security rate. For the purposes of loans, a primary sector business is defined as a business that adds value to a product, process, or service which results in the creation of new wealth.

BANK OF NORTH DAKOTA

The Bank of North Dakota operates several programs that may be of assistance to farmers and agricultural businesses. The Ag PACE fund, PACE fund, and other Bank programs may be useful to development of agricultural business. A representative of the Bank of North Dakota has been invited to brief the committee on Bank programs.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND FINANCE

The Department of Economic Development and Finance administers the North Dakota Development Fund, which is a means of providing capital for new or expanding business and administers the regional rural development revolving loan fund, which provides funding for primary sector business in rural areas of the state. The Agricultural Products Utilization Commission, a division of the Department of Economic Development and Finance, administers an agricultural prototype development program. A representative of the Department of Economic Development and Finance has been requested to brief the committee on programs of the department.

1999 LEGISLATION

Senate Bill No. 2425 established a livestock production loan program and provides for issuance of bonds by the Industrial Commission to fund the loan program. The Industrial Commission may delegate its authority to the Bank of North Dakota to administer the program. Loans may be made under the program to any individual or cooperative engaged in livestock production, including processing of livestock.

House Bill No. 1402 would have established an agricultural processing business investment income tax credit. The bill was defeated. The bill would have allowed an income tax credit for investments in a cooperative or limited liability company engaged in value-added processing and marketing of agricultural commodities, having an agricultural commodity processing facility in North Dakota, and having the majority of its ownership interests owned by producers of unprocessed agricultural commodities.

House Bill No. 1413 would have allowed the seed capital investment credit on the short-form return. The bill was defeated.

SUGGESTED STUDY APPROACH

It will be necessary to identify viable methods of encouraging investments in North Dakota agricultural businesses. Existing programs then may be reviewed to determine whether they address identified needs and whether to augment or improve existing programs or create new programs to address the identified needs.

ATTACH:1

Fifty-sixth Legislative Assembly, State of North Dakota, begun in the Capitol in the City of Bismarck, on Tuesday, the fifth day of January, one thousand nine hundred and ninety-nine

SENATE CONCURRENT RESOLUTION NO. 4041
(Senators Wanzek, Tomac)
(Representatives Belter, Meyer, Nicholas)

A concurrent resolution directing the Legislative Council to study potential tax incentives and regulatory relief that would encourage greater investment participation by North Dakota residents in agricultural business ownership.

WHEREAS, it is the intent of the Legislative Assembly that North Dakota becomes the trusted provider of the highest-quality food in the world with prosperous family farms, thriving rural communities, and world-class stewardship of resources and to significantly increase net farm income, improve the quality of rural life, and increase North Dakota's rural population; and

WHEREAS, the Legislative Assembly seeks to achieve these goals by making North Dakota agricultural products synonymous with high quality to dominate the premium markets, increasing value-added agricultural processing, diversifying and increasing the value of agricultural production, increasing farm and nonfarm cooperation that supports thriving rural communities and enhances our natural resources, and creating a political, regulatory, economic, trade, financial, and natural resource environment in which North Dakota producers can compete in the global marketplace;

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

That the Legislative Council study potential tax incentives and regulatory relief that would encourage greater investment participation by North Dakota residents in agricultural business ownership; and

BE IT FURTHER RESOLVED, that the Legislative Council report its findings and recommendations, together with any legislation required to implement the recommendations, to the Fifty-seventh Legislative Assembly.

Filed March 16, 1999

Senator Grindberg

S.B. 2019

	Current Budgets - 1999-2001				Recommended Commerce	
	EDF	DCS	Tourism	Total	2001-03	Difference
Salary and Wages	2,548,100	1,983,156	989,190	5,520,446	6,028,893	508,447
Operating	2,979,022	2,279,194	3,220,437	8,478,653	10,450,832	1,972,179
Equipment	96,358	61,100	15,378	172,836	199,936	27,100
Grants	2,718,061	37,716,330	30,000	40,464,391	38,626,226	(1,838,165)
APUC	4,918,034			4,918,034	5,007,270	89,236
Lewis and Clark			123,995	123,995	655,751	531,756
Total	13,259,575	42,039,780	4,379,000	59,678,355	60,968,908	1,290,553
FTE	23.00	21.00	11.00	55.00	53.00	(2.00)
General Funds	7,813,802	1,123,498	4,016,000	12,953,300	17,402,349	4,449,049
Federal Funds	1,388,528	36,398,452		37,786,980	34,367,918	(3,419,062)
Special Funds	4,057,245	4,517,830	363,000	8,938,075	9,198,641	260,566

	Schafer Recommendation 2001-03				Recommended Commerce	
	EDF	DCS	Tourism	Total	2001-03	Difference
Salary and Wages	3,725,220	2,136,424	1,039,100	6,902,744	6,028,893	(873,851)
Operating	8,944,228	2,579,380	3,220,437	14,744,045	10,450,832	(4,293,213)
Equipment	296,358	73,500	15,378	385,236	199,936	(185,300)
Grants	2,423,292	34,306,934	30,000	36,760,226	38,626,226	1,866,000
APUC	4,022,293			5,022,293	5,007,270	(15,023)
Lewis and Clark			655,863	655,863	655,751	(112)
Total	19,411,391	39,096,238	4,960,778	64,470,407	60,968,908	(3,501,499)
FTE	30.00	21.00	11.00	62.00	53.00	(9.00)
General Funds	14,014,489	1,192,913	4,597,778	19,805,180	17,402,349	(2,402,831)
Federal Funds	1,764,841	33,180,541		34,945,382	34,367,918	(577,464)
Special Funds	3,632,061	4,724,784	363,000	9,719,845	9,198,641	(521,204)

Economic Development & Finance - General Fund Program Costs

GENERAL FUNDS Program Description	Current GF Budget	Revised Executive Request	Inc/Dec Gen. Fund	General Fund Increase/Decrease by Line Item: Salaries & Fringe	Operating	Equip.	Grants	APUC	TOTAL
Discretionary Grants	1,673,292	1,673,292	0				0		0
Research & Intelligence	439,714	439,714	0	0	0				0
Marketing	366,329	1,248,049	881,720	234,818	632,202	14,700			881,720
Business Expansion & Recruitment	1,031,463	1,031,463	0	0	0				0
Workforce Development	101,291	101,291	0	0	0				0
Mfg. Extension Partnership (MEP)	0	558,544	558,544	158,544	400,000				558,544
Global Business	192,289	192,289	0	0	0				0
Public Relations & Admin Support *	1,311,862	724,466	(587,396)	(587,396)	0	0			(587,396)
Information Technology	555,905	555,905	0	0	0	0			0
APUC	1,007,497	1,425,270	417,773					417,773	417,773
ND Development Fund	1,134,159	3,000,159	1,866,000	0			1,866,000		1,866,000
State Rural Development Council	0		0						0
TOTAL	7,813,801	10,950,442	3,136,641	(194,034)	1,032,202	14,700	1,866,000	417,773	3,136,641

* Only includes operating costs for programs

SB 2019
Overview

RAUSCHENBERGER

Briefing Paper on Program Interrelations within DCS

In viewing the respective programs within DCS we have, for budgetary purposes, categorized our programs into four major strategies. These are: Community Development; Energy Efficiency/Renewable Energy; Self Sufficiency(Low Income Assistance); and Technical Assistance. On the surface a conclusion could be reached that the programs within each area and, therefore, the strategies might be separate and distinct. This conclusion could be drawn based upon several factors including clientele served, and program purpose.

However, there are interrelations and commonalities between the programs and strategies that need to be recognized and examined to fully understand the inter-relationships that exist.

Community Development

The programs within this strategy include: the Community Development Block Grant (CDBG) program, the HOME, program, and the Emergency Shelter Grants Program(ESGP). All three programs are funded by the U.S. Dept. of Housing & Urban Development(HUD).

- The CDBG program focuses on housing, infrastructure, and economic development projects which benefit low and moderate income individuals.
- The HOME program is for developing and providing housing opportunities for low and moderate households.
- The ESGP programs focus is on assisting shelters and other organizations benefitting homeless individuals.

Clearly CDBG and HOME programs have a common community development focus(housing, infrastructure, & economic development) while ESGP has a focus on homelessness. However, all three of these programs are governed by a single plan (The Consolidated Plan) which serves as a single application for these grant programs. The Consolidated Plan is a federal program requirement by HUD. Also all three programs primarily benefit low and moderate income persons.

Energy Efficiency/Renewable Energy

The programs within this strategy include: the State Energy Plan (SEP), the State Building Energy Conservation Program, and other energy efficiency/renewable energy initiatives. Much of the funding for these programs comes from the U.S. Dept. of Energy. The commonality for these programs are apparent. What is not so apparent is the potential that renewable energy has in the area of economic/community development. This is evidenced by the recent interest and potential that the wind energy industry has as a source of jobs and income in its development.

An example of the interrelationships of programs within the energy strategy with other DCS programs noted in other strategies would be a low income housing project in Kenmare, ND. A six-unit low income housing project in Kenmare was assisted by both the HUD HOME program and funding through a DCS renewable energy initiative. The HOME funds were used to assist with the construction of the complex , while energy funds were used to purchase and install a ground source heat pump system to heat & cool the facility.

Self Sufficiency (Low Income Assistance)

Programs within this DCS strategy include: the Community Services Block Grant (CSBG) program, the Community Food & Nutrition Program (CF&N); the Weatherization Assistance Program (WAP), and the Emergency Heating & Cooling Program. While the CSBG and CF&N programs receive their funds from the U.S. Dept of Health & Human Services, the Weatherizaton program receives funding from the U.S. Dept. of Energy(DOE) with supplemental funds from the LIHEAP (U.S. Dept. of HHS) program. The LIHEAP program also provides funding for the Emergency Heating & Cooling progam.

- The CSBG program focuses on a multitude of initiatives and programs to reduce poverty, revitalizing low-income communities, and assisting low income individuals become self sufficient (up to and including workforce training). In North Dakota CSBG funds are required to be channeled to the states' seven community action agencies (CAA's) to provide outreach and administrative services in all areas of the state.

- The CF&N is a small program designed to provide grants to entities within the state which support statewide efforts that facilitate food & nutrition services to low & moderate income individuals. The CF&N funds are a component of and come from the CSBG program.

- The Weatherization program focuses on installing energy efficiency improvements within the homes of low and moderate income households. As with the CSBG program Weatherization services are provided through the seven Community Action Agencies within the state.

- The Emergency Heating & Cooling Program in a way is a complementary program of the Weatherization program. Its focus is to repair or replace unsafe or unusable furnaces in low & moderate income households. It also purchases and repairs air conditioners for low & moderate income persons where there is a documented medical need.

All the programs within this strategy on the surface could be considered to be socially related programs since they are aimed at assistance programs for low income individuals. However, so can the programs under the community development strategy since those programs are also targeted toward low & moderate income persons. At the same time the DOE & LIHEAP weatherizaton programs and Emergency Heating & Cooling Program are energy programs which

relate to the energy strategy.

One major commonality of all the programs within this strategy is the service delivery channel. All these programs utilize the states' seven Community Action Agencies (CAA's) to deliver the services locally. Even the Century Code (chapter 54-44.5)which establishes DCS ties the CAA's to DCS .

Within this strategy CSBG funds not only assist in outreach and administrative costs associated with the HOME program, weatherization programs, and other community based programs. The CSBG program also contributes to community development/workforce development in so far as the Workforce Investment Act of 1998 specifies that CSBG be a part of, and coordinated with, in the development and facilitation of workforce initiatives. This has resulted in ties between the self-sufficiency initiatives of CSBG and the workforce development efforts within North Dakota. An example would be the coordination and ties with the CRISND.com web site and the one stop center established by the North Dakota workforce development council.

Since the Weatherization programs and Emergency Heating & Cooling focus on rehabilitating the energy effective components of low income housing, the DCS is taking steps to further leverage CDBG & HOME housing rehabilitation dollars by coordinating where possible resulting in a leveraging of available funds. The CAA's are also related to the HOME program as they directly administer HOME funds to provide housing for low & moderate income individuals as part of the community development strategy.

Technical Assistance Strategy

Programs within this strategy include the Renaissance Zone program, Building Code Administration, American with Disabilities Act (ADA) technical assistance, Section 504 of the Rehabilitation Act of 1973, and federal & state fair housing laws. Funding for these initiatives comes from the States' General Fund.

The Renaissance Zone program is a redevelopment/development tool for communities clearly relate to the community development strategy since the tax incentives provided directly impact economic development, infrastructure, and housing projects in cities which obtain zone status.

The Building Code activities directly relate to housing and commercial development/ redevelopment.

The ADA technical assistance also relates to issues of construction and development since businesses and units of government must take the ADA requirements into consideration when constructing, remodeling, or expanding facilities. For entities receiving federal grant funds, Section 504 along with ADA is an issue, as is the construction of apartments with four or more dwelling units that must comply with the federal and state fair housing laws and state & local building codes.

Administrative Support

Administrative support in DCS centers around fiscal support and clerical support. Over 95% of the funding for DCS comes from federal or other sources subject to federal or other judicially imposed regulations. In addition, ninety-three percent (93%) of the funds requested in DCS's budget are passed on to sub-recipient or grantee agencies in the form of grants or contracts. This requires that programmatic staff within DCS have extensive support from both fiscal and clerical staff.

The fiscal staff, in consultation with the program staff, is responsible for issuing and tracking all the grants and contracts for the agency programs. The grants and contracts issued by DCS must comply with applicable state and Federal laws, regulations and program rules. Fiscal staff also process all grant payment requests, disbursements to sub-grantees, and draw down of funds from the Federal government for the Federally funded programs. The fiscal staff work with the program staff to design and implement the grant management systems that the agency uses to track the various programs.

The grants management systems used by DCS are complex and require continual updating and maintenance. The fiscal staff also participate with program staff in establishing the policies and procedures relating to the grant programs. In addition, fiscal staff provide considerable technical assistance to assist sub-grantees to assist them in properly managing and accounting for program funds.

All the Federal programs administered by the Division of Community Services require that the state monitor the sub-recipients to ensure compliance with the program rules as well as Federal financial management standards. DCS fiscal staff along with program staff conduct these monitoring visits to assure compliance with both programmatic and financial standards. This requires DCS fiscal staff to have extensive knowledge and training in Federal grants management.

Clerical staff also play and important role in office/program support. In addition to what is considered normal clerical support, DCS clerical staff are taking on an ever greater role in support of program and fiscal staff. Due to increasing programmatic demands and sheer volume of grant activity, which has caused fiscal staff to be more involved in program management, clerical staff have had to assume some of the duties that have traditionally been that of fiscal staff. Examples include: data entry for fiscal tracking systems; assisting in processing grants & contracts; and processing of grant closeouts.

Due to the extensive record keeping requirements of DCS programs, clerical staff work closely with programmatic staff to maintain the agencies record management system. This requires considerable experience and knowledge of federal programmatic records retention/processing requirements.

The Division of Community Services is unique because of the variety of interrelated Federal

programs administered by the agency. Most of the programs are able to leverage other programs in the agency to use the funds more efficiently. The experience and knowledge of the programmatic, fiscal, and administrative staff adds to the efficiency and effectiveness of program delivery.

SB 2019
OVERVIEW
RAUSCH/LUBURG

DIVISION OF COMMUNITY SERVICES
2001-2003 BUDGET TESTIMONY

The Division of Community Services' mission is "To provide the people of North Dakota with effective, efficient, and customer oriented administration of Federal and State programs for: Community Development; Energy Efficiency & Renewable Energy; Housing; and Self-Sufficiency." The DCS budget request is broken down into five strategy areas to meet this mission statement. These strategies include: Community Development; Energy Conservation; Self-Sufficiency and Independence; Technical Assistance; and Administration. DCS is anticipating expending $38.6 million in the 2001-2003 biennium for these strategy areas. A portion of the DCS budget request for administrative services is being presented in the Department of Commerce budget request.

COMMUNITY DEVELOPMENT STRATEGY

The Community Development strategy centers around the preparation of the State's Consolidated Plan and the resulting implementation of the Community Development Block Grant (CDBG), the HOME Investment Partnership Agreement (HOME) grant, and the Emergency Shelter Grant (ESG) programs. The Community Development strategy is funded by grants from the U.S. Department of Housing and Urban Development (HUD), general funds and proceeds from the Community Development Revolving Loan Fund (CDLF). The beneficiaries of the community development programs must be low income individuals. The Consolidated Plan is a five-year plan which contains a description of the state's housing and community development needs and resources, establishes strategies, and prioritizes the use of housing and community development dollars statewide and by planning region. The Consolidated Plan is submit ted annually to HUD for approval.

The Community Development Block Grant provides financial assistance to eligible units of local governments in the form of grants and loans for public facilities, housing rehabilitation and economic development projects. North Dakota receives in excess of $6 million annually from HUD for CDBG projects and the administration of those projects. Funding is also provided to the state for technical assistance. In North Dakota, all cities and counties, with the exception of Fargo, Bismarck and Grand Forks, are eligible recipients under the State's CDBG program. Fargo, Bismarck and Grand Forks are considered entitlement cities and receive CDBG funds directly from HUD.

The HOME program emphasizes partnerships among housing providers in order to make available affordable housing to low income persons. The North Dakota HOME program provides funds for basically two kinds of activities: home ownership assistance and rental production/assistance. North Dakota receives more than $3 million annually from HUD for the HOME program which includes state administration of the program. HOME funds have been used for the development of handicapped accessible housing, new construction of rental units, and rehabilitation of existing buildings into low income elderly housing and transitional housing. These types of projects are in addition to numerous homeowner rehabilitation and homeowner acquisition projects funded through a variety of partnerships with other agencies and entities in the state.

The Emergency Shelter Grants Program is a program designed to provide financial assistance to facilities and programs within North Dakota which provide temporary shelter to homeless individuals. This program provides funds to homeless shelters for operations, essential services, and homeless prevention activities. The program also provides limited funds for state administration of the program. North Dakota receives more than $200,000 annually in ESGP funding. The Federal program is supplemented with $40,000 in general funds biennially.

DCS Community Development accomplishments for the past year include: 700 homes were rehabilitated; 241 families were given home ownership assistance; 722 families received security deposits for rental units; 464 jobs were created; 22 homeless shelters were provided financial assistance; 40 economic development projects were provided funding; 39 public facilities projects were provided financial assistance; and 15 housing projects were funded.

The funding request for Community Development is $23,826,920 which consists of $288,520 in general funds, $20,338,400 in Federal funds and $3,200,000 in special funds.

Community Development - Requested General Fund Appropriation

Community Development Block Grant - Administrative funds awarded by HUD equal $100,000 plus 2% of the annual allocation and program income collected. The $100,000 does not require matching funds, however, the 2% of the annual allocation and program income collected must be matched dollar for dollar by state funds. DCS is requesting $248,520 in general funds to meet the matching requirements of the CDBG grant award. The total number of FTE's funded by this award is 3.56. The proposed use of general funds is as follows:

Salary and Fringe	$119,945
Operating	176,575
	$248,520

Emergency Shelter Grant Program - Currently the ESG program does not require that state funds be used to match Federal expenditures. For the past three bienniums $40,000 of general funds have been appropriated by the legislature each biennium to supplement this program. The funds must be used for grants to homeless shelters and cannot be used for state administration. This appropriation came about as a result of the Federal government discontinuing a homeless program that was funded by the U.S. Department of Health and Human Services. DCS is again requesting general funds to supplement the ESG program. The total number of FTE's funded by this award is .18. The proposed use of general funds is as follows:

Grants	$ 40,000

ENERGY CONSERVATION STRATEGY

The Energy Conservation strategy consists of the State Energy Program (SEP), the State Building Energy Conservation program and other energy conservation initiatives. The mission of the State Energy Program is to reduce the rate of energy consumption in North Dakota through increased energy efficiency awareness by providing a range of energy efficiency and renewable energy informational products and services to meet citizen energy requirements. SEP programming efforts focus on energy education, building, transportation, commercial/industrial activities, and utilities.

North Dakota receives over $230,000 annually from the U.S. Department of Energy (DOE) for the State Energy Program. There is a 20% state matching requirement for Federal expenditures made under this program. DCS also uses Petroleum Violation Escrow (PVE) account funds to partially support the SEP Energy Engineer position.

The State Building Energy Conservation program provides grant funding to state institutions and agencies for the installation and implementation of energy conservation measures. Energy audits are required to identify potential energy conservation measures, respective costs, energy savings and payback periods. The State Building Energy Conservation program is funded by (PVE) account funds.

The Energy Conservation strategy also includes other energy conservation initiatives funded either with PVE funds as approved by the governor or with funds awarded by the U.S. Department of Energy. Grant awards from DOE often require a state match.

Some of the Energy Conservation accomplishments this past year include: training was provided to approximately 22 vocational education building trades programs; six state agencies were awarded grants toward the purchase of alternative fuel vehicles, five of which were GEM electric neighborhood vehicles manufactured in North Dakota; five state agencies were awarded grants for energy efficiency improvements or energy audits of their facilities; training programs on HVAC systems were provided for 21 state agency physical plant personnel along with an additional training on electrical safety; educational materials were provided to approximately 17,200 students throughout North Dakota; a total of 10,000 energy efficiency and renewable energy materials were provided to citizens throughout the state; the DCS Energy Engineer worked with nearly all state agencies on the identification of energy efficiency opportunities and provided energy analysis services to many of them.

The funding request for the Energy Conservation strategy is $ 2,261,597 which consists of $242,187 in general funds, $548,000 in Federal funds and $1,471,410 in special funds.

Energy Conservation - Requested General Fund Appropriation

State Energy Program - The U.S. Department of Energy requires a 20% match of all Federal expenditures for this program. The match is required to be in the form of state general funds. DCS is requesting $113,600 in general funds to meet these matching requirements. The total number of FTE's funded by this award is 3.05. The proposed use of general funds is as follows:

Salary and Fringe	$ 45,742
Operating	67,858
	$113,600

Energy Program Management - This area provides for the coordination and supervision of the energy programs and energy staff. The programs in the Energy Conservation do not provide funds for state administration. General funds are used to fund the administrative activities. DCS is requesting $128,587 in general funds for Energy Program Management. The total number of FTE's funded in this area is .70. The proposed use of general funds is as follows:

Salary and Fringe	$ 84,399
Operating	44,187
	$128,587

SELF-SUFFICIENCY STRATEGY

The Self-sufficiency strategy includes the Community Block Grant program (CSBG), the Self-Reliance program, the Community Food and Nutrition program (CF&N), the Weatherization Assistance Program (WAP) and the Emergency Heating and Cooling program. The beneficiaries of these programs must be low income individuals.

The Community Services Block Grant program's primary purpose is to assist communities in implementing locally designed anti-poverty programs. The CSBG program through the state's seven Community Action Agencies (CAA's) provides various services to low income persons including: emergency assistance, budget and housing counseling, self-sufficiency, case management and outreach and referral services. North Dakota receives over $2 million in CSBG funding annually from the U.S. Department of Health and Human Services. By Federal law 90% of the CSBG funding received by the state must be passed through to the Community Action Agencies. The state is allowed to reserve 5% of the award for state administration and the remaining 5% is reserved for discretionary projects. There are no matching requirements with CSBG funding.

The North Dakota Self-Reliance program is designed to help low income persons and families become self-sufficient through a process of self-assessment, goal setting, self-help and continuing personal support. The Self-Reliance program is administered by the Division of Community Services. Self-Reliance services are provided by the seven Community Action Agencies. The Self-Reliance program is funded through the Community Services Block Grant.

The Community Food and Nutrition program provides grants to entities aimed at supporting statewide efforts that facilitate food and nutrition services to low income individuals and households. North Dakota receives over $8,000 in CF&N funding annually from the U.S. Department of Health and Human Services. State administration for the Community Food and Nutrition program is funded by the CSBG award.

The Weatherization Assistance Program's (WAP) purpose is to reduce the energy consumption in the homes of low income persons thereby reducing monthly utility bills and increasing the health, safety and comfort for these persons. This program also helps to reduce the nation's

dependence upon imported oil. Services for the Weatherization Assistance Program are provided by the seven Community Action Agencies in the state. Funding is used to install insulation, caulking, weatherstripping and other conservation materials.

Funding for the Weatherization Assistance Program comes from two sources. North Dakota receives over $1 million annually from the U.S. Department of Energy for this program. Funding is also provided by DOE for state administration and technical assistance. There are no matching requirements on these funds. DCS also receives over $1 million annually of Low Income Heating Energy Assistance Program (LIHEAP) funding for the Weatherization Assistance Program from the ND Department of Human Services. The LIHEAP funding also provides funds for state administration.

The Emergency Heating and Cooling program works in conjunction with the Weatherization Assistance Program. The Emergency Heating and Cooling program provides funding to replace or repair unsafe or unusable furnaces in low income households. Funding is also provided to purchase or repair air conditioners for low income persons who have a documented medical need for the service. Emergency Heating and Cooling program services are provided by the seven Community Action Agencies in the state. The Division of Community Services receives over $1 million of LIHEAP funds from the North Dakota Department of Human Services to fund this program.

Some of the accomplishments of the Self-Reliance strategy during the past year include: 34,689 individuals received self-sufficiency and case management services provided by the Community Action Agencies using CSBG funding; 2,523 households received Weatherization Assistance; 553 households received Emergency Heating and Cooling program services.

The DCS funding request for the Self-Sufficiency strategy is $12,025,764 which consists of $13,694 in general funds; $11,988,070 in Federal funds; and $24,000 in special funds.

Self-Sufficiency and Independence - Requested General Fund Appropriation

Energy Program Management - The Weatherization Assistance Program is supervised by the DCS Energy Department Manager. Because the Weatherization Assistance Program is included in the Self-Sufficiency and Independence strategy, a portion of the Energy Manager's budget request is included in this strategy also. The funding request for the Energy Manager in this strategy is $13,695 in general funds. The total number of FTE's funded in this area is .30. The proposed use of general funds is as follows:

Salary and Fringe	$ 7,941
Operating	5,754
	$13,695

TECHNICAL ASSISTANCE STRATEGY

The technical assistance services in this strategy consist of the North Dakota Census Data Center Program, the State Building Code program, the American with Disabilities Act (ADA) program, the State Single Point of Contact (E.O. 12372) program, the Community Strategic Planning program, the State Heating Oil Propane Program (SHOPP) and the North Dakota Renaissance Zone program. All the programs in this strategy with the exception of the SHOPP program are funded wholly by general funds. The SHOPP program is funded 50% by the U.S. Department of Energy and 50% by general funds.

The Division of Community Services provides assistance under the State Census Data program by responding to numerous data requests from state and local governments as well as the general public. This program is a cooperative effort with the U.S. Bureau of the Census, the Agricultural Economic Department at NDSU, the Geography Department at UND and the North Dakota State Library.

DCS is assigned the administrative responsibility for updating and amending the North Dakota State Building Code. In addition, DCS staff handle inquiries from local officials, building professionals, and the general public on the State Building Code. Technical assistance is also provided through workshops and other educational opportunities sponsored by the office.

The Division of Community Services is the lead state agency in North Dakota for Title II (Public Services) and Title III (Public Accommodations & Commercial Facilities) of the Americans with Disabilities Act. Training and technical assistance is provided to both public and private agencies to assist them in complying with the various provisions of the act.

Under Presidential Executive Order12372, applications for certain Federal grants and direct development activities must be submitted for review and comment to DCS as the state Single Point of Contact. This review process allows state and local officials to submit comments and to make recommendations to the Federal grantor agency.

The Division of Community Services has been appointed as the "Point of Contact" for a community wishing to start the strategic planning process. A strategic planning tool and process are available through the Leadership Initiative for Community Strategic Planning to assist communities in creating a vision for their future and in identifying and targeting community and economic development activities. The strategic plan developed through this process will meet the planning requirements of a number of state and Federal agencies. DCS staff will explain the entire strategic planning model process and assist the community in the strategic planning process. Financial assistance is also provided in the form of grants to the participating communities.

The Renaissance Zone program was created by the Fifty-sixth Legislative Assembly as a community development tool to encourage renewal, reinvestment, and redevelopment in a designated portion of a city. The program provides for a variety of tax exemptions and tax credits for taxpayers that purchase property and make property improvements within the zone. The Division of Community Services is responsible for developing, promoting, implementing,

monitoring and reporting on the program and the progress of each Renaissance Zone. DCS is responsible for giving final approval on all locally approved zone projects and for maintaining information on each eligible project for use by the Office of the State Tax Commissioner.

The Division of Community Services administers the State Heating Oil Propane Program (SHOPP). The purpose of this program is to provide a weekly survey of heating oil and propane prices around the state to the U.S. Department of Energy. DCS staff conducts the weekly survey and reports the results to DOE.

The funding request for the Technical Assistance Strategy is $269,182 which consists of $264,332 in general funds and $ 4,850 in Federal funds.

Technical Assistance - Requested General Fund Appropriation

ADA/Building Codes - This program is funded 100% with general funds. DCS is requesting $135,902 in general funds for the ADA/Building Codes program. The number of FTE's funded in this program is .62. The proposed use of general funds is as follows:

Salary and Fringe	$ 75,382
Operating	60,520
	$135,902

SHOPP - The U.S. Department of Energy requires a 50% match on Federal funds expended under this program. DCS is requesting $4,850 in general funds to meet this matching requirement. The number of FTE's funded by this program is .31. The proposed use of general funds is as follows:

Salary and Fringe	$ 3,225
Operating	1,625
	$ 4,850

Renaissance/Planning - DCS is requesting $90,000 in general funds for the Renaissance Zone and Strategic planning programs. There is no FTE's being funded in this program. The proposed use of general funds is as follows:

Operating	$ 40,000
Grants	50,000
	$ 90,000

The remaining programs in the Technical Assistance strategy are funded in the DCS general administration area discussed below.

ADMINISTRATION STRATEGY

Ninety-three percent (93%) of the funds requested in DCS's budget are passed on to subrecipient grantee agencies. The remaining 3 percent (7%) is used for salaries, fringe and operating expenditures. Over ninety-five (95%) of the office's budget is from Federal and other funding and subject to Federal and other judicially imposed regulations. In addition to the programmatic staff DCS must maintain an administrative staff to ensure compliance with those regulations, to account for the numerous grants and sources of funds and to coordinate the activities of the office. The administrative staff within the Division of Community Services are and integral part of the agency's program service delivery. DCS administrative staff work in conjunction with the programmatic staff to conduct on site monitoring of subrecipients as required by Federal law in addition to providing technical assistance to grantees. The DCS administrative staff also participate in establishing program policies and procedures. The information technology plan and all planned equipment purchases are also contained in this strategy.

The administration strategy has two sources of funding. One source of funding is general funds. The general funds section of the administrations strategy funds the agency's IT Plan and all equipment purchases. The general fund area also supports the expenses for the North Dakota Census Data Center Program and the State Single Point of Contact (EO12372) program. The DCS budget request for this portion of the agency's administrative services is $241,876 in general funds.

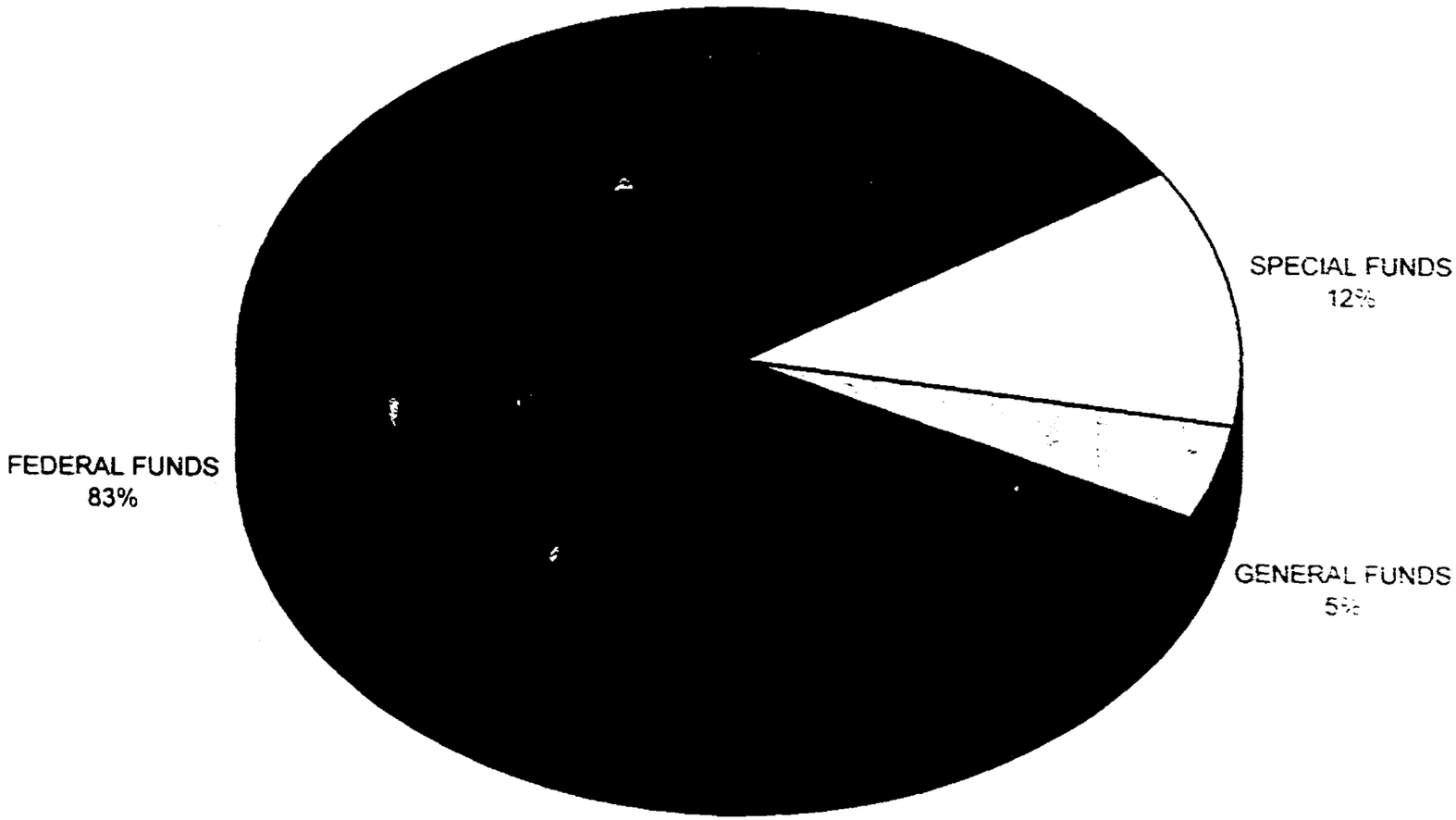
Administration - Requested General Fund Appropriation

Administration - The proposed use of general funds for administration is as follows:

Salary and Fringe	$ 38,885
Operating	129,491
IT Equipment	63,500
Office Equipment	10,000
	$241,876

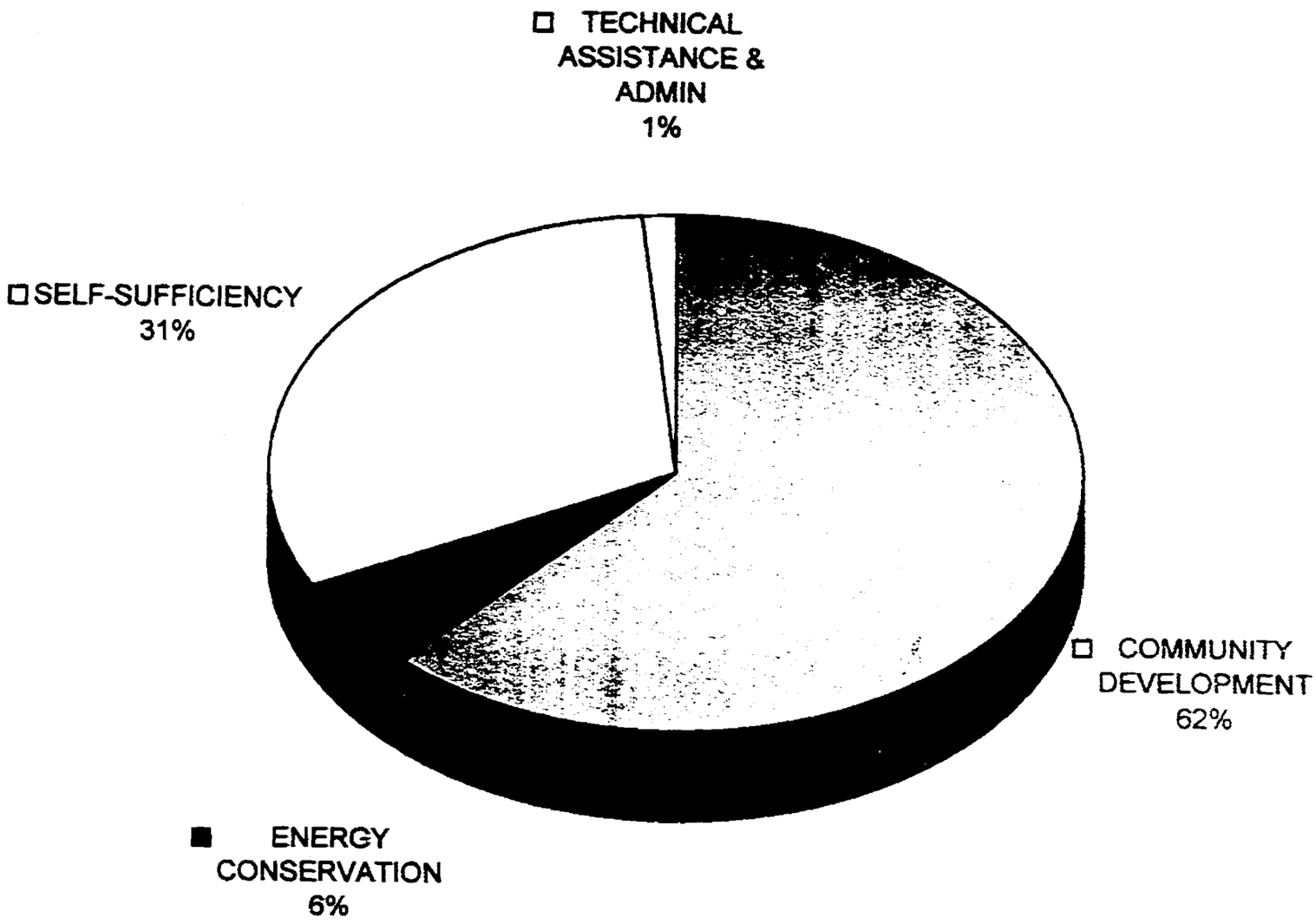
The second source of administration funds is the agency indirect cost plan. Due the level of funding DCS receives from the Federal government, the agency is required by Federal law to use an indirect cost plan to recover indirect costs from the Federal programs. Indirect costs are costs that are not readily identifiable as a direct cost to a Federal program. Examples of indirect costs include salaries and fringe of administrative staff, space rent, general office supplies etc. DCS uses a fixed rate that is calculated by dividing the indirect costs by the direct salaries. The rate is then applied to all programs in which direct salaries are being charges. The same rate is applied to all programs. As indirect costs are incurred, they are paid out in the same funding ratio as being earned. The indirect rate is recalculated annually and an indirect cost proposal is submitted to the U.S. Department of Housing and Urban Development (HUD) for approval. HUD is the cognizant agency for DCS. The indirect rate used in DCS's funding request is 59.18%. The anticipated funding split is 16% general funds, 78% Federal funds and 5% special funds. The budget request for the indirect expenditures is included the Department of Commerce bill.

Division of Community Services
2001-2003
Funding Request by Funding Source



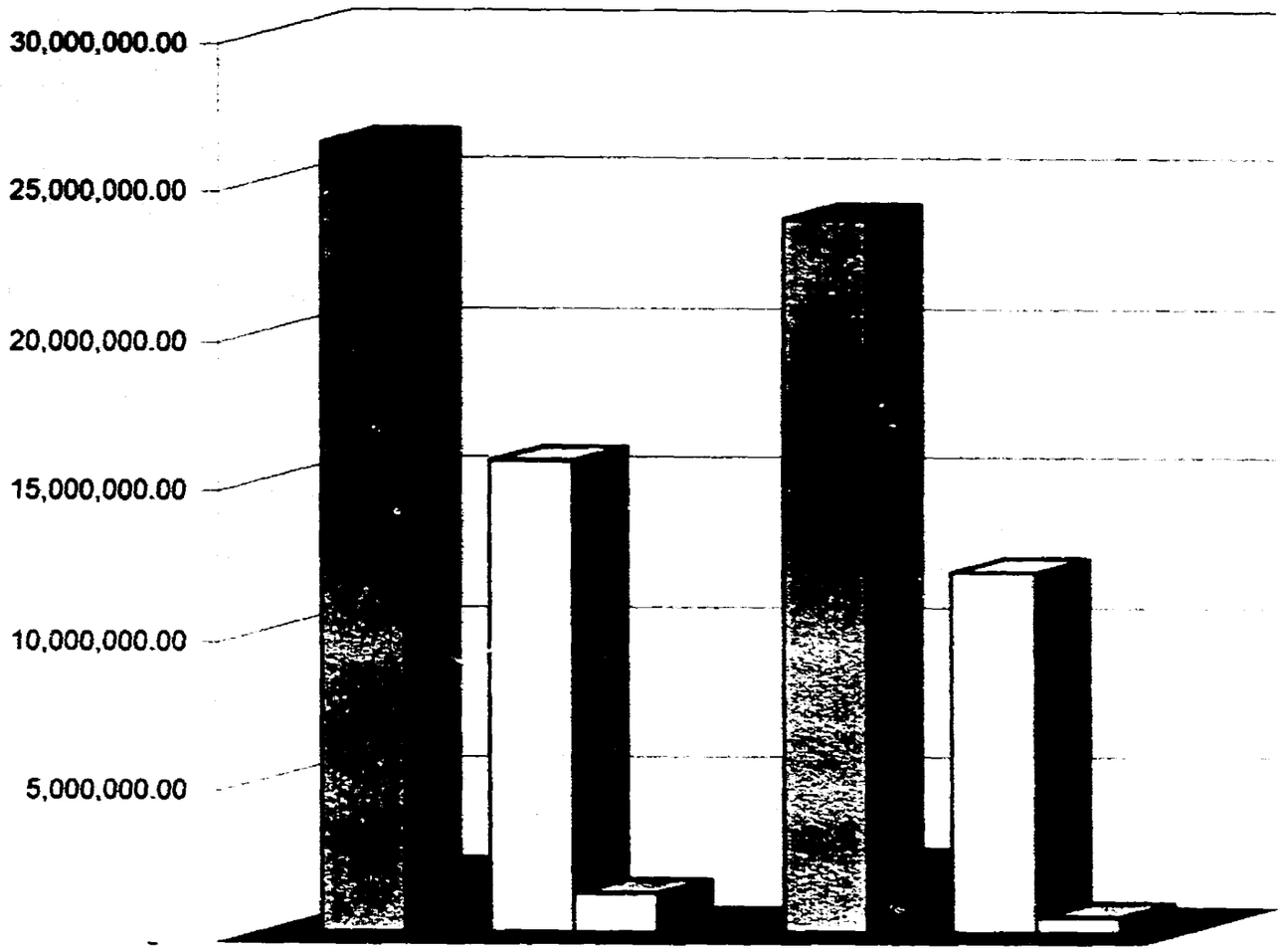
Total 2001-2003 Request $38,625,339

Division of Community Services
2001-2003 Funding Request by Strategy



Total 2001-2003 Request $38,625,339

Division of Community Services
1999-2001 to 2001-2003 Budget Comparisons



GROWING
North Dakota
Economic Development and Finance

Research & Intelligence

Mr. Chairman, and members of the committee, my name is Cory Finneman. I am the Research & Intelligence Coordinator for the ND Dept. of Economic Development & Finance.

The Research & Intelligence Division of ED&F is currently comprised of three people, including myself.

North Dakota State and Community Data

Site selection timelines have become extremely streamlined and require accurate, updated information accessible 24 hours a day. It has become the expected norm that this information – everything from demographics to telecommunications infrastructure and capacity to available buildings - be accessible on the Internet. Thirty percent or more of site selection processes begin with Internet research. Therefore, Research & Intelligence is working to develop a new information system and network to keep this information up-to-date and on-line. Local development corporations, Job Service ND and other state information partners will participate in this network.

GIS Mapping Development

Not only do we need to provide the information for the state and communities of North Dakota, but we also need to be progressive and seek a competitive edge in the presentation of that data. One way in which we can do this is combining information and maps – this is called geographic information systems or GIS. Research & Intelligence has a plan in place to begin presenting North Dakota's data on maps for viewing and querying on our Internet website. This endeavor is being conducted with the assistance of ITD and the ND GIS Technical Advisory Committee – a Governor's declaration committee of state government GIS users.

Website and Presentation Development

Research & Intelligence utilizes GIS as just one method to provide presentation materials for business development staff to use in their client proposals and marketing. R&I utilizes our information resources and design experience to create many of the messages and presentation materials used for prospective clients, whether in hardcopy, e-mail, CD-ROM or website format. The content of the ED&F website, the agency's greatest presentation and marketing tool, is maintained by the R&I Division. As stated earlier, this website remains critical because site selectors often start their search on the Internet without ever contacting an economic development organization. Furthermore, site selection consultants and business officials often start at the state level before ever contacting or considering individual communities.

North Dakota Company Database

In addition to collecting information for North Dakota and its communities, Research & Intelligence collects and maintains an extensive database of primary sector companies within the state. This database is utilized for analysis and marketing by the Manufacturing Extension Partnership and the business development staff of ED&F. Monitoring the business activity in the state is a strong marketing tool in itself.

Due Diligence

Research & Intelligence supports all areas of the agency and local development corporations with due diligence services. R&I subscribes to several business and individual information products. These products, in combination with our research skills, allow us to assist our internal and external clients to make wiser decisions regarding their projects and prospects.

Industry and Business Targeting

Utilizing our references, tools and skills, Research & Intelligence has been able to find target industries and companies for our business developers to pursue.

Economic Trends and Impact Analysis

As mentioned in the Executive Summary, Research & Intelligence managed the *Our Competitive Landscape* state economic performance report released this past fall. *The Regional Picture* will be made available on the agency website within the next few weeks. R&I also purchased an economic impact, modeling tool from Regional Economic Models Inc. This purchase was again an effort to make smarter decisions on potential policy decisions. In addition, it allows us to analyze the complete – primary and secondary - impacts of specific economic development projects. This model, as with all our services, is available to the local development corporations in North Dakota.

I hope these brief comments provide you with a better understanding of the Research & Intelligence Division's duties and services. Mr. Chairman and members of the committee, I would be happy to answer any questions.

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GROWING
North Dakota
Economic Development and Finance

Testimony to Senate Appropriations Committee

Business Development Programs - North Dakota Manufacturing Extension Partnership

Randy Schwartz, Director of Business Services
North Dakota Department of Economic Development & Finance

Mr. Chairman, Senators, my name is Randy Schwartz and I'm serving as the Director of Business Services for the Department. In this position, I will focus on those programs (our agency supports) that will assist existing and new businesses in the creation of new wealth. I'll provide greater detail about one of these programs – the Manufacturing Extension Partnership - in a few minutes.

Background

Successful businesses maintain and develop their existing customer base. Likewise economic development efforts recognize the importance of growing their existing business (customer) base in order to create new wealth and job opportunities. Expansion of existing business is the foundation for other economic development strategies (i.e. nurturing entrepreneurs and recruiting business). Growing existing business not only serves to grow a stronger economy but also increases support for economic development.

In 1997 our agency identified industry targets for the state and sought to improve on how economic development was done. This initiative was called Enhancing Growing North Dakota. Part of that project included interviewing about one hundred decision makers from the state's existing businesses and businesses who had considered North Dakota but located elsewhere.

Those interviews made it clear that ED&F was not doing enough to serve the business community. (In fact, at that time, our agency had only one industrial developer.) Our consultants (with significant experience in helping businesses and economic development organizations) said that this very limited role in working with business (including existing businesses) was a major weakness.

Seeking to Improve

As a result (during 1998) the agency organized a business development division consisting of project managers assigned developing targeted industries. To support these efforts, the agency also made improvements in marketing, research and intelligence and in the agency's information systems. (Much work is still needed in these areas -- especially if a Commerce Department, Commerce Cabinet and consolidated budget - as has been proposed to the Senate Industry, Business and Labor Committee develop in the future.)

Last year, the agency also took a more active role in working with the state's existing businesses through the re-introduction of a new Manufacturing Extension Partnership (MEP) program in the state. This work was done with the approval of Governor Schafer (who provided the directive to the federal MEP program that ED&F should take the leadership role in re-introducing this initiative) and the Legislature (who provided Emergency Commission approval to allow the agency to receive additional federal and special funds related to the MEP).

I would like to take the remainder of my time to describe the MEP to you. Judging, from early returns, it has the potential to become one of the state's most important economic development initiatives and tools in helping the existing business base to grow.

Please contact me with any questions you might have. Moreover, if there are manufacturers in your region or community that may be interesting in helping to develop the MEP, please invite those manufacturers contact me. My card has been provided – I can be reached at (701) 328-5314 and via e-mail at: rschwart@state.nd.us.

I look forward to continuing our dialogue on the MEP and other initiatives (which we may not be discussing today) to grow the state's existing business base.

Background on the Manufacturing Extension Partnership

a NIST MEP | Network Affiliate

The Manufacturing Extension Partnership -- a program of the Department of Commerce's National Institute of Standards and Technology -- is a national network of services to assist small to medium sized manufacturers (under 500 employees) in becoming globally competitive. (There are 385,000 smaller manufacturers in the U.S. In ND only 7 of our 1,093 manufacturers have over 500 employees.)

The MEP mission is; *To strengthen the global competitiveness of US-based manufacturing by providing information, decision support, and implementation assistance to smaller manufacturing firms in adopting new, more advanced manufacturing technologies, techniques, and business best practices.*

Since its inception in 1989, MEP has grown from just three regional centers into a true nationwide network (of 70 centers and over 400 field offices). Today, there is a MEP in every state and Puerto Rico. These centers are set up as independent, non-profit, client driven organizations. Over 3,200 (public and private) service providers and affiliations are part of the MEP. Through 1999, over 107,000 manufacturers have been served by the MEP.

MEP partners federal support with state and local organizations to deliver services that address the critical and often unique needs of manufacturers. Although the MEP is available to serve all manufacturers – it is not a 'welfare' program. It focuses on those firms that demonstrate a commitment to investing in their own growth and development – those companies that will be creators of new wealth and opportunities in their state(s) and community(ies).

Manufacturers pay for most of the services they directly receive. The public sector funding largely provides for developing the manufacturing market, the service provider network (needed to effectively serve that market), building competencies (in order to better serve manufacturers) and to insure that quality services are provided that result in measurable client benefits.

Services vary by Center. Below are listed some examples of the kinds of needs manufacturers have that resources within the MEP can be drawn on to address;

- Staff training, management and development,
- Employee recruitment, selection,
- Business, strategic planning,
- Funding, financial services (i.e. acquisitions, succession, divestitures),
- Quality assurance,
- Production control,
- Product design and development,
- Procurement,
- Plant maintenance,
- Lean manufacturing (demand flow),
- Plant layout, design,
- Environment, health, safety,
- Market development, planning, selling strategies, (including domestic, international markets)
- Market, competitor analysis,
- Customer analysis,
- Advertising and promotion,
- Information systems and
- eBusiness (i.e. business to consumer; business to business; business to employees).

MEP is developing common tools and resources to address recurring and consistent challenges faced by all manufacturers. Examples of these tools include Lean Manufacturing and eBusiness. Resources to be soon

introduced include the Business Professional Advisor (PBA) – designed to provide key industry professionals as strategic resources (change agents) to manufacturing firms.

The MEP is committed to the highest levels of quality in services and to the continuous evaluation and improvement of those services. All centers are subject to annual reviews based on the Malcolm Baldridge criteria. Each center is evaluated annually (based on Malcolm Baldridge criteria including leadership, customer relations, staff development, information systems, client service).

In order to measure the return on public investment, impact information from all centers is provided annually to Congress. These client impacts are assessed by an independent third party. Each center also reports their activity to state, local and private sector investors. During the first six months of 2000, MEP services to over 3,300 manufacturers resulted in:

Increased/Retained Revenues	$996 million
Cost Savings	$195 million
New Client Investment in Modernization	$360 million
Jobs Created	4,004
Jobs Retained	9,031

An attachment has been provided that includes Frequently Asked Questions about the MEP. Also enclosed is an article from the National Conference of State Legislatures (December, 1999) called Small Manufacturers – Good for the Economy. This article describes the importance of these companies in our economy and how states assist this industry segment.

North Dakota Manufacturing

Manufacturing has been one of the state's economic bright spots. During the '90's, it's share of the state product increased from 7 to 9% (nationally it is 16.4%). An additional 6,500 new jobs were created.

State	Manufacturing Employment (1999)
North Dakota	23,800
South Dakota	49,700
Minnesota	441,200
Montana	24,600

The average annual wage in manufacturing is 25% higher than the average annual wage for all jobs in the state. In 1998, revenues from manufacturing totaled nearly $1.5 billion. A large number of manufacturers are creating new wealth through the sale of their products throughout the country and throughout the world.

North Dakota Manufacturers by Employee Range		
Number of Employees	Number of Manufacturers	Percent of Total Manufacturers
1 – 9	664	60.8%
10 - 19	152	13.8%
20 - 49	147	13.5%
50 - 99	62	5.6%
100 – 499	61	5.6%
500 - 999	6	.6%
1000 or more	1	.1%
Total	1093	100%

Manufacturing produces both durable and non-durable goods. It is processing (non-durable) adding value to the state's agricultural produce (i.e. pasta, fries, flour, rolls, mustard, pizza, sandwiches, sausage, snacks). It is building buses, tractors, farm implements, excavators, drilling equipment, electric cars, wind towers, office furniture, particleboard, turbines and airplanes. It is packaging, computers, diamonds, signage, printing, electronic circuitry, semiconductors, and diskettes.

North Dakota Manufacturers by SIC Class		
2-digit SIC Code	Category	Number
20	Food and Kindred Products	155
21	Tobacco	0
22	Textile Mill Products	2
23	Apparel & Other Textiles	60
24	Lumber & Wood Products	71
25	Furniture & Fixtures	26
26	Paper & Allied Products	6
27	Printing & Publishing	176
28	Chemicals & Allied Products	26
29	Petroleum & Coal Products	3
30	Rubber & Misc. Coal Products	32
31	Leather & Leather Products	4
32	Stone, Clay & Glass Products	74
33	Primary Metal Industries	13
34	Fabricated Metal Products	80
35	Industrial Machinery & Equipment	198
36	Electronic and Other Electronic Equipment	27
37	Transportation Equipment	36
38	Instruments & Related Products	19
39	Miscellaneous Manufacturing	85
	Total	1093

Durable goods manufacturers (SIC 30 through 39) have tended to create higher wages and greater job and job skill diversification. Employment opportunities in non-durable goods (including 'value-added agriculture') have not grown at the same rate as durable manufacturing[1].

Manufacturing can continue to grow and thrive in North Dakota. An excellent recent example is the Imation plant in Wahpeton – recently selected by Industry Week as one of the best plants in North America. (Digital in Dakota reprint is provided for your reference.)

Our Progress on North Dakota MEP

ED&F is currently the administrator for the MEP. In re-introducing this program to the state, MEP NIST (national program) requested that a market analysis of the manufacturers in the state be completed. As a result, over the first six months (of 2000) we conducted 183 confidential interviews. About forty percent of those interviewed discussed their plan to invest $124 million (i.e. facilities, equipment, product development) and create more than 3,500 jobs in the state.

Aggregate information from those interviews (see attachment called MEP Company Visitations) provide insight into manufacturing (i.e. their industries, growth plans, critical concerns and level of satisfaction with the communities they operate in). In addition, ownership identified what they felt their company strengths and weaknesses are and what help may be needed to help them address their needs.

[1] According to the United States Department of Agriculture, the growth in value-added agriculture has not been at a pace hoped for. In addition, the jobs created in value-added agriculture have lower wages and require lower skills than other manufacturing. In North Dakota, value-added agriculture manufacturing does create strong local ties and has been of some benefit to some of the more rural areas. It has been recognized as a development target in many communities.

As interviews were gathered, information was recorded in a comprehensive program specially designed to assist developers in supporting their existing companies and industries. Our agency will seek to enhance and expand this system (i.e. Synchronist Business Information System - used in over 20 states) in order to help the MEP and our state's developers grow our existing businesses.

To assist in the early advisement of the agency's MEP efforts, (early last year) ED&F established an eight member ND MEP Steering Committee including:

Barry Batcheller, President-Phoenix International, Fargo
Howard Dahl, President - Amity Technology, Fargo
Michael Hofer, CEO, Global Electric Motorcars, Fargo
Bob Maeyaert, VP, Baker Boy, Dickinson
Mac McPherson, President, Glenmac, Jamestown
Don Morton, Assistant to CEO, Great Plains Software, Fargo
Jim Odney, President, Enoch Schultz Creamery, Bismarck
George Unruh, VP, TMI Systems Design, Dickinson

The agency also received assistance from other state MEP organizations including Kansas, Nebraska and Wisconsin.

As a result of the input above, a work plan was submitted to the national MEP, to serve the state's manufacturers. That work plan included developing the following service offerings:

1. Financial services to assist manufacturers in their expansion, growth, merger, acquisition or divestiture plans.
2. Marketing services to assist manufacturers in expansion of national and international opportunities.
3. Information technology services to assist manufacturers in better understanding and integrating e-commerce into their business.
4. Workforce development services to assist manufacturers in their recruitment of quality candidates for employment.
5. Lean manufacturing services to assist manufacturers in understanding and implementing lean manufacturing processes.

Lean Manufacturing

We decided to introduce Lean Manufacturing services to the state – as the MEP's first offering - because of the immediate benefit to manufacturers. (A Lean Manufacturing Workshop registration form has been provided.)



In late October, we introduced the Lean Manufacturing workshop - beginning with members of the Southwest North Dakota Manufacturers Roundtable. Lean practitioners were provided by the MEP system.

So far, we have provided this introduction to 250 manufacturing staff representing 50 companies (all small to medium sized firms). Follow-up site visits are helping many of those companies to determine ways to implement Lean in their organizations.

Companies that have participated are from Abercrombie, Bismarck, Carrington, Casselton, Dickinson, Fargo, Grand Forks, Hankinson, Jamestown, Kenmare, Killdeer, Lansford, Mandan, Oakes, Wahpeton and West Fargo, North Dakota. Due to our collaboration with the Governor's Office of Economic Development in South Dakota, two companies have participated from Aberdeen and Huron. Since the

MEP can operate across state boundaries it can assist companies that may have (not only North Dakota) but out-of-state or even international locations.

We are also conducting Lean improvement projects with a number of those companies. Those projects include doing value stream maps (to identify wastes and constraints); development of cross-functional teams and conducing improvement activities/events (i.e. Kaizens).



Organizational

MEP Centers are public/private partnerships typically established as non-profit 501c3 organizations. As a result, the ND MEP Steering Committee will need to evolve into a ND MEP Board of Directors and an organizational structure provided that is client driven and led. There may also be significant benefit in structuring the ND MEP Board to include manufacturer representatives from manufacturers roundtables and stakeholder groups e.g., ND Economic Developers Association and Greater North Dakota Association.

External Partnerships and Resources

The ND MEP will continue to develop purposeful partnerships to enhance ND MEP capability and support the ND MEP as identified below:

Partnership Organization	Purpose for Partnership
Other MEP Centers	Jointly develop and introduce product and service offerings to meet needs of North Dakota manufacturers e.g., Lean Manufacturing and Industrial Marketing. There is also the potential to very closely with South Dakota.
Great Plains Software, Inc., Fargo, ND	Jointly develop and introduce the MEP NIST eBusiness initiative for education and training of North Dakota (and perhaps South Dakota) manufacturers. Great Plains Software is becoming a partner to the national MEP NIST program. Its assistance in these efforts will be structured to maintain objectivity.
North Dakota Third Party Contractors	Utilize as needed to assist in providing ND MEP product and service offerings to North Dakota manufacturers including client assessment and project management.
North Dakota Small Business Development Center (SBDC)	Refer clients and promote training opportunities (e.g., eBusiness and Lean.) Perhaps develop some complimentary competencies in the SBDC to (not only assist the MEP) but to help serve a greater number of businesses (that aren't manufacturers) in creating new wealth for the state.
North Dakota Small Business Administration (SBA)	Refer clients and promote training. There may be several ways of engaging ND SBA with the ND MEP.
Industrial & Manufacturing Engineering Department of North Dakota State University (NDSU), Fargo, ND	Jointly develop opportunities for faculty and students to assist (where appropriate) on projects for North Dakota manufacturers. Arrange for student internships, mentoring with North Dakota manufacturers. Advocate greater understanding and support for manufacturing industry in the state.
North Dakota State School of Science (NDSCS), Wahpeton, ND	Assess overall needs of manufacturers with emphasis on workforce training needs to assist NDSCS and other workforce training quadrants in developing offerings (when appropriate to meet those needs), develop/support manufacturers roundtables, and advocate greater understanding and support for the manufacturing industry in the state. Can also develop opportunities for faculty and students to assist (where appropriate) on projects for North Dakota manufacturers.

North Dakota Economic Development Association (ND EDA)	Develop understanding and appreciation for the role of the ND MEP in state and local economic development. As result, ND EDA membership (state's professional development community) will seek to provide a variety of support for the ND MEP. Local developers could assist in manufacturers assessment, referrals, promotion, roundtable development and advocacy. The MEP (staff and contractors) will also be able to assist local development in furthering existing company growth and expansion.
Greater North Dakota Association (GNDA)	Develop understanding and appreciation for the role of the ND MEP in meeting needs of manufacturers and assisting in state and local economic development. GNDA could assist in referrals, promotion, roundtable development and advocacy.

Center Planning

Following the legislative session and once state financial resources have been determined, schedule a strategic planning session that meets the criteria for MEP Centers probably late April or May of 2001.

Market, Product Development

Build on the customized system already in place to assess North Dakota's business clients. A total of 250 interviews will be conducted each year. The ND MEP will also assist efforts in helping manufacturers roundtables throughout the state; for evaluating the state's available service providers and for assisting manufacturers with the management of improvement projects.

Staffing

Within the quarter at least one if not two full time Manufacturing Specialist(s) will be hired and/or contracted with. They will assist in (1) the development of the ND MEP, (2) assess client needs, (3) market products and services and (4) be responsible for delivery of product either directly or via project management of third party consultants. May also contract for in-state assistance with Lean Manufacturing and eBusiness.

Future Service and Product Offerings

As per the Work Plan;

- Lean Manufacturing offerings will include Lean 101 workshop, 5S, Cell Manufacturing, Workflow Balancing etc. Implementation of Lean projects will assist individual companies.
- Industrial Marketing offerings have not been fully determined, but will be structured to meet the needs of those companies that responded in interviews and Lean follow-up plant visits to having significant marketing needs. (Both domestic and international market development can be addressed.)
- Financing Services will be developed with the assistance of the North Dakota Development Fund and
- eBusiness offerings will be developed with NIST MEP and introduced with (hopefully) with the assistance of Great Plains Software (i.e. Microsoft) who is also working with the national MEP program. There is also potential to collaborate with other MEP Centers (i.e. Minnesota, South Dakota).

Proposed Activity, Event, Client and Funding Information for Calendar Year 2001

	1st QTR	2nd QTR	3rd QTR	4th QTR	Total
Number of activities completed, 8 hours or longer.	25	35	45	55	160
Number of activities completed, 8 hours or less.	65	65	65	65	260
Number of events completed.	1	2	3	4	10

Total number of manufacturers served.	65	65	65	65	260
Total number of manufacturers served - first time.	50	40	40	40	170
Public Sector Supporters	140,000	140,000	140,000	140,000	560,000
- MEP NIST	70,000	70,000	70,000	70,000	280,000
- State of ND	70,000	70,000	70,000	70,000	280,000
- Other	-	-	-	-	-
Private Sector (fees from activities and events)	70,000	80,000	90,000	90,000	330,000
- Lean Manufacturing	50,000	50,000	60,000	60,000	220,000
- Industrial Marketing	10,000	10,000	10,000	10,000	40,000
- Financing Services	-	10,000	10,000	10,000	30,000
- eBusiness	10,000	10,000	10,000	10,000	40,000
- Fees for other Services	-	-	-	-	-
Other Funding Sources	-	-	-	-	-
Total Projected Revenue	210,000	220,000	230,000	230,000	890,000

ND MEP Benefits

Manufacturing Clients

MEP technical assistance to manufacturers is at the heart of the MEP mission and makes up 63% of the activities in the system. Other activities include company assessment (12%) and training (25%). MEP clients will experience between 3.4 and 16% more growth in productivity (over a five period) compared to non-MEP client firms. (from independent review of the national MEP program).

As needs are addressed, the impact of MEP services is measured. The resulting benefits to North Dakota manufacturers will be in these major areas:

(1) Increasing/Retaining Revenues
(2) Cost Savings
(3) Investing in Modernization
(4) Jobs Created
(5) Jobs Retained

In addition the MEP will assist in;

- Manufacturing Roundtable Development

- Manufacturing Advocacy (raising the understanding and appreciation of manufacturing throughout the state)

- Providing opportunities for manufacturers to work more closely with other manufacturers through the state and national MEP system.

North Dakota's Service Providers

The strength of MEP Centers is in understanding the manufacturing marketplace. The marketing costs that service providers typically incur in addressing this market segment can be substantially reduced or eliminated through their alignment with the MEP Center.

Selected service providers (approved by the ND MEP) can also utilize the substantial products and support resources of the national MEP system. Through the MEP national network, it is also very possible to help the state's service providers address the larger manufacturing market. Great Plains Software is an excellent example of this opportunity (i.e. eBusiness).

Existing Economic Development Functions

Economic development must have the support of the existing business base. The ND MEP will be an excellent public/private initiative illustrating the commitment of the State of North Dakota to the state's manufacturing industry.

The ND MEP will also help raise the bar on how to various business assistance programs operate, are able to work together effectively and in how they're measured.

Below are some examples of other ways that the ND MEP can assist.

Business Financing
(i.e. Bank of North Dakota, ND Development Fund)
The ND MEP can provide (1) assessments of manufacturers applying for financing, (2) assistance to manufacturers who may under stress and (3) assist and/or represent the state's interests in equity stakes it may take in manufacturers (i.e. ND Development Fund). I would estimate the total outstanding loans to manufacturers (from the Bank of North Dakota and the North Dakota Development Fund) at over $100 million.

Special Industry Assistance
(i.e. Agricultural Products Utilization Commission)
The ND MEP is uniquely positioned (with a national network) to assist existing and new manufacturers who are part of 'value added agricultural processing'. The ND MEP could provide (1) services directly to APUC recipients and (2) serve in an advisory position to help the Ag Products Commission assess funding applicants.

Domestic Business Recruitment
(i.e. ED&F Business Development Division, Local Development Organizations)
A part of success business attraction and recruitment is targeting companies who could benefit other North Dakota businesses by a location here. Understanding the individual and aggregate supplier and distribution needs of the state's manufacturers can help in the marketing and recruitment efforts of the state and communities. (Such was the case for Longview Fibre's location in North Dakota a few years ago.) There are many manufacturers who could directly or indirectly assist the economic development marketing efforts (both domestically and internationally).

Existing Business Expansion
(i.e. ED&F Business Development Division, Local Development Organizations)
MEP project managers will understand intimately the growth plans and needs of the existing manufacturers throughout the state. They will serve as excellent partners and resources to the state and local economic developers.

International Trade and Investment
A real 'gap' (in our state) is the absence of the state in global business development (including creating international relationships, supporting business exports, international financing, marketing the state for international investment and nurturing international partnership/joint ventures.) Until the state is better able to address in a more comprehensive fashion, the MEP can seek to address international market development (as it assists manufacturers in their overall marketing).

Other
The MEP could also assist in workforce development efforts, new technology commercialization and new product development (i.e. research and development).

Frequently Asked Questions

What is the Manufacturing Extension Partnership?
The Manufacturing Extension Partnership -- a program of the Department of Commerce's National Institute of Standards and Technology -- is a national network of services to assist smaller manufacturers in becoming globally competitive. MEP partners federal support with state and local organizations to deliver services that address the critical and often unique needs of smaller manufacturers. In addition, MEP is developing common tools and resources to address recurring and consistent challenges faced by all manufacturers nationwide. Since its inception in 1989, MEP has grown from just three regional centers into a true nationwide network.

What is a "manufacturing extension center?"
An organization that delivers services to manufacturers within its region. Each "center" may actually have several field/outreach offices throughout its region. Centers are not federal offices but instead are independent, nonprofit organizations that combine federal, state and local resources to provide services to local client firms. The MEP network serves manufacturers throughout all 50 states and Puerto Rico.

How many centers are currently in the MEP system?
MEP-affiliated centers and their regional outreach offices are now located in all 50 states and Puerto Rico. Since 1989, 78 awards have been granted for extension programs, which translates into over 400 regional offices delivering services to manufacturers nationwide.

How are centers chosen?
Legislation provides that the centers are chosen competitively through a merit-based competition. Funding is awarded through a cooperative agreement that partners NIST MEP with the center or a host organization in carrying out extension services. Centers share a significant portion of operating costs with support from state and local funds as well as charging fees for services rendered.

What is a SME and why are they important to the overall economy?
SMEs are small manufacturing establishments. MEP focuses efforts on the 385,000 manufacturing firms employing 500 or fewer workers. These small and medium-sized manufacturing companies account for more than 98% of the nation's manufacturing establishments. They employ approximately 12 million people and contribute more than half of the total value-added in manufacturing (54.5%). In addition to contributing 20% of the nation's Gross Domestic Product, they also make up much of the supplier base for larger U.S. manufacturers.

MEP strives to help such companies overcome regulatory burdens, embrace new technologies and business practices, and access sources of capital, as well as high quality, unbiased information and expertise.

Do state governments support these extension efforts?
State organizations are partners in all of the MEP extension centers. In addition, in April 1995 NIST signed a memorandum of understanding with several dozen governors' appointees from the National Governors' Association Science and Technology Council of the States (STCS), committing to the principles of a federal-state partnership in manufacturing extension.

What role does the federal government play in the daily operation of the centers?
The Federal government primarily plays a supporting role in the daily operation of the MEP centers. The centers are neither staffed with Federal employees nor are they Federal offices. The grassroots, nonprofit nature of the centers provides for more immediate and unbiased access to a wide range of information and resources for the nation's small and medium-sized manufacturers. The centers typically employ seasoned professionals and technical specialists from the manufacturing industry.

More broadly, the federal role is that of a facilitator, helping to serve as a catalyst and funder for manufacturing extension initiatives at a state level; as an integrator, to pull together seemingly disparate state efforts into a national strategy; and as a value-added resource provider, forging partnerships with

federal agencies, trade associations and others, and bringing economies of scale to the system. In addition, the federal government helps to serve as an evaluator, to hold the entire MEP network accountable for achieving both company and economic impact results; and, as an innovator and futurist, to foster new ways and new thinking to address the challenges facing small firms.

How do these grassroots organizations spend federal funds?
Federal funds are to be used to help companies accelerate the rate of adoption of appropriate technologies and techniques-- not to pay for it. Centers cannot use the funds to buy down the cost of change, to perform research or to conduct worker training. The centers charge fees for these services or use other resources. Federal support primarily covers outreach activities.

Why do small manufacturers need this help? Why the federal role?
Given the importance of the manufacturing industry, it is clear that it is in the national interest to promote a strong small and medium-sized manufacturing system. MEP works at the grassroots level to ensure that all regions of the country have an industrial base of modern small and medium-sized manufacturers that can compete in the global marketplace and whose combined capabilities help anchor large domestic manufacturers. Strengthening this industry requires an efficient, catalytic federal support role, partnering with state and local governments, to supply high quality, unbiased information, advice and assistance. Specifically, MEP works to close the gap in the market by bringing information and resources together with the companies that need them.

Addressing that gap in the marketplace through MEP is part of a national and state economic development strategy. The strategy is to support existing, smaller manufacturing firms in becoming globally competitive, with services that are defined by industry, and delivered using both private and public sector expertise. Strengthening this industry requires an efficient, catalytic federal support role, partnering with state and local governments, to supply high quality, unbiased information, advice and assistance.

Do other countries have similar programs?
Yes. Japan, Denmark, Germany, and Switzerland have well-established manufacturing extension programs. Others, such as Ireland and Egypt, are developing new extension programs and have consulted extensively with NIST in doing so.

Consider this: the government of Japan provided support totaling $910 million in 1992 for their Kohsetsushi centers; government support for the German Fraunhofer program was $409 million in 1989. MEP FY 1998 budget: $113.5 million.

What is a "typical" project a MEP center would undertake with a client firm?
Typically, a center would perform an assessment to analyze the company's current operations and identify opportunities for improvement. Subsequent projects might be in the area of quality assurance, business information systems, production process improvements, plant layout, market development, computer-aided design, computer integrated manufacturing, waste reduction, environmental services, material engineering, workforce development, rapid prototyping, or other manufacturing priorities.

Interestingly, a 1994 study shows that firms that have been involved with extension centers are up to six times more likely to plan technical improvement projects than other companies who do not use these services.

How do MEP centers work with private consultants?
Most service-delivery field staff at the centers are engineers with extensive backgrounds in private, for-profit manufacturing enterprises. Such expertise allows the centers to better address the needs of client companies. Once field personnel assess a client's needs, MEP often helps companies locate and work with private consultants to implement the improvement and modernization recommendations.

A study by Dun and Bradstreet revealed that 70 percent of companies assisted by extension centers believe that the centers either provided services which private consultants do not or cannot offer or feel that the work of the MEP and private consultants complemented one another. The centers are helping to provide

the upfront sales function for many consultants who did not previously address this market because the market is so spread out, so isolated, and the typical contract is not large enough to offset the cost-of-sales.

How are results measured?

Evaluation is a key element of all MEP programs and activities. Results are used to assess the effectiveness of services and their impact on the performance of client firms, and to help guide planning at both the center and network levels. By measuring short and long-term impacts, MEP also can assess economic returns on the federal investment in manufacturing extension services.

Regular reporting on center interactions with client firms is a requirement of all centers affiliated with MEP. Centers report the number and type of projects and assistance they provide. They also work closely with client companies to keep track of company impacts that result from center-assisted improvement projects. These impacts examine such potential bottom-line results as changes in sales, capital investment, inventory reduction, labor and material savings, and jobs created and/or saved. In addition, an independent follow-up survey is performed directly with client firms to capture information about actual results realized.

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- Small Manufacturers-Good for the Economy
- States Can Boost Development
- Manufacturing Extension Partnerships
- Success Stories
- Export Assistance
- Financing and Tax Incentives

Small Manufacturers-Good for the Economy

State legislatures are working to improve conditions for small manufacturers, who employ nearly 12 million Americans.

By Monica Kearns

The word "manufacturing" conjures images of giant assembly lines operated by scores of workers. But more than 98 percent of U.S. manufacturers are small plants with fewer than 500 employees, according to the National Institute of Standards and Technology.

The 385,000 small- to medium-sized manufacturers nationwide employ nearly 12 million Americans, about double the number working at large plants. And while jobs at large manufacturers have declined over the past three decades, small manufacturers added 1.7 million jobs between 1967 and 1992. Those jobs were high-skill and high-wage, with workers making on average nearly twice what those in the retail sector earn.

Overall, manufacturing remains a solid source of economic output, despite the fact that the economy is gravitating toward service industries. The $3.7 trillion manufacturing sector has held steady at about 17 percent of U.S. gross domestic product throughout the 1990s, according to the U.S. Department of Commerce.

The sheer numbers and job growth associated with small plants means that their success has tremendous bearing on the future of the manufacturing sector.

STATES CAN BOOST DEVELOPMENT

Because of the important role small manufacturers play in the economy, state legislatures are working to help them. Productivity is the top concern, according to Carol Lessure of the Modernization Forum, an association for those involved in technical assistance for

small manufacturing businesses. More specifically, small firms lack the information and financing needed for investing in new technologies, updating business practices, developing workforces and obtaining outside expertise.

Productivity, measured in output per work hour, is rising at large plants because they can afford to buy new technology. They also are sending assembly processes and research and development to smaller firms. The small manufacturers must in turn solve their own modernization problems-a battle they are losing currently as evidenced by falling productivity rates.

Ohio Senator Charles Horn is trying to get states to think collaboratively about helping small firms with modernization. "Industries cross state boundaries, so we need to share resources and work together on developing technology processes," he said. He is leading an effort to encourage Midwestern federal laboratories, research universities and private labs to share their knowledge with regional businesses.

One example of this is the Wright Technology Network in Ohio, established in 1989 by the state and Air Force Materials Research Laboratories. "With these networks, small manufacturers can improve not only the quality of products, but their competitiveness," Senator Horn said.

State efforts to help small manufacturers often materialize as funding for innovative programs designed to meet their needs. Dan Berglund of the State Science & Technology Institute, a nonprofit organization that works to improve government/industry technology efforts, says most technology-based economic development programs fall into five categories:

- Industrial problem-solving, which includes technical assistance and extension services.
- Technology development, including university and industry centers that focus on commercializing technology research.
- Start-ups, which include technology-focused incubators or business support centers.
- Financing, including loans and direct investment or venture funds.
- Networking, such as funding for new manufacturing associations.

Berglund's group conducted a study of state funding for technology-based economic development programs associated with state executive agencies in FY 1995.

The results showed that Alaska spent the most per capita-$8.65-from an endowment established by oil revenues. Connecticut, Delaware and North Carolina were next in line. The average amount per capita that states spent on these programs was $1.56.

Berglund said that workforce development and training is not usually considered part of technology-based economic development programs. However, the increasing nationwide

need for highly trained manufacturing workers is causing the two realms to become more tightly linked.

In North Carolina, a top-ranking state in terms of manufacturing output, a state-sponsored consortium of technical colleges studied the needs of employers and made recommendations for changes in their curricula. "There has to be a willingness of states to work with business and invest in training for workers," says North Carolina Representative Daniel Blue Jr. "The manufacturers will benefit from a joint effort to train and retrain people."

MANUFACTURING EXTENSION PARTNERSHIPS

Perhaps the most dynamic economic development program geared toward small plants is the Manufacturing Extension Partnership. This nation-wide network of manufacturing extension centers provides business and technical assistance in all 50 states and Puerto Rico. The partnership is managed by the National Institute of Standards and Technology, an agency of the U.S. Commerce Department's Technology Administration.

Delaware Senator Myrna Bair calls the partnership "one of the best federal programs ever to come out of Washington.

"There are a lot of creative things we can do to help small manufacturers, and the Manufacturing Extension Partnership gives states a great deal of flexibility in the services they can offer. It wasn't until this program came along that we really had a focused yet comprehensive effort for small manufacturers."

The partnership began with federal funds, but has fulfilled its original intent to become a public-private collaboration. More than 400 centers and field offices across the country are funded by federal, state, local and private interests. Although many states still don't consider these centers part of their economic development plans, state funding of the centers overall is growing.

The centers offer a flexible, local way to meet the needs of small manufacturers within a state. They can be designed to offer direct services, such as those in Ohio that conduct plant assessments and seminars on modernization. Most centers have led statewide Y2K compliance initiatives for small businesses, since large computer consultants have been occupied with a few large clients.

Manufacturing Extension Partnership staff can also serve more as advisers or brokers, providing referrals for training, lending and other services. Minnesota, Oklahoma and Delaware are among the states with this type of program. The partnership centers can be designed to serve regional areas, as in Ohio and Pennsylvania, or they can be highly centralized. Nebraska's center is actually part of the state's economic development agency, for example.

SUCCESS STORIES

Whatever the structure, these centers help small firms learn about and set up a wide variety of technologies and business practices that can lead to greater productivity, increased profits and better global competitiveness. A number of studies have shown solid evidence of benefits for small manufacturers from the partnership's assistance.

Carol Latham of Cleveland, Ohio, is one success story. In 1992, she launched a company called Thermagon with little more than her own expertise as a chemist and a good idea for a new product. She developed T-flex, which removes the heat that builds up in electronic components. After several years of increasing sales, Latham encountered a problem common to successful businesses: the increased demand for T-flex was creating production and delivery problems.

Latham turned to the Great Lakes Manufacturing Technology Center, an affiliate of the Manufacturing Extension Partnership in Cleveland, for help in developing a faster way of producing T-flex. As a result, quality has improved, product yield has increased by 15 percent, and production time has been cut in half. Today, the company's customers include some of the largest and most well-known electronics firms in the world, such as IBM, Hewlett Packard and Dell. Revenues zoomed from $2.5 million in 1996 to $8 million in 1998.

Mark Gaalswyk of Trimont, Minn., is another success story. Gaalswyk founded Easy Systems, a company that produces software used to help hog farmers precisely control the mix of corn, soybean meal, barley and other ingredients in livestock feed. "If it wasn't for MTI [Minnesota Technology Inc., an affiliate of the Manufacturing Extension Partnership], we'd still be just a hobby," Gaalswyk said.

Since starting the company in 1986 as a one-person operation, he has turned to Minnesota Technology for help in getting a patent, setting up a manufacturing facility, raising capital, managing his business and obtaining other assistance. "MTI has helped us grow the business," Gaalswyk said. "Most importantly, they've helped us understand how to manage the growing process." The company now has 70 employees and sales approaching $10 million.

Gaalswyk is most proud that the success of his company has strengthened the economic base of the entire rural town of Trimont, population 800. Younger members of the community, who often leave for better jobs, are returning or staying, increasing housing demand and property values. Many townspeople work for Easy Systems, but others are starting their own small companies. Gaalswyk says this growing economy is "giving the local people the opportunity to achieve things that would have otherwise been unimaginable."

Building on the success of firms like Easy Systems, Minnesota Representative Bob Gunther is promoting rural Minnesota as an attractive option for manufacturers.

He is working with the state Department of Trade and Economic Development to encourage manufacturers from the Minneapolis-St. Paul area to consider expanding their operations in rural Minnesota. "The metro areas are concerned about too much growth while the rural areas are losing population," he said. "We're creating more industrial jobs, and we're trying to produce an environment to lure people."

EXPORT ASSISTANCE

Export assistance programs offer another way for states to help small manufacturers. As international trade skyrockets, competitors are as likely to come from the other side of the globe as the other side of the street, bringing the uncertainties of international markets, currency fluctuations and international organizational policies into play. Electronic commerce has contributed to the rising export tide, and small manufacturers increasingly must understand how to conduct business on the Internet.

In a 1999 survey of small manufacturers by the National Association of Manufacturers, about three-quarters of respondents said they export their products, and more than half use the Internet for their businesses.

To support and encourage exports, states offer services such as trade finance, trade missions, market research, assistance with regulations and documentation, and networking with buyers and partners. Pennsylvania recently streamlined its export assistance services by forming the Team Pennsylvania Export Network, an alliance of the state Office of International Business Development, the Regional Export Assistance Network and 10 state overseas contract offices. Each of the alliance's members has a clearly defined role. And the inclusion of a regional network ensures that the expertise of local trade experts is part of it.

FINANCING AND TAX INCENTIVES

Finally, states can assist small manufacturers by creating specialized versions of other economic development tools, such as grants, loans, bonds and tax incentives.

There are countless variations on these programs, which can range from tax credits for investments in research and development or equipment to industrial revenue bonds to grants for worker training.

With entrepreneurial spirit, sheer determination and, yes, state support, small manufacturers continue to be indispensable engines of economic growth.

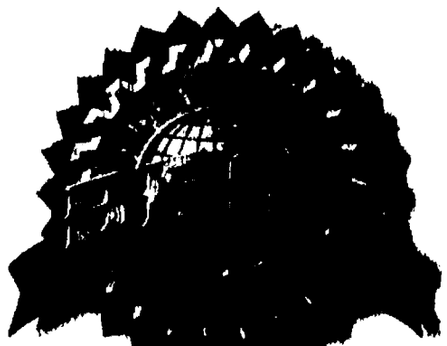
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LEADERSHIP IN MANUFACTURING



11th ANNUAL SALUTE

GLOBAL HONORS

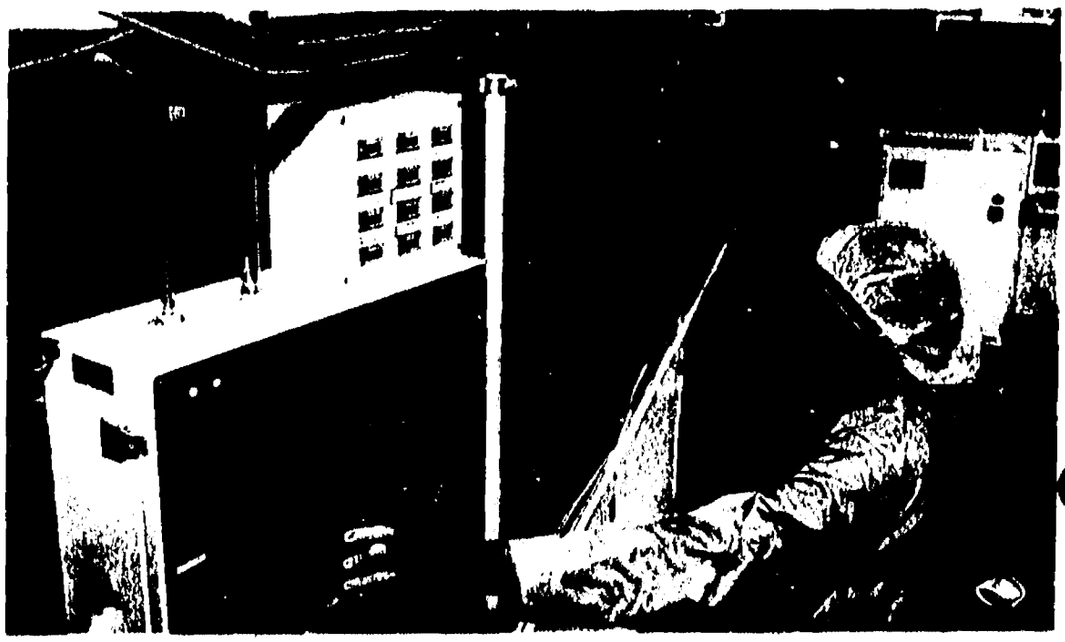
BEST PLANTS AWARDS PROGRAM EXPANDS INTO EUROPE

FOUR EUROPEAN AND 10 NORTH AMERICAN OPERATIONS RECOGNIZED

DIGITAL IN DAKOTA

IMATION PLANT ROARS ALONG THE TECHNOLOGY ROAD MAP.

BY GEORGE TANINECZ



Steve Krogh, a crew operator in Imation Corp.'s diskette operation, starts up a coil on the assembly line.

■ **Imation Corp., Data Storage & Information Management, Wahpeton, N.Dak.**

NEAR THE RED RIVER VALLEY IN SOUTHeast North Dakota, amid crops of sugar beets, soybeans, and sunflowers, sprawls a manufacturing operation that could easily be in Silicon Valley. It could be, but then Imation Corp. wouldn't have some 600 Dakotans, Minnesotans, and the occasional transplant—a potent blend of technical expertise, humility, and flexibility—driving it to beat competitors from around the globe for hotly contested, cost-conscious data-storage markets.

The Imation staff steer the 240,000-sq-ft facility, located about an hour south of Fargo, along an aggressive technology road map, developing new technologies from the ground up while zealously pursuing productivity improvements on mature products. They have little choice. Product life cycles for data-storage and information-management products are short and selling prices plummet annually. Few know that better than Ronald E. Cizek, director of manufacturing operations, data storage and information management, at the Imation facility.

One of the original 13 employees in Wahpeton when it started up in 1977, Cizek has seen the facility—originally a 3M Co. plant that was part of the Imation Corp. spinoff in 1996 advance from 8-track cartridges and VHS tapes to tape-backup cartridges, computer diskettes, and SuperDisks. Wahpeton, the largest diskette manufacturing site in the world, now produces hundreds of millions of diskettes per year—more than 30% of the worldwide market. This year it became the first plant in North America to manufacture CD-RWs (readable and writable).

"Our technology and the speed with which we do things allows us to really service our customers and key OEMs, and that gives us a competitive advantage at the end of the day. . . . We stretch ourselves and our people, and we test how many things we can handle," says Cizek.

Allowing Wahpeton to handle numerous projects is a foundation of on-site equipment and technology. A molding-technology center develops new injection-molding tooling (about 60 new tools per year), molded components,

and new molding processes. A materials-characterization lab assesses and optimizes purchased materials, develops new materials, and explores recycling opportunities (4.2 million lb of purchased recycled resins in 1999). A tooling-fabrication center produces optical tooling and augments existing equipment to accommodate new products (in some cases tooling life has been extended by 20 times the industry standard). And a metal-competency center focuses on metal-component design and development.

The four technology centers support Imation's injection molding, metal stamping, assembly, and packaging operations and, in concert with maintenance personnel, compile multitudes of fraction-of-a-cent cost savings and contribute to quality levels of double-digit ppm or better.

KEITH MITTERLING, MOLD COORDINATOR IN THE tooling-fabrication center, says, "One of the best things about [Imation] is the faith they put in their employees as far as the cost of researching new ideas, trying new technologies, and trying to find new ways—innovative ways—to do things to cut our costs and do our jobs better." An example of that is a metal-stamping operation that, with input from engineers, operators, and maintenance, doubled the component output per day for a critical operation, while maintaining quality and equipment durability. Such cross-functional ingenuity has allowed the facility to grow its share of the worldwide diskette market despite a steady market decline.



Crew Operator Mary Ketelsen

Melyssa Evanson, production-operations manager, says diskette productivity has increased by 250% and unit costs have been cut 60% in the last five years. She credits the plant's quality-improvement and cost-reduction process. "It's really from the ground up, from the production floor to the maintenance people to the engineering ranks and also to the management perspective."

"Quality improvement and cost reduction managed to one-hundredth of a penny would be very difficult for a company that's never thought that way. But with us it's the competitive nature of what we do," says Cizek. "And if we can compete on a manufactured diskette, then why not apply those same techniques to engineering-intensive value-added products, and really leverage that vertical integration for the betterment of the company."

And that's just where Imation's road map is directing it. In 1998 Wahpeton ramped up its Manufacturing Services Center (MSC), the unit that provides custom-designed and manufactured products for some of the biggest names in high tech and large volume, new-product opportunities for Imation.

As that unit grows and Imation peers over the next high-tech horizon, the ongoing need for a technically adept workforce increases. The Imation plant works with the North Dakota State College of Science (a trade technical school and junior college) and pursues the best, young technology minds across the country. The staff at Wahpeton has included graduates from Massachusetts Institute of Technology and Rensselaer Polytechnic Institute, and the facility has been awarded 11 U.S. patents since 1996, four since the first half of 1999.

"When we go out and recruit, we're able to bring in very high caliber people, and that makes a big difference in terms of what we're able to do and how we're able to move forward," says Cizek. The Imation staff includes senior engineer Kristi Chavez, a native North Dakotan who graduated with a doctorate from Georgia Tech. Chavez helped Imation reach its most recent marker, the launch of its CD-RW line.

AT A GLANCE

• 45% of plant shipments to export markets. • 0.02% warranty costs as a percentage of sales in 1999. • First-pass yield percentage in the high 90s. • 0.79% annual labor turnover rate in 2000. • 100% of production workforce in empowered teams. • 99% on-time delivery rate. • Zero lost-workday injuries from January through August 2000.

The CD-RW line, class-100 clean, is indicative of Imation's technology commitment. CD-RW facilities and equipment cost $10 million and the unit ramped up, incredibly, in less than a year, from announcement to manufacturing. In just months of operation the unit gave Imation a respect-able share of the worldwide CD-RW market, estimated at 66.7 million units in 2000 and projected to grow to 181.9 million units by 2003, according to market research firm Understanding & Solutions Ltd., Bedfordshire, UK.

Dennis Gladen, site manager, says the CD-RW operation leverages the same internal-design capabilities of low-cost manufacturing developed on Imation's diskette lines, and has an attractive path for future migration, from the 640 MB CD-RW currently produced to digital video disks, with essentially the same equipment and processes.

The CD-RW implementation evolved out of a change-management process called global product and process planning system (GPPPS). "This plant thrives on change, lots of change, but we have to manage that change because every idea proposed, every change proposed, is not necessarily good," says Larry Gast, quality systems manager. GPPPS defines all business and manufacturing processes for a new product or proposed change, and evaluates the customer, product, and environmental impacts. The result, he notes, is that "we only implement good ideas." [IW]

Find more best practices for each winner online at www.industryweek.com/iwinprint/bestplants

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It is with great pride that the North Dakota Manufacturing Extension Partnership (MEP) salutes the accomplishment of Imation Wahpeton as a member of INDUSTRYWEEK's Best Plants in 2000.

Imation has grown from the original 13 employees and a 3M Co. plant serving a modest market, to some 600 talented individuals who proudly represent our state on an international level as Imation Corp. Few expected Imation to be the global leader in data-storage and information-management products, still this most recent of many accolades for the company stands as a noble reminder to all North Dakota manufacturers that you can achieve world-class success in our state.

Since 1990, manufacturing has evolved into a dynamic and growing segment of our state's economy. To assist with this growth, the Department of Economic Development & Finance has established the North Dakota MEP. This public/private partnership makes it possible to leverage a national network of resources and service providers to address our manufacturers' needs. The MEP is here to help you grow in North Dakota.

Congratulations Imation! And congratulations North Dakota! Once again, you prove that you can enter the business arena and compete successfully.

GROWING
North Dakota

ND Manufacturing Extension Partnership
1833 East Bismarck Expressway
Bismarck, ND 58504-6708 USA
701-328-5300 • growingnd.com

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01/18/01

REGISTRATION FORM

REGISTRATION DEADLINE: January 12, 2001

- NOTE: Registrations are honored on a first-come, first-served basis. If demand dictates, another workshop will be scheduled.

Please print or type. Copy this registration form as needed.

Name _____

Company _____

Address _____

City, State, Zip _____

Phone _____

Fax _____

E-mail _____

Number attending: _____

Method of payment ($195 per person).

_____ Check (made payable to ED&F)

_____ Invoice my company

_____ Credit Card

Card Type _____

Card Number _____

Card Expiration _____/_____(M/Y)

Mail payment and registration form to:

ND MEP Center, 1833 E. Bismarck Expressway
Bismarck, ND 58504-6708.

Fax registration form to:

Randy Schwartz, Director of Business Services
ND MEP Center, 701.328.5320

Cancellation policy. We reserve the right to cancel a course for any reason. If a course is cancelled, all registration fees will be refunded or transferred. If you cancel your registration, you must notify the ND MEP Center at least five (5) business days prior to the workshop for a full refund, minus a $25 handling fee.

Registrations for the Lean Manufacturing Workshop are honored on a first-come, first-served basis. If demand dictates, another workshop will be scheduled.

a NIST | Network MEP | Affiliate

GROWING North Dakota

ND Manufacturing Extension Partnership

1833 East Bismarck Expressway
Bismarck, ND 58504-6708 USA
701.328.5314 • rschwart@state.nd.us

Lean Manufacturing Workshop



Thursday, January 18, 2001

ND State College of Science Student Center

Red River Valley Room, 800 North 6th Street

Wahpeton, ND

7:45 am – Registration
8 am to 5 pm – One-Day Workshop

Cost: $195 per person
(includes lunch and materials)

Registration Deadline: January 12, 2001

Benefits of Lean Manufacturing

Lean Manufacturing is a systematic approach to identify and eliminate waste through continuous improvement techniques. At this workshop, you will learn how to:

- improve productivity by 10-40%,
- receive quality improvements of 25-75%,
- increase space utilization by 70%
- strengthen your supply base,
- encourage teamwork and communication,
- enhance your company's flexibility and
- ensure your company's survival.

Practice and Understand Principles to Improve Your Company

Lean Manufacturing principles train your trainers to capitalize on process improvements, cost reduction, planning and scheduling, and quality control issues. You will gain hands-on experience through simulations which validate Lean Manufacturing principles, including:

- Workplace Organization
- The Five S's
- Setup Reduction
- Visual Factory
- The Seven Wastes
- One Piece Flow
- Teams
- Work Balancing/TAKT Time

Lean Manufacturing Sponsors

ND Manufacturing Extension Partnership
NDSCS Outreach and Customized Training Dept.
Wahpeton Economic Development
Wahpeton Area Manufacturer's Roundtable

Who Should Attend:

- ✓ Plant Managers
- ✓ Production Managers
- ✓ Process Engineers
- ✓ Supervisors
- ✓ Manufacturing Engineers

Workshop Objectives:

You will be introduced to the Lean approach to:

- process improvement
- cost reduction
- planning and scheduling
- quality control issues

Meet the "Lean Team"

The Alabama Technology Network (ATN) is a recognized MEP leader. Since 1998, over 150 companies such as Boeing, Mercedes-Benz, Owens-Corning and Rheem have attended Lean Manufacturing workshops with ATN staff.

HANK CZARNECKI is on the ATN staff and has worked for the three years facilitating continuous process improvement (Kaizen) events. He also performs down time and cycle time analysis, conducts cellular layout design and develops simulation models. Hank has completed the requirements for an ISO 9000 certified auditor.

NICHOLAS LOYD is a research associate at the University of Alabama in Huntsville. He actively provides Lean Manufacturing assistance in the areas of cellular manufacturing design, determination of TAKT time, work balancing, work standardization and change over reduction.

Manufacturing Extension Partnership

The Department of Economic Development & Finance (ED&F) conducted nearly 200 on-site interviews with manufacturers across the state as a basis for establishing a Manufacturing Extension Partnership (MEP) Center in ND. The MEP is a public/private partnership between federal and state organizations to address the needs of small- and medium-sized manufacturers.

At the heart of the system is a network of regional manufacturing extension centers. These centers provide direct services to manufacturers, helping them to address their most critical needs.

Meet ND's MEP Steering Committee

Michael Hofer, CEO
Global Electric Motorcars, Fargo

Mac McPherson, President
Glenmac, Inc., Jamestown

Jim Odney, President
Enoch Schultz Creamery, Inc., Bismarck

George Unruh, Vice President
TMI Systems Design Corporation, Dickinson

Howard Dahl, President & CEO
Amity Technology LLC, Fargo

Bob Maeyaert, VP & Director of Admin./Fin.
Baker Boy, Dickinson

Don Morton, Assistant to CEO
Great Plains Software, Inc., Fargo

... contact Randy Schwartz, Director of Business Services, at 701 328 5314 or rschwart@state.nd.us

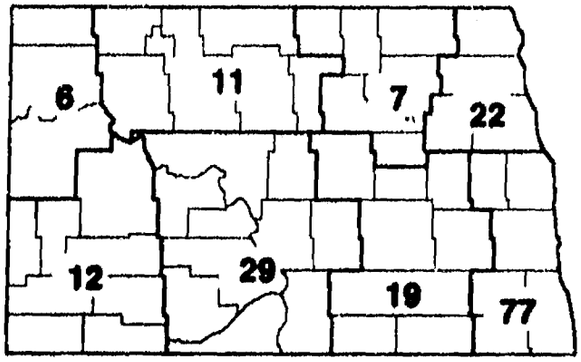
MEP Company Visitations

The Department of Economic Development and Finance is working on the development of a private-sector, client-driven Manufacturing Extension Partnership (MEP) Center in North Dakota. This Center will be part of the national MEP network affiliated with the U.S. Department of Commerce's National Institute of Standards and Technology.

To support this initiative we've begun a market analysis of manufacturers in the state and asked them to provide input to assist in deciding the direction of the MEP.

Who Was Surveyed?

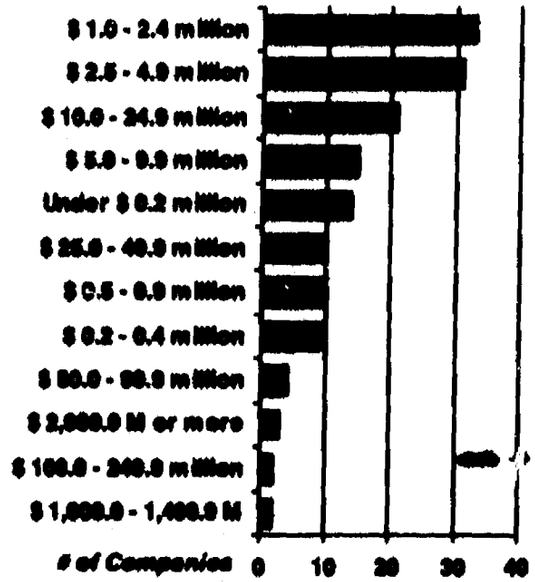
Approximately 1,085 companies were reviewed based on factors such as sales and number of employees in an attempt to prioritize businesses. Nearly 325 of these companies were selected for on-site visits from EDF and SBDC staff beginning in late January, 2000. Local developers also had the option to participate. To date, 183 of the 239 companies contacted for interviews have been completed. The information provided in this document is a general overview of the data collected thus far. More detailed reports by region, city or topic are also available.



Total # of Companies Interviewed* 183

# of Employees		Years in Business	
0-9	37	<5 yrs.	79
10-49	84	6-10 yrs.	21
50-99	30	11-25 yrs.	29
>100	25	>25 yrs.	28

Gross Sales



Site Information

Avg Bldg Size (sf)	Room to Expand	Condition of Building(s)	
56,772	139	Excellent	61
Age of Buildings		Good	61
<10 years	53	Average	16
11-25 years	73	Fair	5
>25 years	38	Poor	2

Avg Jobs Added/Lost (3 yrs) 17

What is the MEP?

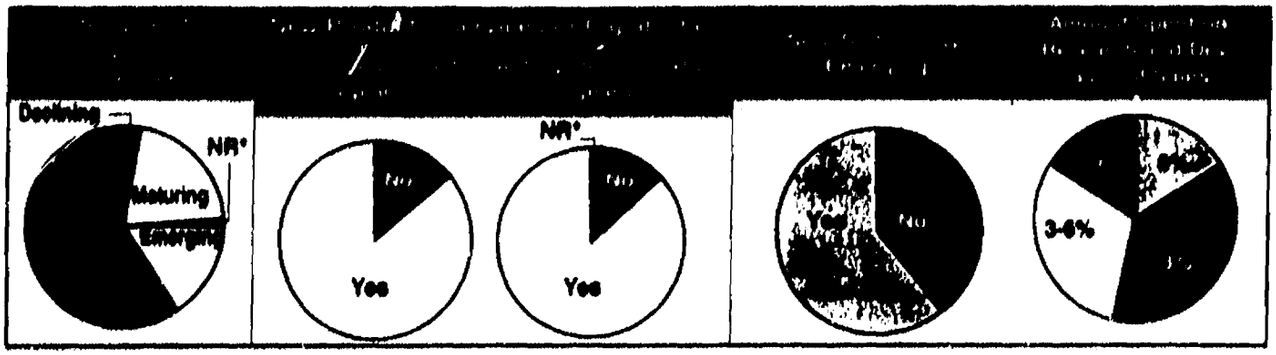
The Manufacturing Extension Partnership (MEP) is a partnership between federal and state organizations working together to address the needs of small- and medium-sized manufacturers.

At the heart of the system is a network of regional manufacturing extension centers established throughout the country. These centers provide direct services to manufacturers, helping them to address their most critical needs in areas such as production techniques, technology applications and business practices.

*Counts will not always equal total interviewed. Each respondent did not answer every question.

What Did We Learn?

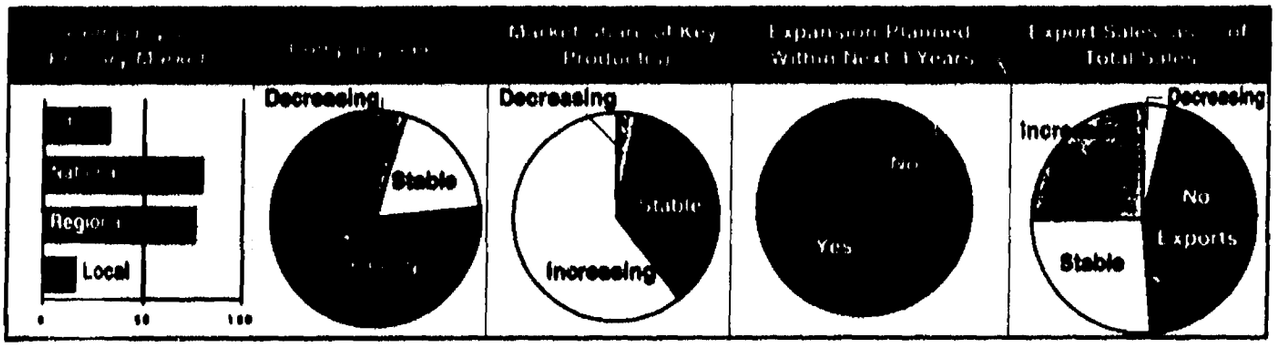
Product/Service



Comments/Conclusions

Companies were reviewed prior to the on-site survey process in an attempt to prioritize primary-sector, growing North Dakota businesses. It is, therefore, not surprising to see so few companies showing a declining product life cycle. The number of companies having introduced products in the past is almost exactly the same as those that anticipate introducing new products in the future. We can assume that new technology is not the reason behind all of these new products because there are fewer companies with a positive response to that question. Relatively little is spent on research and development, with more than half of the companies investing less than 3% of their sales on this endeavor.

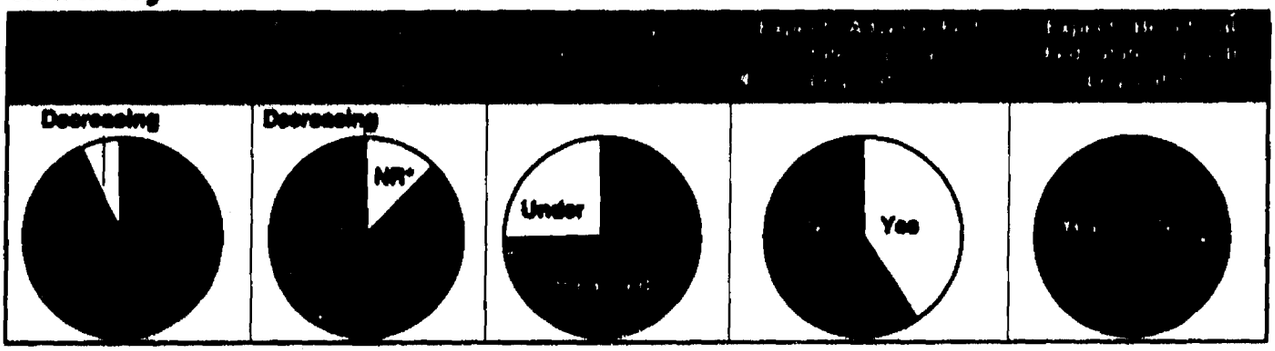
Market



Comments/Conclusions

Again, due to the prioritization process, the number of companies with strictly local markets is low. It's interesting to note that the number of companies with increased sales is almost equal to the number of companies with growing and emerging product life cycles as shown in the Product/Service section of this report. While a good portion of our businesses do not export their products, the majority of those that do show either an increased or stable export market. Only 4% of the companies have decreased export sales as compared to 24% showing an increase.

Industry

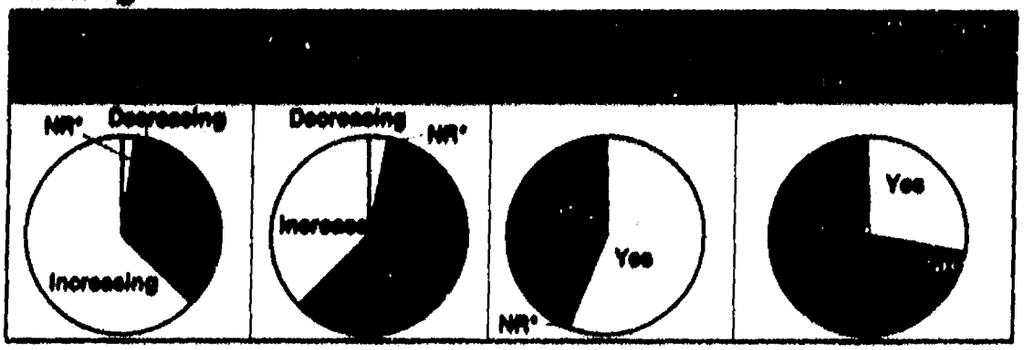


Comments/Conclusions

Global competition and industry dynamics continue to be a large concern for manufacturers. Industry production is balanced for the most part. Responses from farm machinery and equipment manufacturers indicate that 44% believe production in their industry is balanced, 39% say it's under capacity and 17% say it's over capacity. To no one's surprise, manufacturers remain somewhat skeptical as to whether state, local or federal governments would or could enact changes to benefit their businesses. It is, however, encouraging to see they don't consider government to be a great adversary.

*NR = No Response

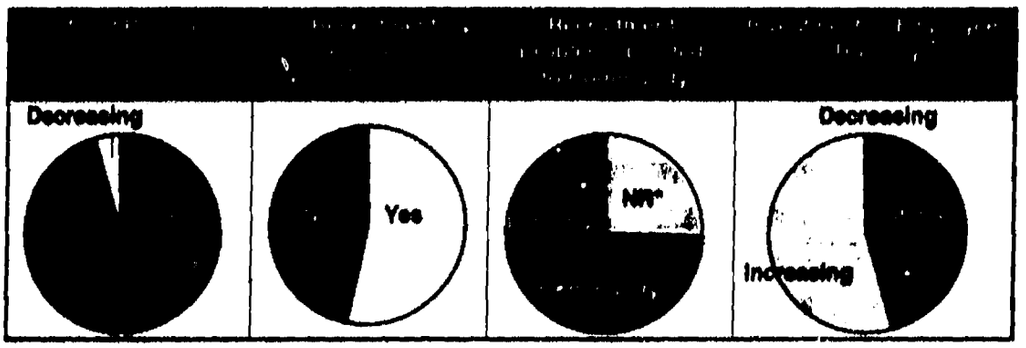
Management



Comments/Conclusions

With so many expansions planned, it's interesting to note that most utility needs are expected to remain stable. Although there are barriers to growth in the majority of the communities, business leaders say there isn't any reason to think they won't be expanding in their community. The most frequently noted barrier to growth or expansion is related to labor shortages. Other factors include lack of housing, lack of land, financial problems and transportation difficulties.

Workforce



Comments/Conclusions

The number of job openings remains stable, but companies are having more trouble recruiting people for positions such as welders, machinists, production workers and engineers as well as technical and management staff. Most feel recruitment problems are limited to the community rather than the industry. Many businesses are increasing their investment in education with the majority of their training budget going into new jobs training rather than remedial training. In fact, 70 companies, 41% of those that responded to this question, said 100% of their training budget was spent on new jobs skill training.

Workforce Evaluation

1 - Low ——— 5 - High

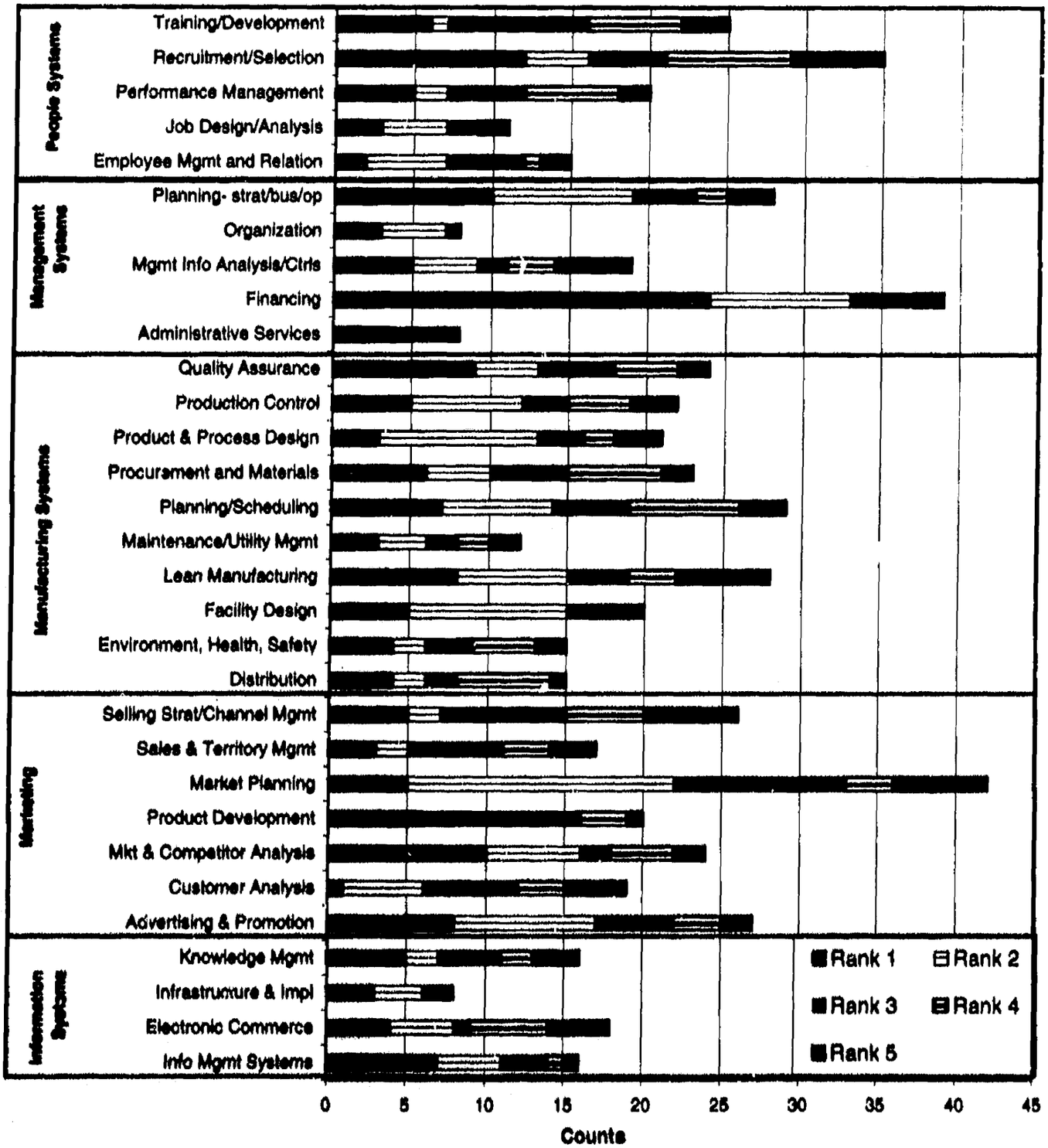
	1	2	3	4	5	NA	Avg
Availability of	24	35	29	16	10		2.59
workers in your area	21%	31%	25%	14%	9%		
Quality of workers	2	16	29	42	25		3.63
in your area	2%	14%	25 %	37%	22%		
Stability of	5	14	25	47	23		3.61
workforce	4%	12%	22%	41%	20%		
Productivity in your		4	20	41	31	18	4.03
facility		4%	18%	36%	27%	16%	

*NR = No Response

Manufacturing Market Analysis

Manufacturers were asked to describe their company's growth plans to identify their functional strengths and improvement areas. This table represents areas identified as most important to address in order to assist in their growth. This portion of the assessment identifies the services manufacturers require and indicates the areas upon which the North Dakota MEP should focus its efforts.

What is most important in terms of improvements needed to meet your company's growth plans?



NIST MEP Overview

The NIST Manufacturing Extension Partnership is a nationwide network of locally managed centers offering technical assistance and the latest business practices to help smaller manufacturers improve their competitiveness. At the heart of MEP is a network of more than 400 manufacturing extension centers and field offices located throughout the country. Started in 1989, today's network delivers services to manufacturers in all 50 states and Puerto Rico.

Smaller Manufacturers: Critical to the U.S. Economy

More than 385,000 small and mid-sized manufacturers make vital contributions to the economy. About 98 percent of the nation's manufacturers are small to medium-sized, defined as having fewer than 500 employees. They supply more than 50 percent of the value added in U.S. manufacturing and employ nearly 12 million people. That account for 75 percent of the all U.S. manufacturing workers with high-skilled, high-wage jobs, paying an average 89 percent more than the average retail salary.

As large manufacturers depend more on suppliers for parts and services, the performance and capabilities of smaller manufacturers become even more critical. Yet, according to a National Research Council report, "Many of these small firms ... are operating far below their potential. Their use of modern manufacturing equipment, methodologies and management practices is inadequate to ensure American manufacturing will be globally competitive." Limited budgets, lack of in-house expertise and lack of access to the newest technologies are but a few of the significant barriers faced by smaller manufacturers—barriers that MEP helps firms overcome.

MEP Centers

MEP centers are local resources serving their local markets. Linked together through the National Institute of Standards and Technology's Manufacturing Extension Partnership, they are part of a national network of manufacturing and business experts. They exist as the result of a partnership among the federal government, state/local governments and industry to help local manufacturers. They are created through a competitive, merit based process where funding is contingent upon successful annual reviews of each center. MEP centers are supported by contributions from public and private organizations that match federal funding.

a NIST MEP | Network Affiliate

While part of a national network, MEP centers are independent, non-profit organizations. They offer products and services that meet the specific needs of the region's local manufacturers. Each center works directly with area firms to provide expertise and services tailored to their most critical needs, ranging from process improvements and worker training to business practices and applications of information technology. Solutions are offered through a combination of direct assistance from center staff and work with outside consultants. MEP centers are staffed by knowledgeable manufacturing engineers and business specialists who typically have years of practical experience gained from working on the manufacturing floor and/or managing plant operations. MEP center staff also know the local business community, the available local resources and can access national resources through the MEP network. As a result, centers help small firms to overcome barriers in locating and obtaining private-sector resources.

MEP centers work with companies who are willing to invest in themselves and invest in time, money, and/or human resources to improve their business. Typical MEP clients include manufacturers who:

- Have been unable to locate the proper resources or technologies they need.
- Want expert, impartial advice in helping them evaluate alternative solutions.

Need help solving a specific problem, such as determining the cause of product defects, modifying plant layout to improve workflow, or establishing employee training.

Want assistance in reversing negative business situations—such as sales decreases, loss of market share, or cost increases.

Want to implement new technologies or processes that will help establish them as market leaders.

Seek to improve their ongoing business operations for peak performance.

How Centers Help

Assessments. Many firms begin their relationship with an MEP center through an assessment of the company's current operations and opportunities for improvement. Field engineers, also called manufacturing specialists, may review the manufacturing process, the plant layout, inventory and materials flow, policies and procedures. Field engineers then prepare an evaluation of the firm and its operations. These findings are reviewed with management and other key personnel at the manufacturing company.

As a result of the assessment, MEP manufacturing specialists may recommend a few simple, quick solutions, or a detailed plan of action. Both types of recommendations are designed to provide quantifiable, bottom-line impact on performance—productivity, quality, profits or sales.

For some firms, these assessments are enough to get started. The manufacturer may have the resources to implement the plan, or may incrementally pursue new initiatives or changes.

For those manufacturers requiring assistance in implementing center-suggested actions, the MEP center can provide the solutions and the support.

Technical and Business Solutions. The degree and type of assistance provided to each MEP customer firm is based on the particular need of that manufacturer. For a firm dealing with employee relations and human resource issues, for example, support may come through a management training program, a series of staff workshops, or revamping relevant policies and procedures—all services managed by the center staff
either independently or through other experts. If the field engineers identify inefficiencies in the physical layout of the plant, they may provide different options for reconfiguration and may guide the process for testing these alternatives. Other services may focus on quality improvement, new product development, new equipment needs, marketing and sales support, or capital investments.

Access to Resources. Sometimes, the technical guidance needed by a manufacturer is best found beyond the MEP center. That is when the value of MEP is most apparent. Through both its local and national network of partners, MEP staff can identify experts and resources from the region—or across the country—that can help improve a company's performance. In fact, the MEP network provides small manufacturers with access to over 2,000 partnerships with federal agencies, national associations, and other organizations. Projects with the Department of Labor, Department of Energy, Environmental Protection Agency, Department of Defense, federal labs, and manufacturing associations are examples of how MEP is leveraging public and private resources to make a comprehensive range of technical services and assistance
available to small manufacturers.

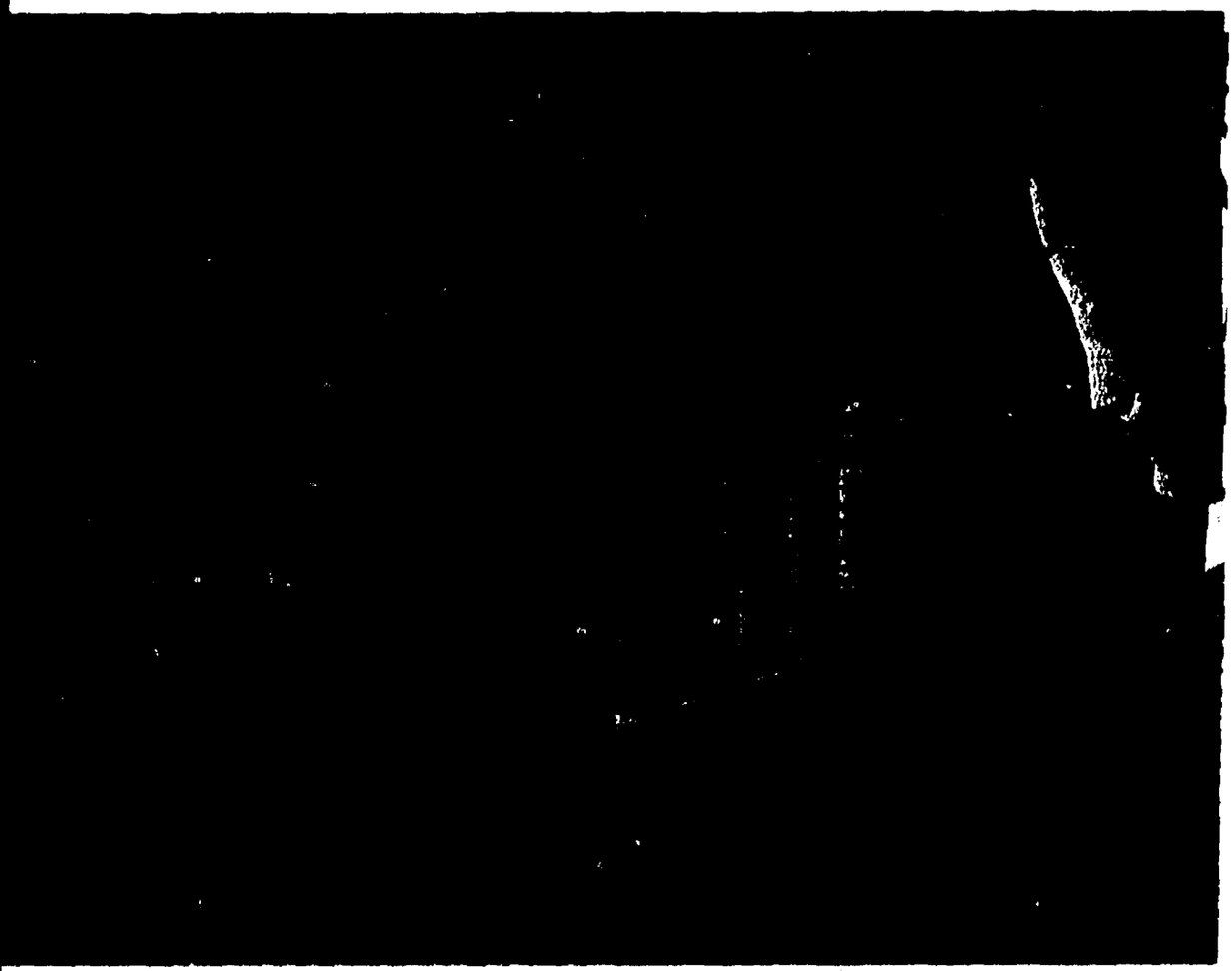
Seminars and Training. Every day, MEP centers deal with manufacturers who share common problems and seek similar assistance. Often, manufacturers may not be aware of available resources. To help

manufacturers improve their knowledge and capabilities, centers provide a variety of seminars and training programs. These seminars may address issues unique to a specific community, or information sought by many firms, such as preparing for ISO 9000 certification, implementing waste reduction programs, finding and hiring employees, or profiling the newest manufacturing technologies.

In addition, MEP centers help provide manufacturing firms with exposure to other manufacturers in the area—and the opportunity to share resources and information. Regular events, including tours of local manufacturing facilities, breakfast discussions and demonstrations of the latest industry innovations, give company owners and managers the opportunity to see state-of-the-art processes and discuss common issues with their peers.

SOLUTIONS FOR MANUFACTURERS

Making a Difference for America's Manufacturers



1999: CELEBRATING THE YEAR OF THE SMALL MANUFACTURER
AMERICA'S FOUNDATION...AMERICA'S FUTURE

Manufacturing Extension Partnership

U.S. Department of Commerce • Technology Administration
National Institute of Standards and Technology

MANUFACTURING EXTENSION PARTNERSHIP

"...an important resource for helping smaller manufacturers achieve the kinds of world-class gains formerly limited to larger companies. Their focus on value-adding activity on the shop floor is exactly right. The MEP network gets results—quickly and affordably."

Richard Schonberger, author, World Class Manufacturing: The Next Decade

Small Manufacturers: The Foundation of American Industry

Manufacturing creates wealth for our nation: wealth in the form of economic growth, increased jobs and robust trade in world markets. Numbering more than 385,000, small manufacturers account for over half the total value of U.S. production. They employ 12.2 million people, or more than 65% of all U.S. manufacturing workers. These jobs are high-skilled and high-wage, with production employees earning more than twice that of retail employees.

The Challenge for Smaller Manufacturers: Bridging the Productivity Gap

As critical as smaller manufacturers are to the economy, the productivity gap between large and small firms is growing. And as large manufacturers increase their dependence on suppliers for parts and services, the performance and capabilities of smaller manufacturers become even more critical to the competitiveness of the entire manufacturing sector and to the health of the U.S. economy. Yet, according to a National Research Council report, "Many of these small firms are operating far below their potential. Their use of modern manufacturing equipment, methodologies and management practices is inadequate to ensure that American manufacturing will be globally competitive."

Limited budgets, lack of in-house expertise, and lack of access to the newest technologies are but a few of the significant barriers faced by smaller manufacturers—barriers that MEP aims to help them overcome.

How MEP is Making a Difference

MANUFACTURING EXTENSION CENTERS

At the heart of MEP is a national network of more than 400 affiliated manufacturing extension centers and field offices located throughout the country. Started in 1989, today's network delivers services to firms in 50 states, the District of Columbia and Puerto Rico.

Each center works directly with area manufacturers to provide expertise and services tailored to their most critical needs, which range from process improvements and worker training to business practices and applications of information technology. Solutions are offered through a combination of direct assistance from center staff and assistance from outside consultants. Centers often help small firms overcome barriers in locating and obtaining private-sector resources.

PARTNERSHIPS

MEP provides small and mid-sized manufacturers with access to a wealth of tools, techniques and other resources through over 2,500 public and private affiliations. Initiatives with the U.S. Departments of Labor and Agriculture, EPA, Small Business Administration, National Association of State Development Agencies, the Kauffman Center for Entrepreneurial Leadership, and hundreds of universities and community colleges are but a few examples of how MEP leverages public and private resources to make a comprehensive range of technical services and assistance available to small manufacturers.

Each year, MEP helps thousands of manufacturers solve problems, increase productivity and achieve higher profits. Through continuous assessment and improvement of our products, services and service-delivery approaches, MEP is committed to meeting the strategic needs of small and mid-sized manufacturers as they move into the 21st century.

For More Information

For a list of centers and other information about MEP, contact:

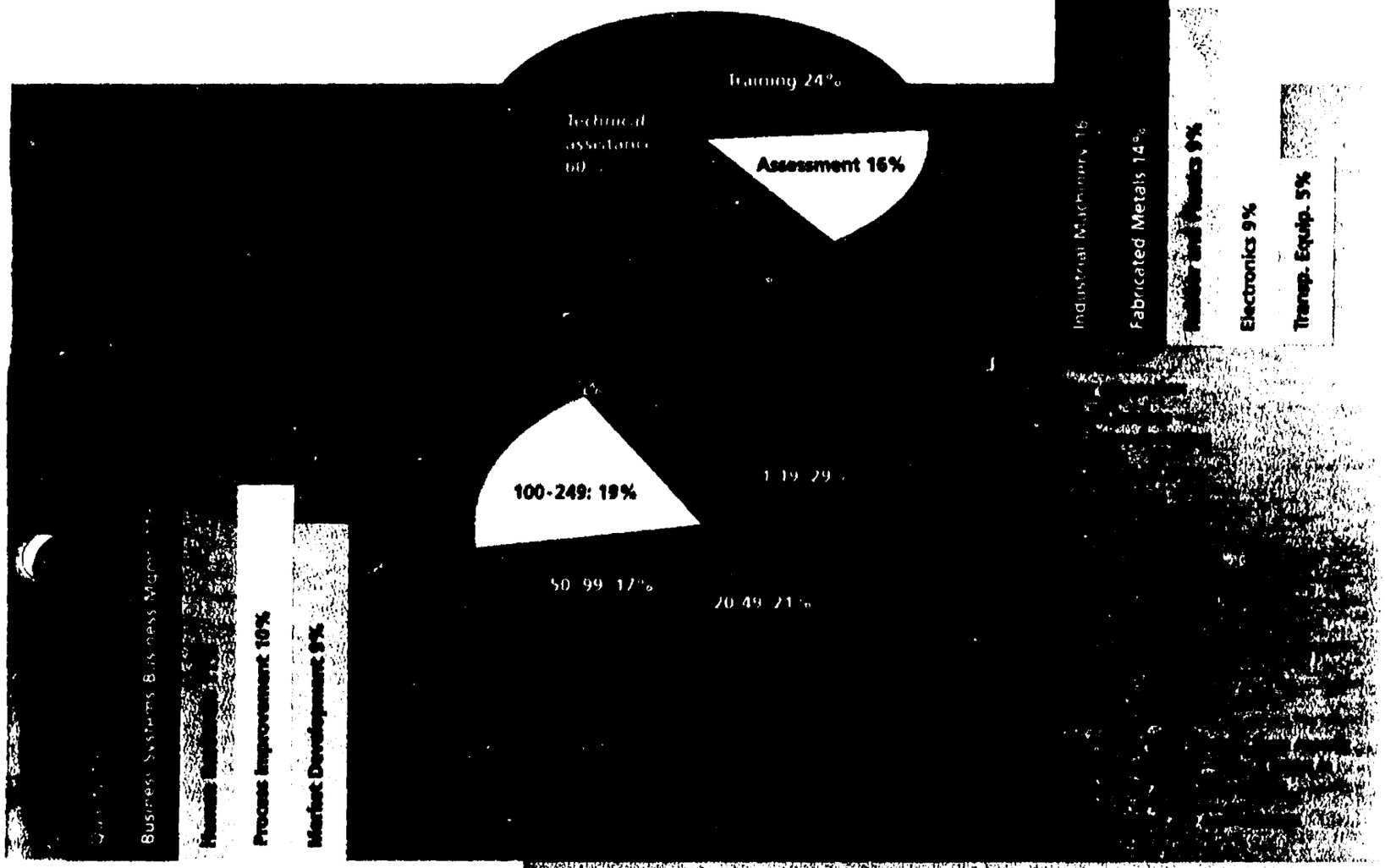
Manufacturing Extension Partnership
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Gaithersburg, MD 20899-4800
Telephone: (301) 975-5020
FAX: (301) 963-6556
E-mail: mepinfo@mep.nist.gov

Or visit our web site at www.mep.nist.gov

Phone 800-MEP-4MFG for the center serving your area

Over 22,500 Manufacturers Served in 1997

1997 MEP ACTIVITIES



Other categories:

Product Development
Environmental
Plant Layout
General
CAD/CAM/CAE
Financial
Material Engineering
EDI/Communications/LAN
Automation
Control Systems

Over 69,500 Manufacturers Served Through 1997

MEP CLIENT-REPORTED IMPACTS

COMPETITIVENESS INDICATORS

Client-reported impacts as a direct result of MEP assistance

Increased Revenues	$236M
Cost Savings—Materials, Labor	$240M
Inventory Reduction	$31M
Client Investment in Modernization	$193M
Jobs Created	2,599
Jobs Retained	4,165

Independent follow-up survey of 4,412 clients with project completion dates in 1997.

"Systematic evaluation studies have confirmed that the MEP is having a positive effect on businesses and the economy...has achieved national coverage and established local service partnerships... and most important...MEP services are leading to desired business and economic goals..."

Philip Shapira, Ph.D., Issues in Science and Technology, Spring, 1998, "Extending Manufacturing Extension"

Higher Productivity Growth for MEP Clients

Economists from The Center for Economic Studies, U.S. Census Bureau, found that:

"firms that take advantage of manufacturing extension services experience greater improvement in competitiveness than similar firms that do not use extension services."

Manufacturing extension clients experienced between 0.68% and 3.2% more annual growth in labor productivity over a five-year period than similar non-client firms. The productivity growth of the 1,559 firms studied translates into $484 million additional value-added at client firms.[1]

Based on these results, a second study estimated that this value-added increase translates into $1.3 billion in additional economic output over 5 years, leading to $213 million in additional federal revenues and a $4.47 increase in real disposable income per capita.[2]

Positive Business Change for MA Manufacturers

MEP clients surveyed in Massachusetts reported 81% of projects implemented resulted in significant business changes. Fifty-four percent (54%) reported improvements in manufacturing efficiency or quality while 67% reported investments in modernization.[3]

Benefits to GA Manufacturers

Georgia MEP clients surveyed reported manufacturing benefits in the following areas:

- improvements to an existing process
- improvements in management skills
- improvements in employee skills
- improvements in an existing product or service

Furthermore, comparing Georgia MEP clients with non-clients found that assistance from the Georgia MEP increased the value-added of the average client plant by up to $440,000 over the 1994-1996 period.[4]

Value-Added Income and Jobs for NY

A New York Manufacturing Extension Partnership study found that the state's $5.3 million investment in the program between July 1995 and March 1997, combined with the federal investment, generated an additional $227 million of value-added income in New York State. This growth, in turn, led to the creation of 2,600 jobs.[5]

GAO Survey Positive

An independent survey of MEP clients by the General Accounting Office found MEP had a positive effect on a firms performance in the areas of:[6]

- profits
- sales
- product quality
- workplace technology
- worker productivity
- customer satisfaction

SOURCES

1 *Journal of Policy Analysis and Management*, "Evaluating the Impact of Manufacturing Extension on Productivity Growth," by Ronald S. Jarmin, economist for the Center for Economic Studies, U.S. Census Bureau, 1997.

2 "Estimating Economic Impacts of Government Technology Programs: Manufacturing Studies Using the REMI Model," by M.A. Ehlen and S.F. Weber, economists for the National Institute of Standards and Technology, 1997.

3 Donahue Institute at the University of Massachusetts, February 1998 study of the Massachusetts Manufacturing Partnership.

4 "Manufacturing Needs, Practices, and Performance in Georgia, 1994 to 1998," by Jan Youtie and Philip Shapira, School of Public Policy, Georgia Institute of Technology, 1998.

5 "Evaluation of the New York Manufacturing Extension Partnership," by Nexus Associates for New York State Science and Technology Foundation/Empire State Development, 1997.

6 "Manufacturing Extension Programs: Manufacturers' Views of Services," U.S. General Accounting Office, Report GAO/GGK-95-216BR, August, 1995.

9/99

SB 2019

COMMISSIONER OF AGRICULTURE
ROGER JOHNSON

PHONE (701) 328-2231
(800) 242-7535
FAX (701) 328-4567

DEPARTMENT OF AGRICULTURE
State of North Dakota
600 E. Boulevard Ave. Dept. 602
Bismarck, ND 58505-0020

Testimony of Roger Johnson
Agriculture Commissioner
Senate Bill 2019
Senate Appropriations Committee
January 19, 2001

Chairman Nething and members of the Appropriations Committee, I am Jeff Weispfenning, representing Agriculture Commissioner Roger Johnson. I am here today in support of SB2019, especially the provisions that relate to the Agricultural Products Utilization Commission. The Ag Products Utilization Commission has been a vital tool to spur value-added agriculture and to promote farm diversification in North Dakota.

This bill contains additional general fund support for APUC. We strongly support this, because the gas tax component of APUC funding has significantly declined during recent years. This helps keep APUC funding at levels established in the past.

We also support the incentives for the ethanol industry. Such incentives are especially important during times of low farm prices and high energy costs.

Again, we urge your support of this bill. Are there any questions?

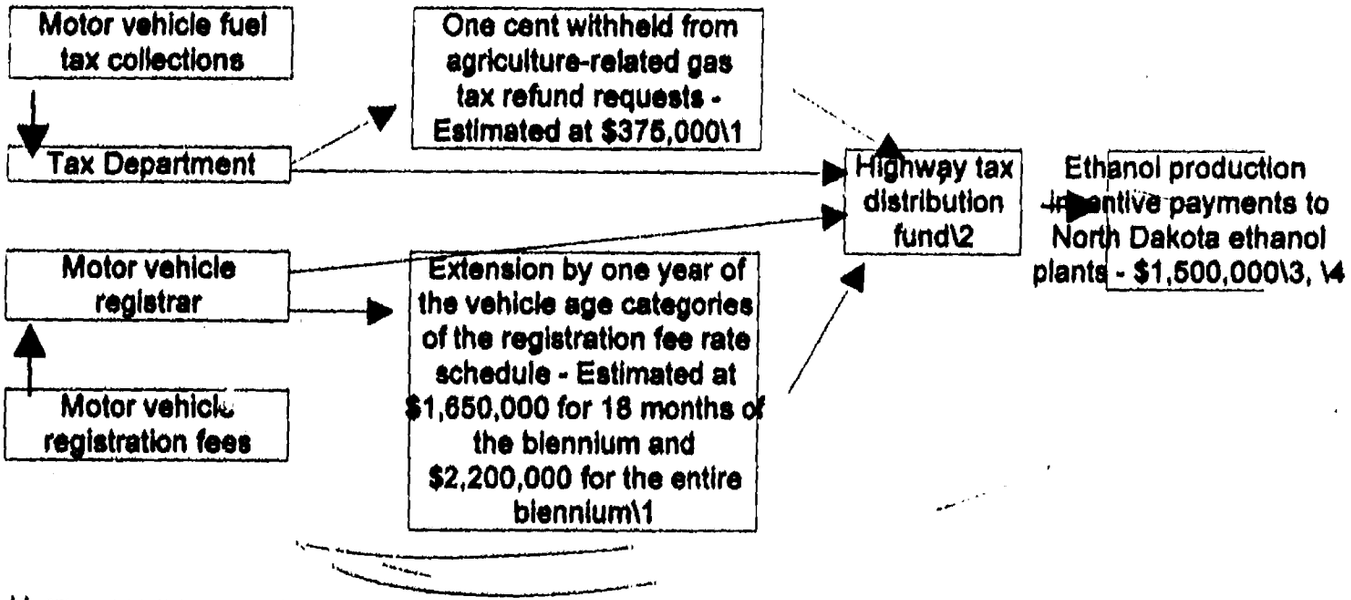
SB 2018

99622

Prepared by the North Dakota Legislative Council staff
February 4, 1999

FUNDING FOR THE ETHANOL PRODUCTION INCENTIVE PROGRAM - EXECUTIVE BUDGET RECOMMENDATION FOR THE 1999-2001 BIENNIUM

The funding mechanism for providing ethanol production incentive payments to North Dakota ethanol plants proposed for the 1999-2001 biennium is presented below:

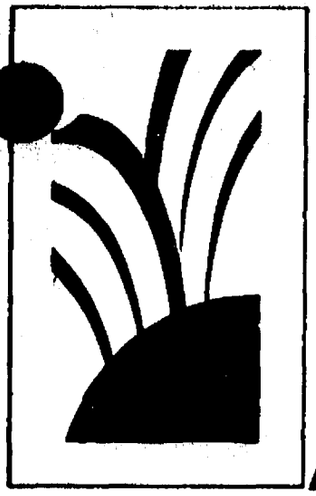


\1 The 1995 Legislative Assembly approved House Bill No. 1134 that continued the increase in motor vehicle registration fees (through June 30, 2000) and continued the additional two cents per gallon withholding from agriculture-related motor vehicle fuel tax refunds (through December 31,1999) which the 1991 Legislative Assembly approved in 1991 House Bill No. 1575. The 1997 Legislative Assembly in Senate Bill No. 2019 reduced the two cent per gallon withholding to one cent per gallon. The 1999-2001 executive budget continues the one-cent withholding and removes the expiration date from the increased motor vehicle registration fees.

\2 The highway tax distribution fund receives collections from motor vehicle fuel taxes and motor vehicle registration fees. Except for specific transfers or appropriations from the fund relating to the ethanol incentive payments and snowmobile and boating programs, moneys in the fund are distributed to the state highway fund (63 percent) and to cities and counties (37 percent) for road projects.

\3 Funding for the ethanol production incentive program is appropriated to the Agricultural Products Utilization Commission in the Department of Economic Development and Finance. For the 1999-2001 biennium, the executive budget recommends a $1.5 million appropriation from the highway tax distribution fund for these payments in House Bill No. 1019.

\4 Because the estimated collections from the tax increases approved to provide funding for the ethanol incentive payments are more than the appropriation for the payments, the excess funding would be distributed to the state highway fund (63 percent) and to cities (14 percent) and counties (23 percent) for road projects similar to other moneys in the highway tax distribution fund.



Agricultural Products Utilization Commission

General Fund appropriation		**$1,425,270**	
Federal fund authority		**$ 500,000**	
Special Fund authority			
highway distribution fund	**$2,500,000**		
farm gas tax refund revenue	**$ 575,000**		
carryover	**$ 7,000**		
		$3,082,000	
APUC line item appropriation			$5,007,270
To be used for:			
Ethanol production incentive		**$2,500,000**	
Grants		**$2,300,000**	
Administration		**$ 207,270**	

Agricultural Products Utilization Commission

To Create New Wealth and Jobs Through The Development of New and Expanded Uses of North Dakota Agricultural Products

nine member commission-

- 5 appointed by governor- 3 farmers and 2 business people
- 1 appointed by ag commissioner- active farmer
- ED& F director
- NDSU president
- Ag commissioner

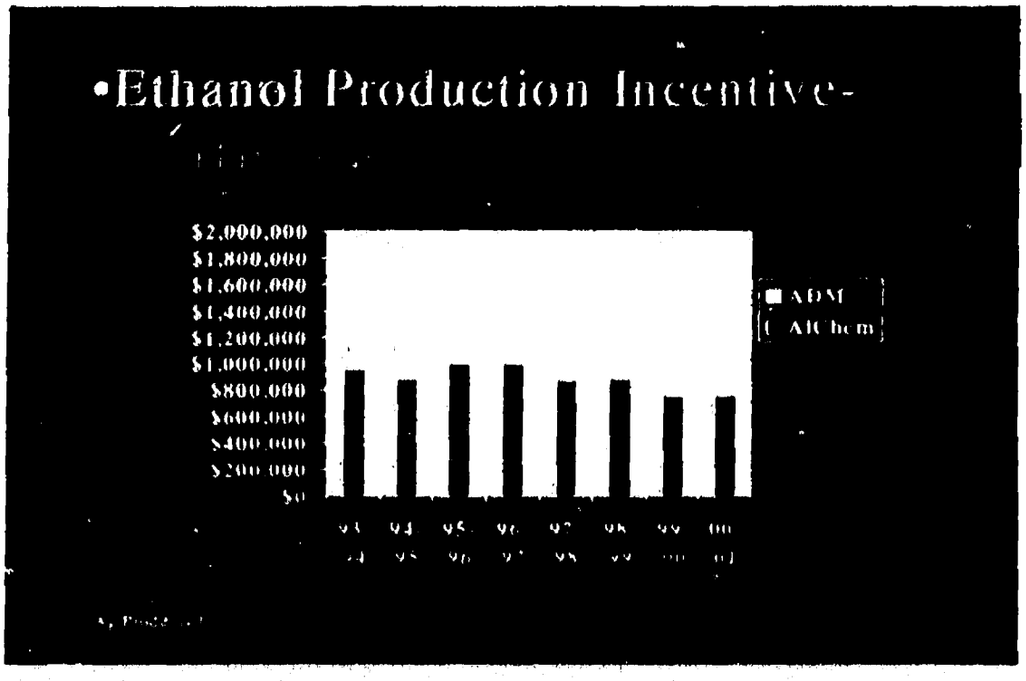
⇒ conduct research on the development of new and/or expanded uses for North Dakota agricultural products;

⇒ develop a technical basis for more efficient systems of processing and marketing agricultural products and by-products; and

⇒ promote efforts to increase productivity and provide added value to agricultural products.

Ethanol Production Incentive

⇒ **1999-2001 $1.5 million appropriation for $.40 per gallon incentive to ethanol plants that produce less than 15 million gallons annually**



⇒ **Governor's budget increases the amount of the incentive to $2.5 million**

- **15 million gallon or smaller facilities, to receive up to $1.7 million**
- **Larger facilities eligible for up to $400,000**
- **New startup eligible for up to $400,000**

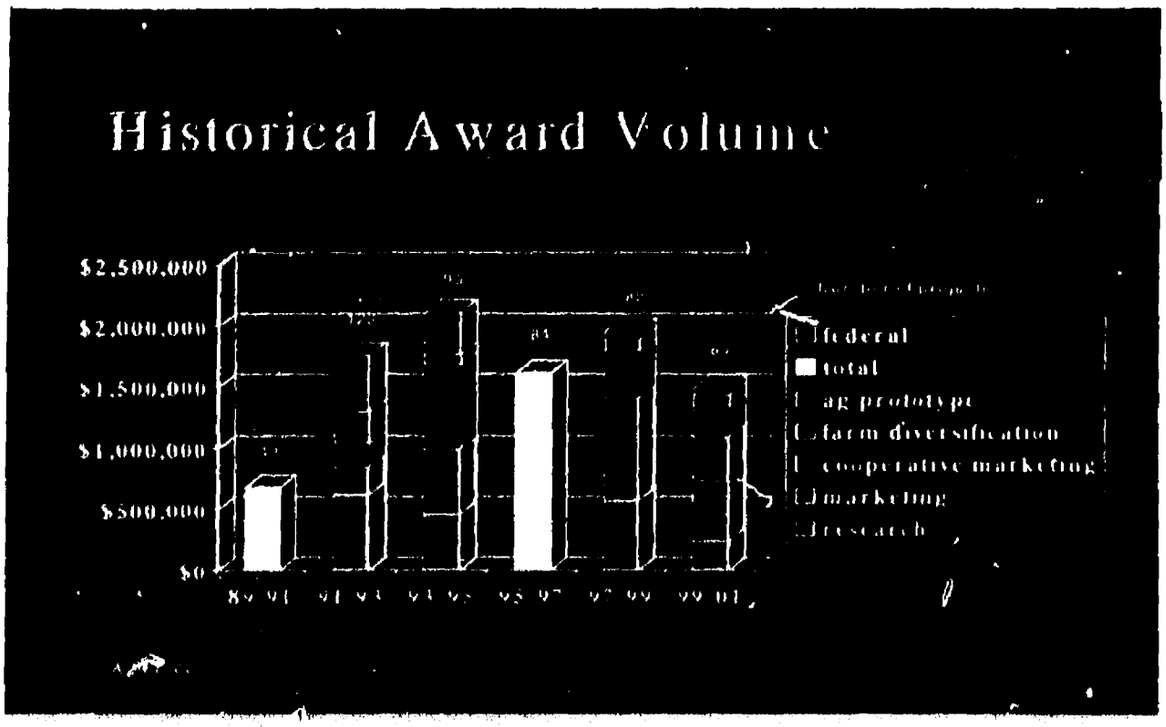
Agricultural Products Utilization Commission

A granting program:

➢ **Marketing and Utilization**	**1999-01**	**$862,039**
➢ **Cooperative Marketing**	**1999-01**	**$253,525**
➢ **Applied and Basic Research**	**1999-01**	**$234,763**
➢ **Agriculture Prototype Development**	**1999-01**	**$ 50,000**
➢ **Farm Diversification**	**1999-01**	**$ 90,000**

Historic grants that have become successful businesses

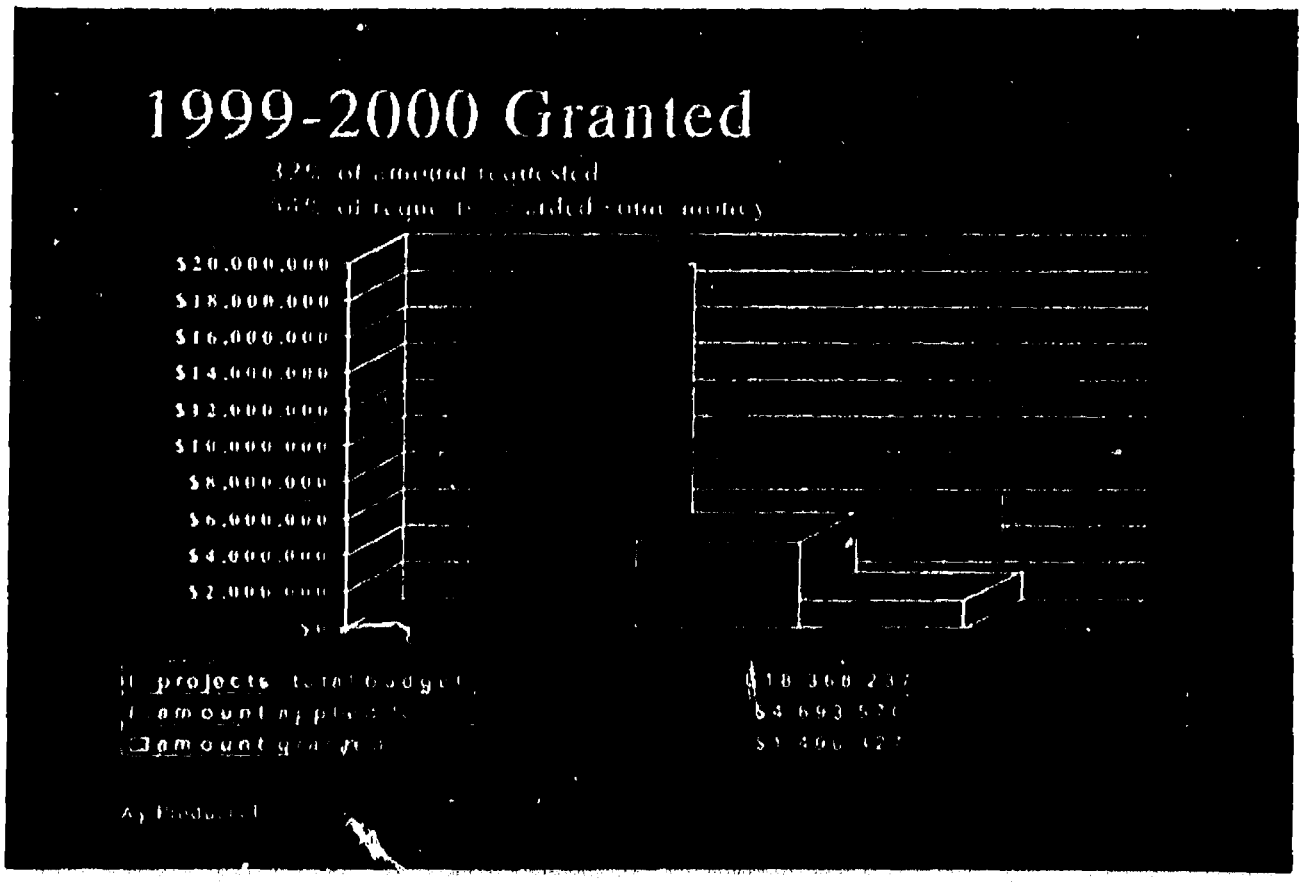
- Dakota Dairy Specialties cheese- Hebron
- Walton Bean Growers
- Buffalo Producers (North American Bison Cooperative)
- Halal Beef processors
- Golden Growers cooperative
- Pat and Penny Floral
- Central Dakota Potato Growers (AVIKO)
- Durum Growers Group (Dakota Growers Pasta Co.)
- West Dakota Feed and Seed



Agricultural Products Utilization Commission

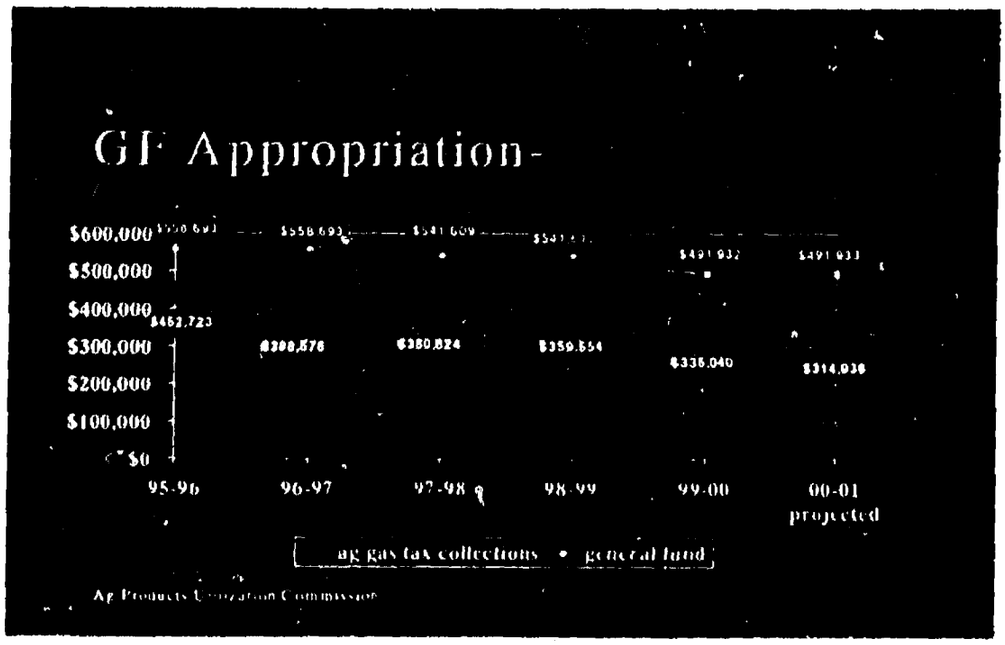
Selected Grants awarded in 1999-2000 that may be the next success stories:

- Cloverdale Growers Alliance
- ND Lamb Growers Cooperative
- Goldboard Development project
- Semolina Specialties
- Enoch Schultz Creamery
- PDM International
- ND Barley Feeders
- Uglem Mint Farm
- NuSun Research
- Turtle Mountain Dairy
- Top Taste
- Vegetable Task Force marketing



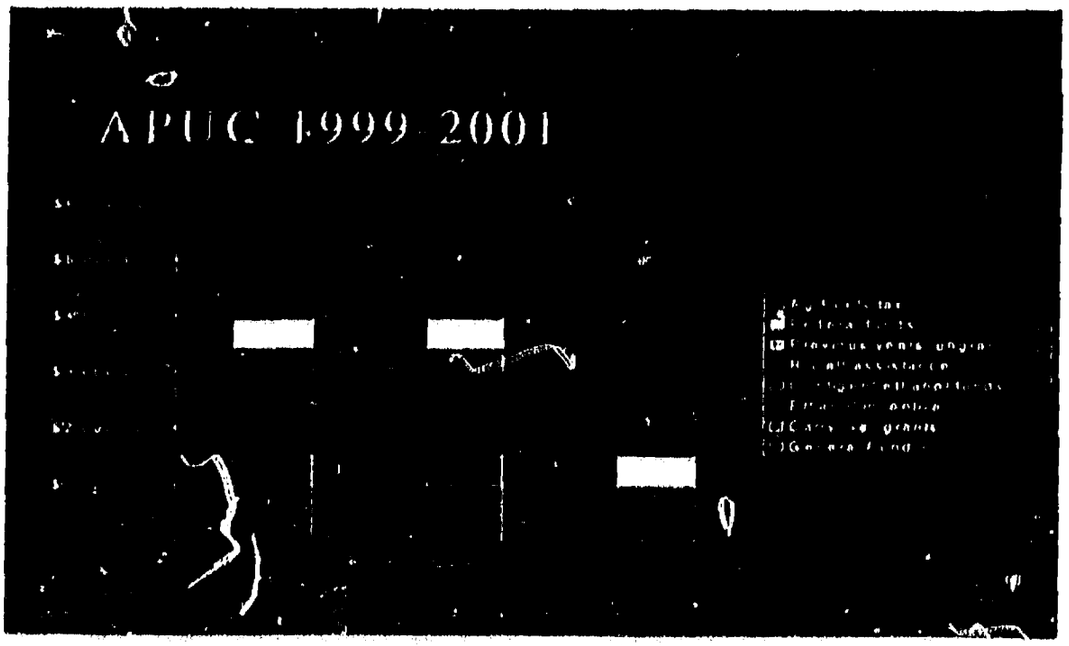
Agricultural Products Utilization Commission

Agricultural Fuel Tax Refund Fund



- The ag fuel tax collections are declining 6% per year
- During the current biennium, APUC had the authority to collect $995,046 in ag fuel gas tax revenues, but will only collect $649,048
- The proposed budget estimates ag fuel tax collections at $575,000
- *The Governor's budget calls for an increase in general fund appropriation of* ***$441,405*** *to make up for loss of gas tax collection.*

Funding and Designations:



Agricultural Products Utilization Commission

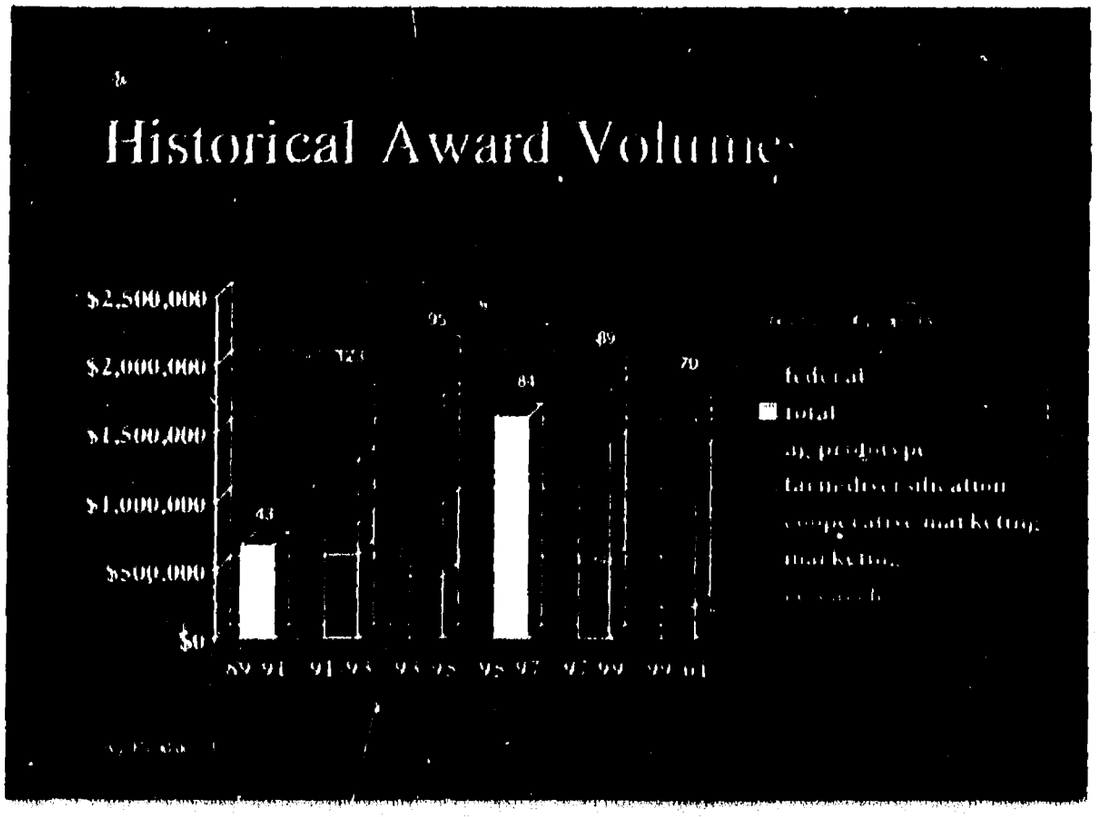
A granting program:

➢ **Marketing and Utilization**	**1999-01**	**$1,099,639**
➢ **Cooperative Marketing**	**1999-01**	**$253,525**
➢ **Applied and Basic Research**	**1999-01**	**$234,763**
➢ **Agriculture Prototype Development**	**1999-01**	**$ 50,000**
➢ **Farm Diversification**	**1999-01**	**$ 95,000**

from march testimony -

Historic grants that have become successful businesses

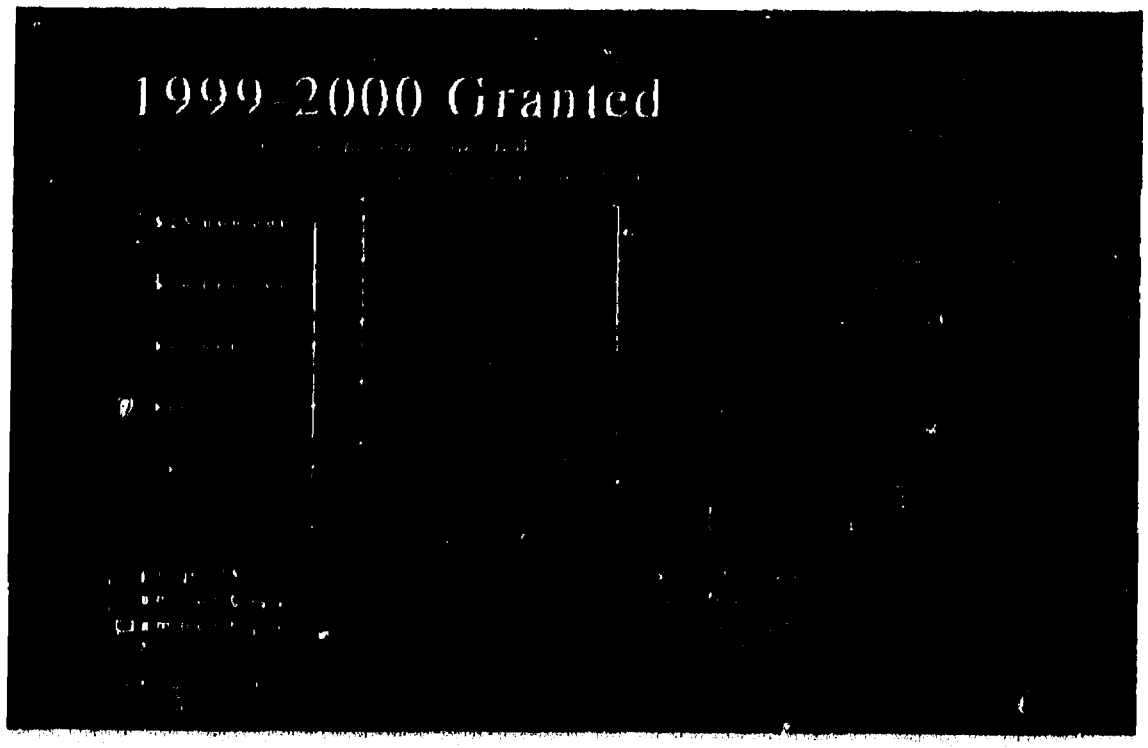
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- West Dakota Feed and Seed



Agricultural Products Utilization Commission

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- Uglem Mint Farm
- NuSun Research
- Western Star Dairy
- Top Taste
- Vegetable Task Force marketing



North Dakota Development Fund

Economic Development & Finance



Your Partner in Growing North Dakota

NORTH DAKOTA DEVELOPMENT FUND
Financial Performance Executive Summary
January 11, 2001

1. Page 1: Financial summary points of the Development Fund.

2. Page 2: North Dakota Development Fund Appropriations received since the 1991 Legislative Session. Total Appropriations: $16,363,325. Does not include the $8,660,171 the Development Fund received in 1993 for the Rural Revolving Loan Fund. If included the total would be $25,023,796.

3. Page 3: Portfolio value as of 12-31-00:
   -Development Fund: $11,936,119
   -Rural Fund: $ 6,923,272

4. Page 4: Current Rural Fund Portfolio Value. As seen by the graph the Rural Fund has produced steady growth with a significant increase from 1998 to 12-31-2000 (48% increase).

5. Page 5: Lists Investment Types by Biennium.

6. Page 6: Lists Investment activity by Biennium and lists the total Investment activity at $36,038,666.

7. Page 7: Lists Investment Types by Loans or Equity and the number of projects invested in for each Biennium.

8. Page 8: Lists the CASH FLOW the Development Fund has achieved since 1994. As seen in the graph, with the change in investment strategies by the Development Fund the Cash Flow back to the Fund has increased significantly. This also coincides with Page 2 and the decrease in Appropriations received by the Fund. The Fund is now a true **Revolving Loan Fund**. The Fund received **$750,000** for the **1999 to 2001 Biennium** and the Fund has invested **$8,139,725**. Without the true revolving nature now established, the Development Fund would not of been able to meet the demand put on it the last 2 years.

9. Page 9: Depicts the history of the Rural Revolving Loan Fund. The Fund since receiving the $8,660,771 in 1993 has grown the Fund in investments made and paid back to $18,713,014. The Fund has generated an additional **$5,575,337 for Rural Projects** and the Development Fund has also been used to the amount of **$4,277,506.**

10. Page 10: Lists the dollar amount the Development Fund has funded or committed.

11. Page 11: Lists the accounts that have been charged-off since 1992 according to the year that they were approved by Staff and the Board of Directors.

12. Page 12: Summarizes the Cash Availability of the Development Fund and the Rural Revolving Loan Fund. As can be seen the Rural Fund has funded, committed or is currently processing applications that will utilize the total funds available and more. Funds would have to be used from the Development Fund to meet the current demand of the Rural Fund investment requests.

13. Page 13: Projected Cash Availability of the Development Fund taking into consideration past funding levels, repayments, expenses and the Governor's current requested Appropriation ($2,616,000). As can be seen in the analysis, the Development Fund would not be able to meet its future obligations with the current Appropriation request. The demand for funding from the Development Fund has increased significantly the past 3 years and without the help of additional Appropriated funds during this session, the Development Fund would have to decrease the amount of funding for future requested projects.

14. Page 14: Summary of the funds collected by the Development Fund since the TTI, Inc. was transferred to the Development Fund on July 1, 1999.

15. Page 15: Lists the investment projects of the Development Fund from July 1, 1999 to December 15, 2000. The actual Biennium ends June 30, 2001.

16. Page 16: Shows the Counties in the State of North Dakota that the Development Fund has invested in projects. The Development has now invested funds in 37 of the 53 counties for a total of $36,038,666.

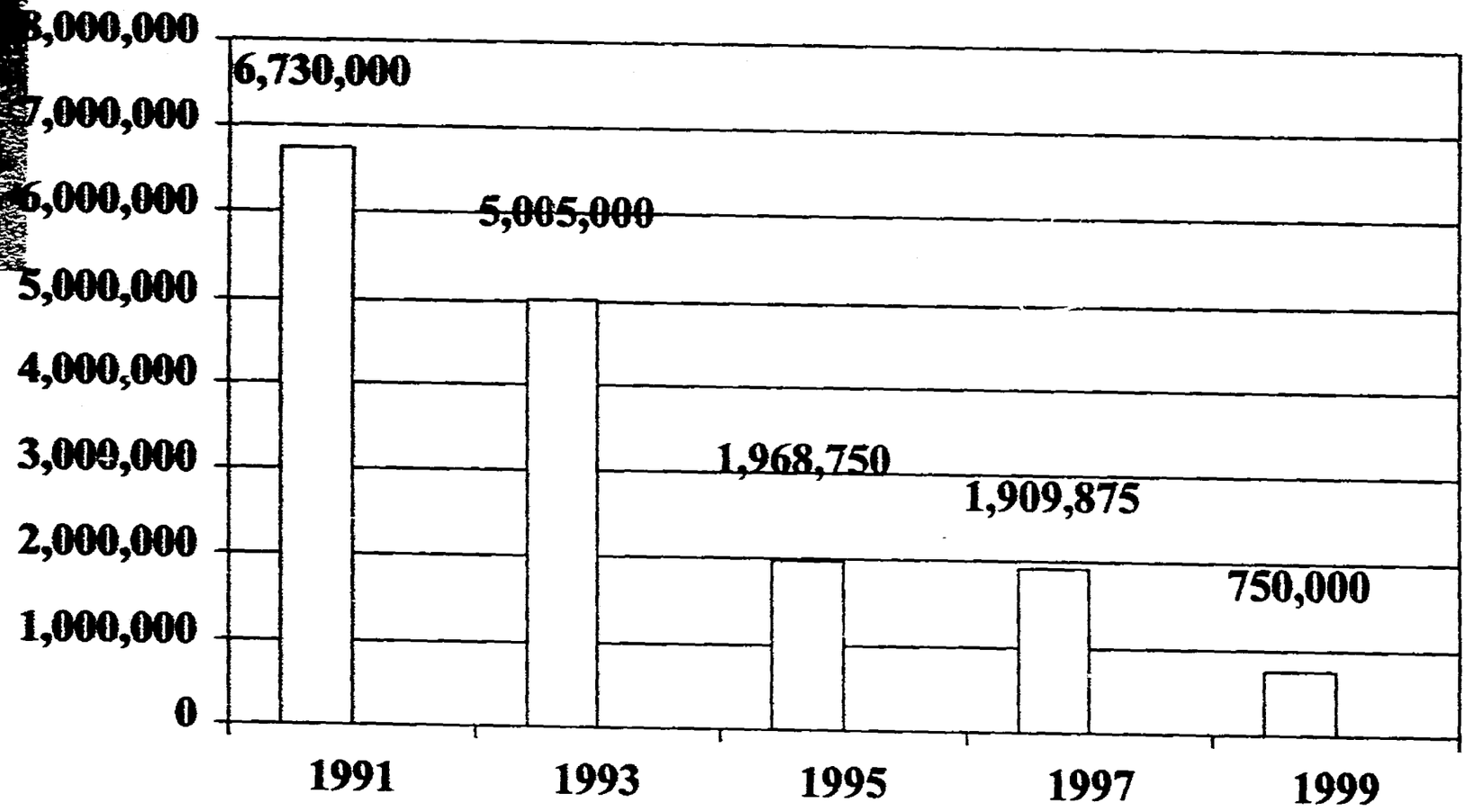
The Development Fund in the last Biennium saw a lot of activity in the form of loan and equity requests. The Fund had its most successful 2 years since the start of the Fund as can be seen in the enclosed information. The success of the Fund has been accomplished with a reduced staff. The current staff consists of Dean Reese, CEO, Robert Gruman, Consultant, on a part-time basis and Sheila Auch, Administrative Assistant. The Development Fund prior to January 1, 1999 had 4 full time employees.

With the help of the Legislature in terms of an increased Appropriation, the Fund will be able to continue to meet the financial needs of the "Primary Sector" businesses in the state and businesses looking to move to the state. With the increased growth of the "Primary Sector" and the creation of new wealth, with help from the North Dakota Development Fund, the standard of living for the citizens of the Great State of North Dakota will improve.

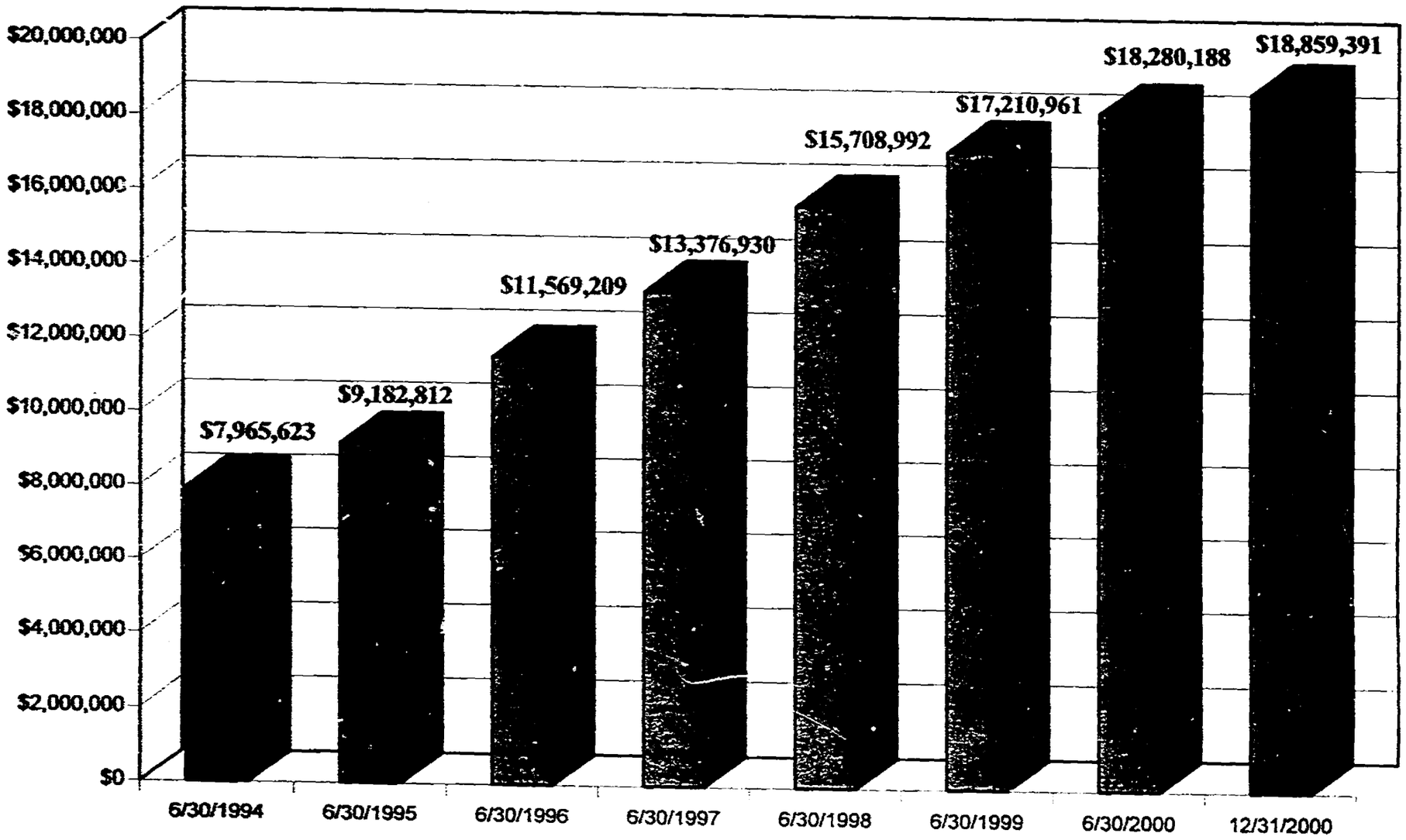
Financial Performance Summary

- *Over $36 million invested in 167 companies. Appropriations of $25 million.*
- *Total repayments: $17.8 Million (6/30/00)*
- *Current portfolio: 74% debt, 26% equity*
- *Default rate has decreased from 32% in 1994 to 12% today*
- *$6.9 Million in charge-offs (19%) since startup in 1992.*
- *Leverage of outside funds: From 1999 to 2000, for every dollar invested in a project by the Dev. Fund there was $6.95 invested from another source of funding (leverage ratio: 6.95 to 1).*

NDDF Appropriations

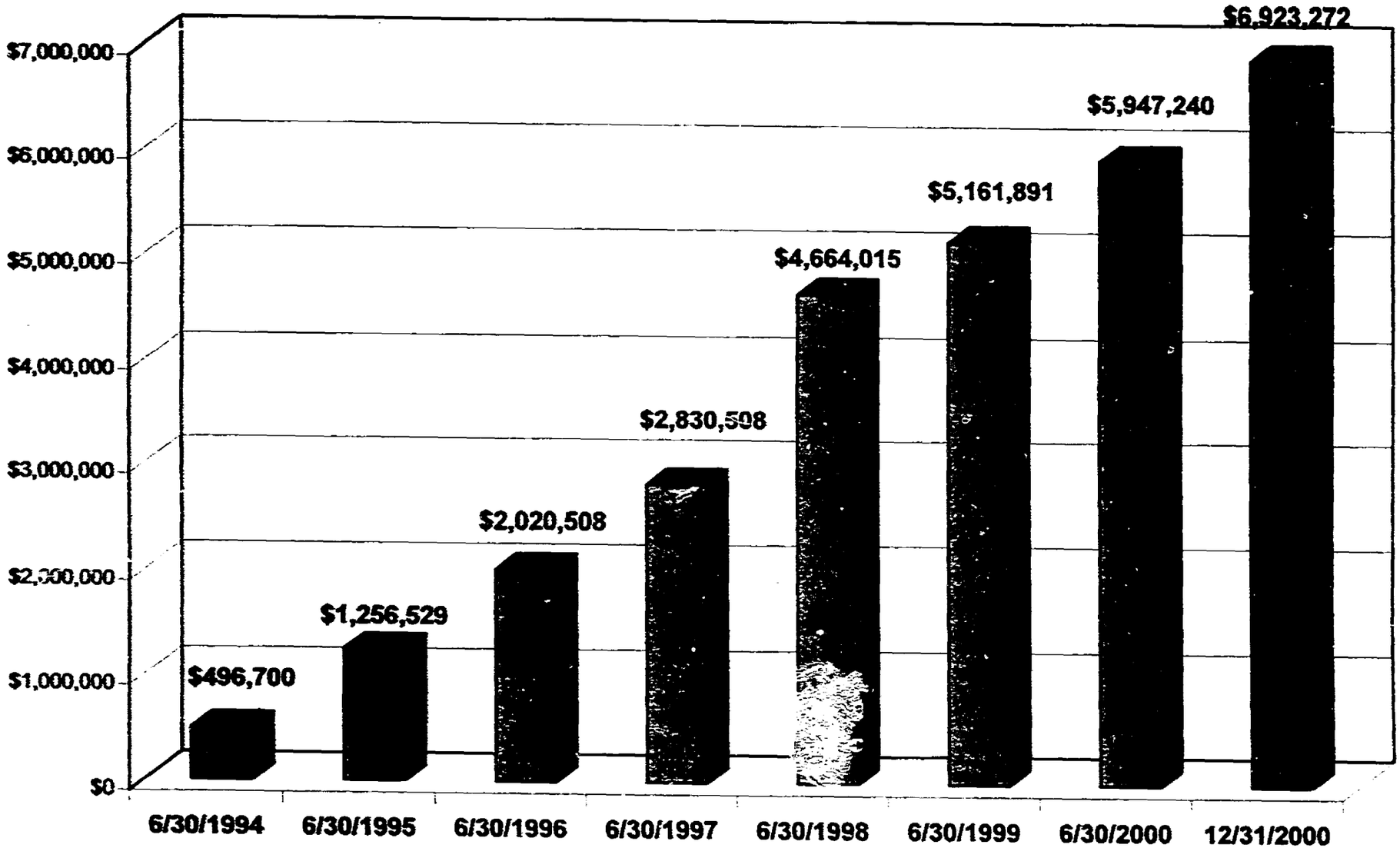


FYE PORTFOLIO VALUE



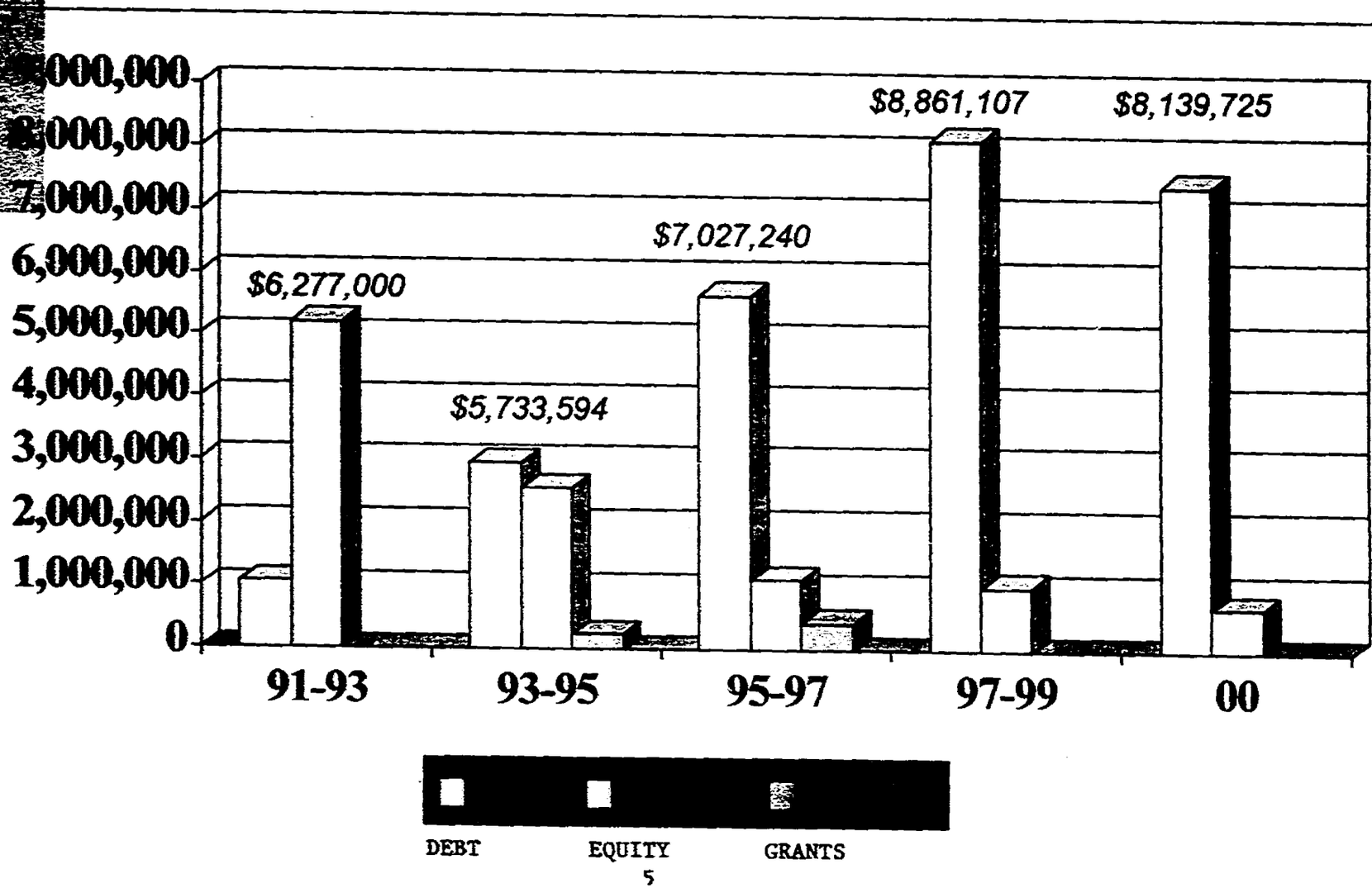
The Development Fund portfolio value increased 10% from 6/30/99 to 12/31/00

CURRENT RRLF PORTFOLIO VALUE



The RRRF value grew 34% from 6/30/99 to 12/31/00

Investment Types By Biennium



NDDF Investment Activity *(As of 12/31/00)*

1991-93	6,277,000	
1993-95	5,733,594	Total 91-95: $12,010,594
1995-97	7,027,240	
1997-99	8,861,107	Total 91-99: $27,899,941
Current	8,139,725*	
Total	$36,038,666	



*Through 12/31/00 (year end 6/30/01)

vestment Types by Biennium

1 –93

22 projects - $6,277,000 - loans - $5,206,000
equity – 1,071,000

3 – 95

35 projects - $5,733,594 – loans – $3,165,594
equity – 2,568,000

95 – 97

31 projects - $7,027,240 – loans – $5,903,240
equity – 1,124,000

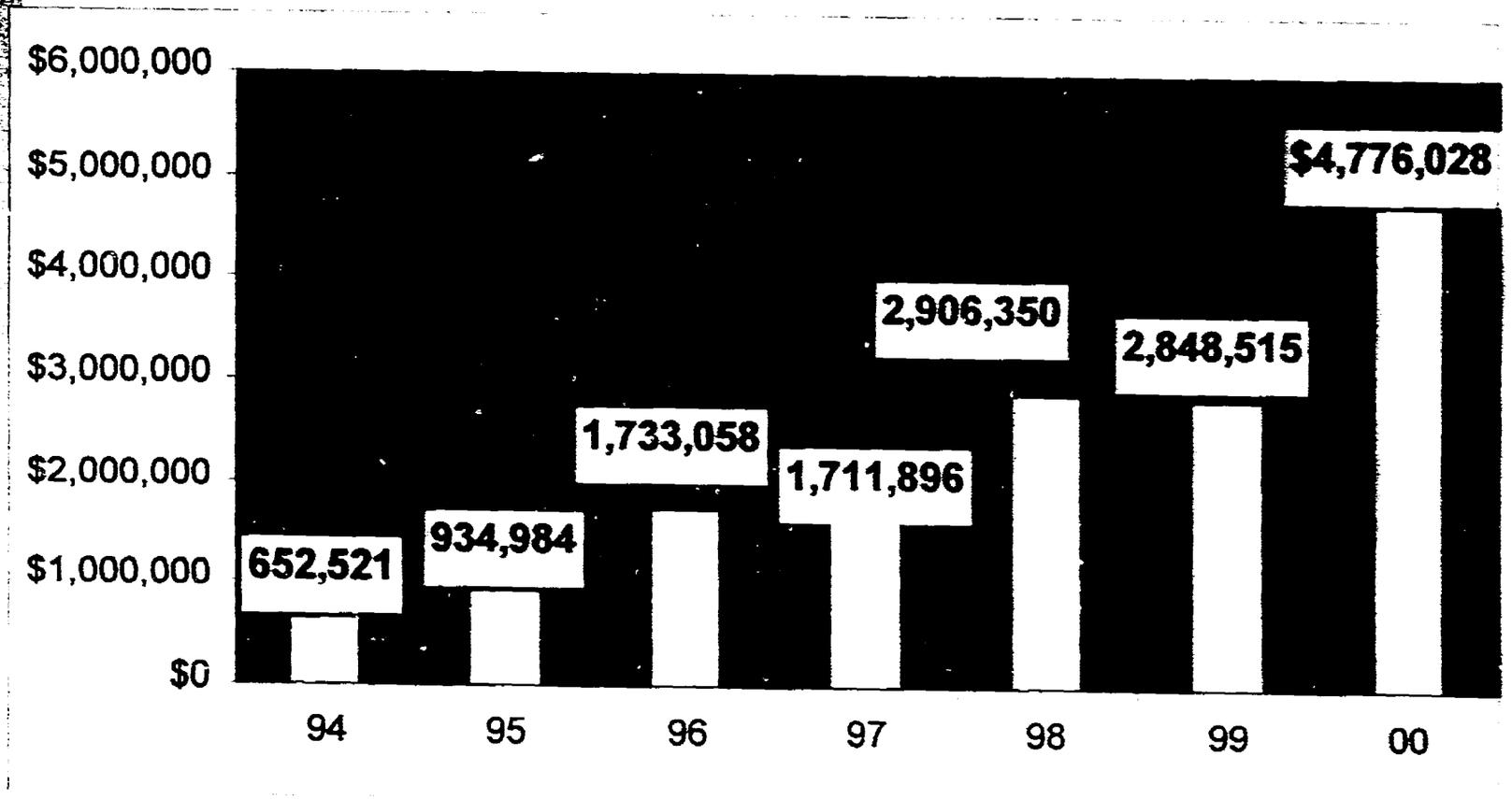
97 – 99

40 projects - $8,861,107 – loans - $8,011,107
equity - 850,000

99 – 00 through 12/31/00 (year end 6/30/)

39 projects - $8,139,725 - loans $7,434,725
equity 705,000

Cash flow



Cash flow includes principal repayment, interest earnings and dividends.

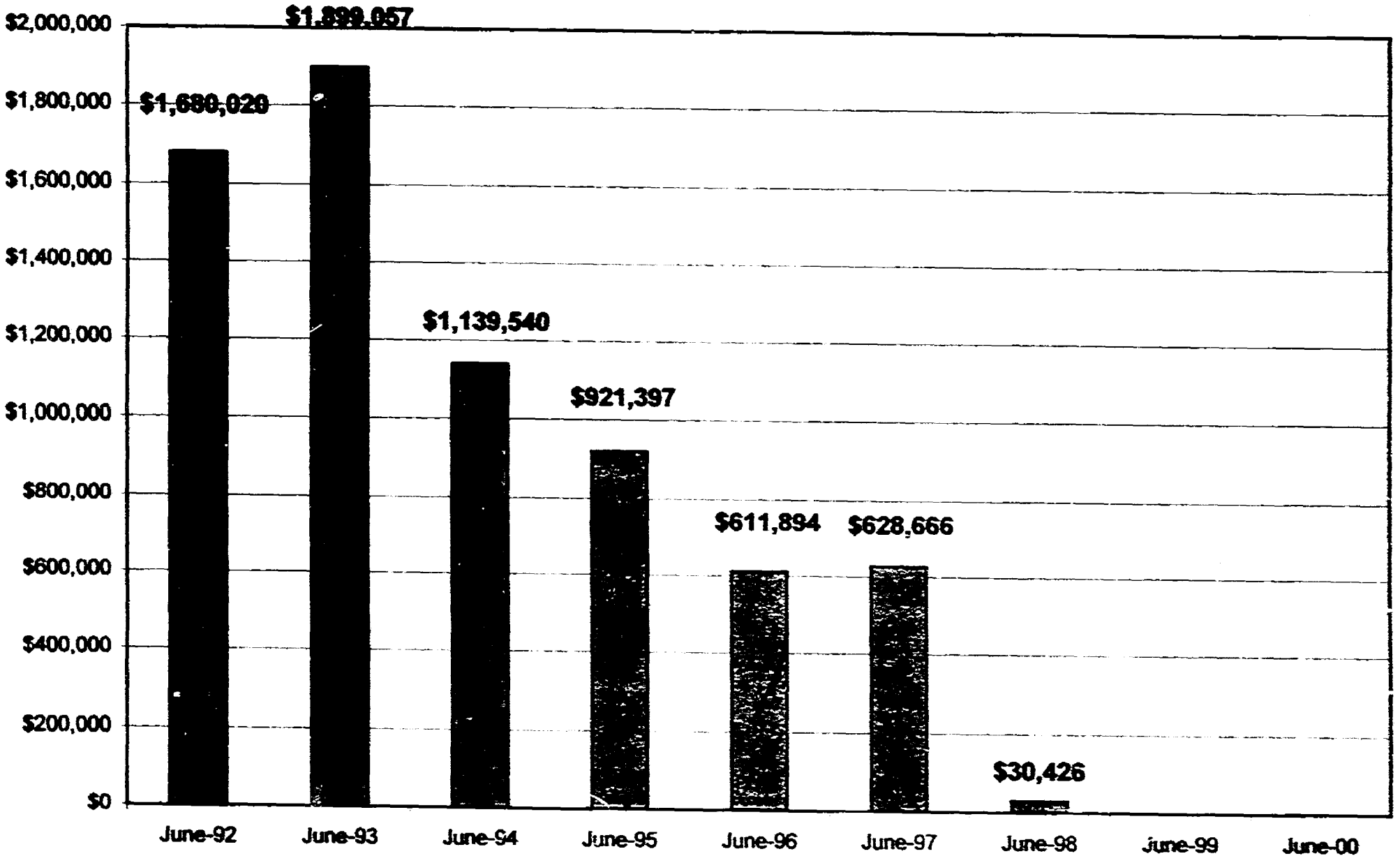
gional Rural Fund - History

97 RF equity or loans funded	$12,648,695
12 Unfunded commitments	1,786,813
109 Total investments	$14,435,508
Less: Original Appropriation	(8,660,171)
Add'l funds created from RF invest.	5,775,337
28 Rural invest. From Dev. Fund	4,277,506
Total add'l funds used for rural North Dakota projects	$10,052,843
Current Portfolio Balance	$ 6,923,272

gional Rural Fund - History

The North Dakota Development Fund has funded or committed **$18,713,014** in funding for Rural projects. As can be seen the Fund has generated additional funding capabilities over and above the initial allocation of **$8,660,171**.

NORTH DAKOTA DEVELOPMENT FUND



Charge-offs are shown by the year in which the investment occurred.

CURRENT ND DEVELOPMENT FUND CASH AVAILABILITY

1. Total Development Projects (Pending & Unfunded)	$3,570,186
2. Total Rural Fund Projects (Pending & Unfunded)	$4,065,130
3. Grand total	**$7,635,316**

Rural Fund Cash Availability (1-8-01):

1. Cash Available	$ 2,765,195.92
2. Less: Approved Commitments	($1,752,630.00)
3. Cash Available After Commitments	**$ 1,012,565.92**
4. Less: Pending Applications	($2,312,000.00
5. **Cash Available (Deficit):**	**($ 1,299,934.08)**

Development Fund Cash Availability (1-8-01):

1. Cash Available	$4,806,805.42
2. Less: Approved Commitments	($1,154,186.00)
3. Cash Available After Commitments	$3,652,619.42
4. Less: Pending Applications	($2,416,000.00)
5. **Cash Available (Deficit):**	**$ 1,236,619.42**

Total Development Fund Cash Availability (1-08-01):

1. Total Cash Available (1-08-01):	$7,572,001.34
2. Less: Pending & Unfunded Projects:	($7,635,316.00)
3. Cash Available	**($63,314.66)**

CURRENT ND DEVELOPMENT FUND CASH AVAILABILITY

1. Total Development Projects (Pending & Unfunded):	$ 3,522,551.00
2. Total Rural Fund Projects (Pending & Unfunded):	$ 3,475,492.00
3. Grand total	**$6,998,043.00**

Development Fund Cash Availability (2-26-01):

1. Cash Available:	$4,673,689.39
2. Less: Pending & Unfunded Projects:	($3,522,551.00)
3. Cash Available	**$ 1,151,138.39**

Rural Fund Cash Availability (2-26-01):

1. Cash Available:	$2,518,165.00
2. Less: Pending & Unfunded Projects:	($3,475,492.00)
3. Cash Available (Deficit)	**($957,327.00)**

Total Development Fund Cash Availability (2-26-01):

1. Total Cash Available:	$7,191,854.39
2. Less: Pending & Unfunded Projects:	($6,998,043.00)
3. Cash Available	**$ 193,811.39**

From Feb 26, 2001 testimony page 1-12 same as 1-16-01

PROJECTED ND DEVELOPMENT FUND CASH AVAILABILITY
(July 1, 2001 to June 30, 2003)

1. Cash availability (2-26-01)

-Development Fund:	$4,673,689.39
-Rural Fund:	2,518,165.00
-Development Fund (TTI collection):	224,041.80
Total Cash available prior to Unfunded Commitments & Pending Applications:	**$7,415,896.19**
Projected Appropriation Next Biennium:	**1,616,000.00**
Investment Repayments ($225,000 X 24)	5,400,000.00
Less: Unfunded Projects & Pending Applications:	($6,998,043.00)
Cash Available Before Expenses:	$7,433,853.19
Less Expenses (2 years): *	($2,211,400.00)
Cash Available For Projects (7-01-01 to 6-30-03):	**$5,222,453.19**
Investment Funding (7-1-99 to 2-26-01) **	**$9,563,915.00**

*Average annual administrative costs have been $146,700 and bad debt expense has averaged $959,000 the past 3 years ($959,000X2 plus $146,700X2 = $2,211,400).

**Based on actual funding of projects for 20 months and not a full 2-year period. If the activity were annualized out for a full 2-year period the projected funding level for the biennium ending 6-30-01 would be $11,476,698. Based on historical level of funding the Development Fund would not be able to meet all future potential loan and equity investment funding requests. But, as listed above, the Unfunded Projects and Pending Applications could change, but the Unfunded Commitments total of $2,658,510 will close. The Pending Applications of $4,339,533 would have the greatest chance of change, but the majority of the requests in the pending stage seem strong. But, if 50% of the Pending Projects were not approved, it would free up $2,169,767 for additional investments. If this did happen, the Development Fund would still not be able to cover the full funding requests for the new biennium based on the prior biennium results ($5,222,453.19 + $2,169,767 = $7,392,220.19 as compared to a projected funding level of $11,476,698).

Based on the above analysis and graphs showing the accomplishments of the Development Fund the past 2 years, the Development Fund does need the support of the Legislature and an increased appropriated funding level than in the past.

TECHNOLOGY TRANSFER, INC. (SUMMATION OF STATUS)
February 26, 2001

1. Funding Agreements acquired by North Dakota Development Fund (July 1,1999):	$1,604,428.40
2. Funds collected by Development Fund (July 1, 1999 to February 26, 2001:	191,957.49
3. Funding Agreements Balance (December 31, 2000):	1,442,871.38
4. Balance in Deposit Account:	$ 224,041.80

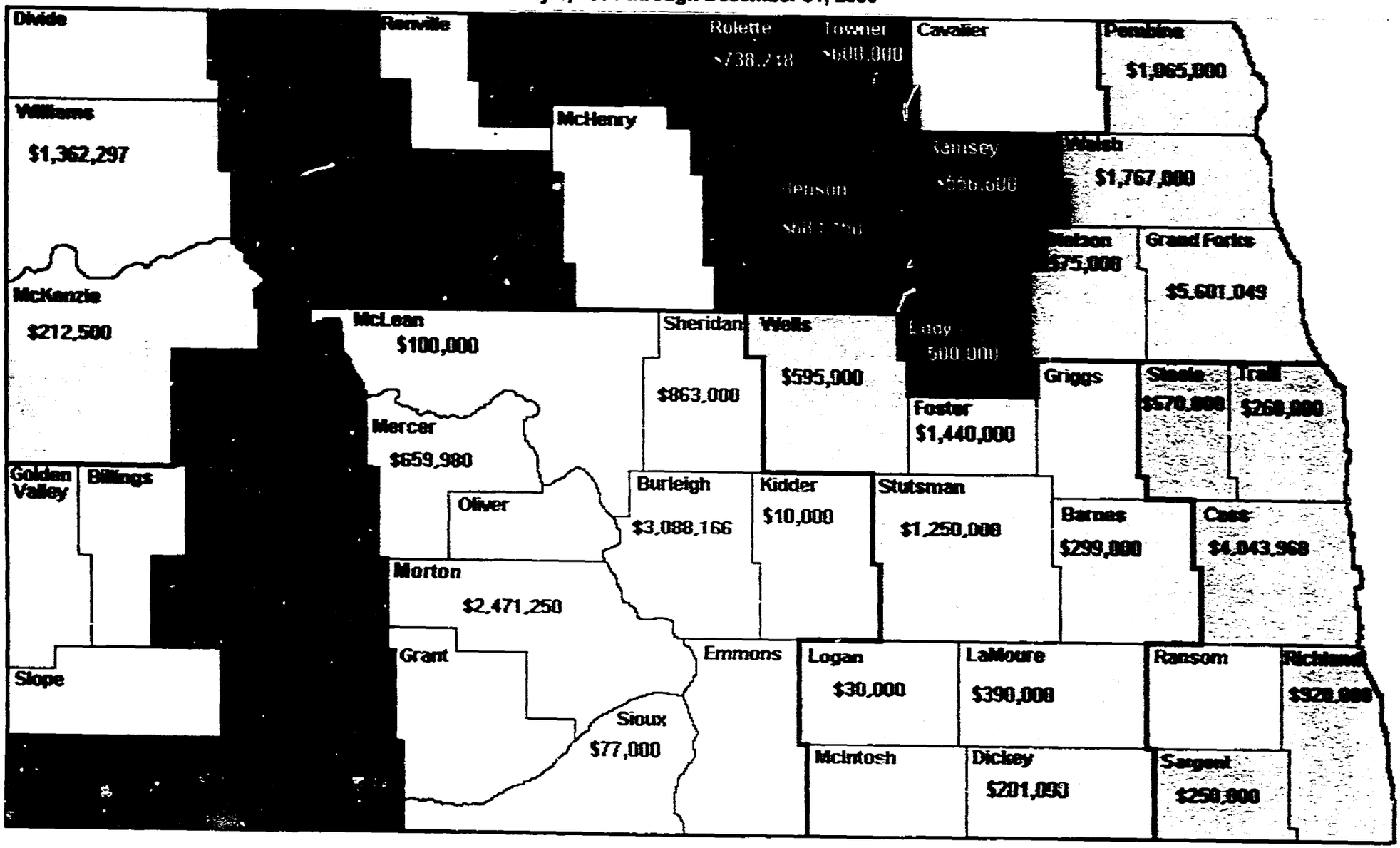
North Dakota Development Fund -- Trial Balance

Company	Location	Investment Date	Amount
Central Machine	Minot	6/28/1999	225,000
[illegible]wood Associates	Grand Forks	7/8/1999	62,878
[illegible]moure Feed & Seed	Lamoure	8/10/1999	75,000
Wahpeton CDC	Wahpeton	9/10/1999	300,000
Williston EDC	Williston	9/10/1999	300,000
Lewis & Clark Reg. Coun	Bismarck	9/20/1999	37,500
West Dakota Feed & See	Ross	11/15/1999	100,000
Halliday JDA	Halliday	11/22/1999	25,000
Commercial Group West	Kenmare	12/3/1999	400,000
Meridian Environmental	Grand Forks	12/7/1999	90,000
Creative Industries	Kenmare	12/15/1999	75,000
TSR Parts	Colgate	12/22/1999	250,000
TSR Parts	Colgate	1/11/2000	45,000
Souris River Grain	Newburg	1/12/2000	100,000
Biodigestor Technologies	Grand Forks	1/14/2000	300,000
Halliday JDA	Halliday	1/28/2000	6,000
Halliday JDA	Halliday	1/28/2000	13,750
Bismarck Canvas	Menoken	2/1/2000	35,000
Young Manufacturing	Grand Forks	2/10/2000	125,000
Deva Lifewear	Westhope	2/17/2000	100,000
North American Provision	New Rockford	2/17/2000	200,000
Drayton Grain Processors	Drayton	3/1/2000	204,846
West Dakota Feed & See	Ross	3/2/2000	150,000
Schultz Creamery	Bismarck	3/3/2000	200,000
Cobra Hose	Fargo	3/10/2000	250,000
Schultz Creamery	Bismarck	5/19/2000	33,333
[illegible]ed Impressions	Columbus	5/22/2000	50,000
[illegible]tHome.Com	Fargo	6/8/2000	70,000
PolarWare	McClusky	6/8/2000	400,000
Top Taste	Finley	6/8/2000	300,000
Kenmare Motel	Kenmare	6/27/2000	250,000
Sonne Labs	Wahpeton	7/7/2000	225,000
Pump Systems	Dickinson	8/[illegible]	31[illegible]
Rosenbluth	Dickinson	8/7/2000	[illegible]
Minot Area Development	Minot	8/9/2000	500,000
TRAX+	Bismarck	8/17/2000	200,000
Abrasives Inc.	Glen Ullin	8/31/2000	150,000
Earth Kind	New Town	8/31/2000	50,000
Pump Systems	Dickinson	9/1/2000	20,000
Ray Mac Inc.	Gwinner	9/8/2000	250,000
Decco, Inc.	Hebron	9/11/2000	800,000
Cross Consulting	Watford City	10/13/2000	60,000
Schultz Creamery	Bismarck	10/20/2000	33,333
Napoleon Future Fund	Napoleon	10/24/2000	30,000
Sakakawea Lake Cabins	Hazen	11/6/2000	64,600
CD Round	Bismarck	11/20/2000	125,000
Buffalo City Wood Prod.	Jamestown	11/29/2000	125,000
Ultra Tech	Dickinson	12/11/2000	3,333
Glass Busters	Fargo	12/14/2000	300,000
TRAX+ / Raging River	Bismarck	12/15/2000	500,000
Ultra Tech	Dickinson	1/5/2001	20,000
[illegible]er Mountain Mfg.	Killdeer	1/11/2001	500,000
[illegible]s ETS	Dickinson	2/6/2001	20,000
Financial Business Syste	Fargo	2/7/2001	291,000
Minot Area Development	Minot	2/13/2001	125,000
All-In-One Products	Watford City	2/14/2001	125,000
CADgraphics	Devils Lake	2/14/2001	60,000

North Dakota Development Fund -- Trial Balance

Webasmart Interactive	Minot	3/20/2001	300,000
Botanical Silks	Bismarck	2/21/2001	100,000

North Dakota Development Fund and Rural Fund Investments
July 1, 1991 through December 31, 2000



There are 37 counties with NDDF and RRLF investments.

Region 1
Region 2
Region 3
Region 4
Region 5
Region 6
Region 7
Region 8

Total Funded $36,038,666

3-21-01

Input and Guidance from this Committee

What direction are you giving the Development Fund? We will abide by your direction and leadership. There are 2 choices regarding this public policy.

1. The Development Fund can tighten its lending criteria even further and lend money with a goal of minimizing its exposure to potential losses. The result will be that constituents will call legislators with complaints that it is too difficult to get money out of the Development Fund.

OR

2. The Development Fund can continue to be the gap financing entity used by many starts ups and expansions with the understanding that it is the desire of the legislature to place these tax dollars "at risk" to provide the necessary financing to make deals happen. The result will be that some constituents that will complain that tax dollars are being spent unwisely.

Guidance from this committee is needed.

Change in Development Fund Philosophy by Dean Reese

With the following philosophical changes in the management of the fund, writes off have decreased and cash flow into the fund has risen. Dean Reese made the following three changes.

1. Rather than having a large exposure on one loan, the fund now spread the risk by involving SBA, the Regional Councils, local Economic Development Entities and additional financial institutions. For example before Dean arrived, the fund would make a loan or equity investment of $300,000, now Dean will use only $75,000 of Development fund dollars and ask these other entities to also make investments in the project.

2. Better credit underwriting and due diligence is now completed on the prospective borrower. For example a Dunn and Bradstreet report and credit bureau report is requested. Visits are done with their supplies, vendors, and financial institution to determine what kind credit history they have with these businesses

3. The goal has been to provide the gap financing to make the deal work while yet reducing the total exposure for the Development Fund.

4. Dramatically reduced equity [redacted] investments positions

Development Fund Investments

Listed Alphabetically

North Dakota Development Fund -- Trial Balance

3/20/2001 Company	Location	Invest Date	Invest Amount	Dev. Fund Loan/ Rural Fund Equity
[redacted]seby Industrial	Wahpeton	2/12/1999	95,000	Dev. Fund loan
[redacted] ix Software	Grand Forks	7/31/1992	300,000	Dev. Fund loan
[redacted]E	Regent	9/11/1992	50,000	Dev. Fund equity
ADE	Regent	1/4/1993	25,000	Dev. Fund equity
ADE	Regent	10/27/1993	43,000	Dev. Fund equity
AdMed, Ltd.	Bismarck	5/20/1992	100,000	Dev. Fund equity
AgPark LLC	Grand Forks	5/28/1998	500,000	Dev. Fund loan
AGSCO	Grand Forks	10/1/1997	200,000	Dev. Fund loan
Allen Falcon	Williston	7/13/1998	2,797	Dev. Fund loan
Alloway Industries	Fargo	4/15/1997	300,000	Dev. Fund loan
American Woods	Grand Forks	9/29/1997	200,000	Dev. Fund loan
Ames Mfg.	Williston	12/31/1992	300,000	Dev. Fund loan
Associated Potato Growe	Grand Forks	11/3/1997	200,000	Dev. Fund loan
ATL, Ltd.	W. Fargo	7/16/1992	50,000	Dev. Fund equity
Aviko USA LLC	Jamestown	9/15/1995	300,000	Dev. Fund loan
Baker Boy Bake Shop	Dickinson	8/21/1996	67,500	Dev. Fund loan
Banton Industries	Minot	5/23/1994	140,000	Dev. Fund equity
Banton Industries	Minot	2/15/1995	50,000	Dev. Fund equity
BeAtHome.Com	Fargo	6/8/2000	70,000	Dev. Fund loan
Bio Sunn	Garrison	10/27/1993	100,000	Dev. Fund loan
Biodigestor Technologies	Grand Forks	1/14/2000	300,000	Dev. Fund loan
Biodigestor Technologies	Grand Forks	12/24/1997	200,000	Dev. Fund equity
Bis. Industries (US Health	Bismarck	3/5/1992	350,000	Dev. Fund loan
Bismarck Ind. (Unisys)	Bismarck	12/9/1994	700,000	Dev. Fund equity
Botanical Silks	Bismarck	2/21/2001	100,000	Dev. Fund loan
[redacted]ffalo City Wood Prod.	Jamestown	9/20/1993	50,000	Dev. Fund equity
[redacted]alo City Wood Prod.	Jamestown	11/29/2000	125,000	Dev. Fund loan
[redacted]rgill	Fargo	5/1/1996	500,000	Dev. Fund loan
Cargill	Fargo	6/3/1996	100,000	Dev. Fund grant
Central Machine	Minot	6/28/1999	225,000	Dev. Fund loan
CD Sound	Bismarck	9/29/1995	50,000	Dev. Fund loan
CD Sound	Bismarck	5/31/1996	20,000	Dev. Fund loan
CD Sound	Bismarck	11/20/2000	125,000	Dev. Fund loan
Chief's Choice	Mandan	8/15/1994	175,000	Dev. Fund equity
Cirrus Design Corp.	Grand Forks	5/10/1996	500,000	Dev. Fund equity
Cirrus Design Corp.	Grand Forks	8/31/1998	500,000	Dev. Fund equity
Cobra Hose	Fargo	1/4/1996	35,000	Dev. Fund loan
Cobra Hose	Fargo	3/10/2000	250,000	Dev. Fund loan
Dakota Catalyst	Williston	4/9/1992	300,000	Dev. Fund equity
Dakota Catalyst	Williston	12/29/1993	250,000	Dev. Fund equity
Dakota Pasta	Carrington	10/28/1992	700,000	Dev. Fund loan
FACT	Ft. Yates	7/16/1993	60,000	Dev. Fund lease
FACT	Ft. Yates	9/20/1993	17,000	Dev. Fund lease
Falcon Fiberglass	Williston	2/1/1995	42,500	Dev. Fund loan
Financial Business Syste	Fargo	2/7/2001	291,000	Dev. Fund loan
First Bank	Fargo	10/22/1996	100,000	Dev. Fund grant
Foam Technologies	Williston	8/9/1994	70,000	Dev. Fund loan
FSP, Inc.	Walhalla	2/9/1994	150,000	Dev. Fund loan
GF Truss	Grand Forks	7/9/1997	150,000	Dev. Fund loan
GFG Foodservice	Bismarck	6/10/1996	335,000	Dev. Fund loan
[redacted]G Foodservice Inc.	Grand Forks	6/29/1995	100,000	Dev. Fund loan
[redacted]3 Foodservice Inc.	Grand Forks	5/22/1995	67,500	Dev. Fund grant
[redacted]ides Busters	Fargo	12/14/2000	300,000	Dev. Fund loan
Glenmac	Jamestown	1/31/1996	300,000	Dev. Fund loan
Harvest Fuel	Walhalla	9/11/1992	75,000	Dev. Fund equity
Hydrobikes	Jamestown	8/20/1992	300,000	Dev. Fund equity

North Dakota Development Fund -- Trial Balance

3/20/2001 Company	Location	Invest Date	Invest Amount	Dev. Fund Loan/ Rural Fund Equity
Hydrobikes	Jamestown	1/30/1995	175,000	Dev. Fund equity
[illegible] System	Fargo	9/24/1996	90,000	Dev. Fund loan
[illegible]ystem	Fargo	9/24/1996	37,500	Dev. Fund grant
[illegible]age, Inc.	Minot	3/4/1994	25,000	Dev. Fund grant
Infrared Technologies	Grand Forks	12/10/1992	140,000	Dev. Fund equity
InstaScreen	Harvey	7/29/1993	80,000	Dev. Fund loan
Integra	Cando	10/18/1994	600,000	Dev. Fund loan
Intellisol	Fargo	5/28/1999	86,000	Dev. Fund loan
Kirschmann Mfg.	McClusky	4/7/1993	150,000	Dev. Fund equity
Kirschmann Mfg.	McClusky	6/17/1993	150,000	Dev. Fund equity
L&S Feist Family LLP	Minot	9/11/1995	300,000	Dev. Fund loan
Lake Aid Systems	Carrington	10/7/1994	100,000	Dev. Fund loan
Lake Aid Systems	Carrington	4/30/1993	100,000	Dev. Fund equity
LAS International	Carrington	10/1/1998	40,000	Dev. Fund loan
LAS International	Bismarck	9/17/1997	100,000	Dev. Fund loan
Leingang, Al	Mandan	7/21/1995	111,000	Dev. Fund loan
Marvin Windows	Fargo	7/26/1996	500,000	Dev. Fund loan
Marvin Windows	Fargo	8/7/1996	100,000	Dev. Fund grant
Meridian Environmental	Grand Forks	12/7/1999	90,000	Dev. Fund loan
Mexican Village	Hillsboro	12/7/1993	60,000	Dev. Fund equity
Mid-America Aviation	Fargo	10/29/1992	230,000	Dev. Fund equity
Mid-America Aviation	Finley	6/12/1992	36,000	Dev. Fund equity
Mightylite	Hankinson	12/21/1992	200,001	Dev. Fund equity
Mightylite	Hankinson	4/7/1993	99,999	Dev. Fund equity
Minot Area Development	Minot	8/9/2000	500,000	Dev. Fund loan
Minot Area Development	Minot	2/13/2001	125,000	Dev. Fund loan
[illegible] Plains Premium Beef	Mandan	2/3/1997	100,000	Dev. Fund loan
[illegible]C	Mandan	7/31/1996	300,000	Dev. Fund loan
[illegible] Housing & ED/MAA	Fargo	7/24/1992	34,000	Dev. Fund loan
North Plains Premium Be	Mandan	4/23/1997	25,000	Dev. Fund loan
Oakwood Associates	Grand Forks	2/18/1999	420,000	Dev. Fund loan
Oakwood Associates	Grand Forks	7/8/1999	62,878	Dev. Fund loan
Oral Logic	Minot	7/20/1993	200,000	Dev. Fund loan
Oral Logic	Minot	4/16/1992	300,000	Dev. Fund equity
Oral Logic	Minot	12/10/1992	100,000	Dev. Fund equity
Philadelphia Macaroni	Grand Forks	12/2/1997	200,000	Dev. Fund loan
Phoenix International	Fargo	11/25/1991	300,000	Dev. Fund loan
Pribbs Steel	Grand Forks	1/2/1998	250,000	Dev. Fund loan
Pribbs Steel	Grand Forks	12/18/1998	200,000	Dev. Fund loan
Pro Entry	Minot	3/2/1992	15,000	Dev. Fund loan
Pro Entry	Kenmare	3/2/1992	15,000	Dev. Fund loan
Pump Systems	Dickinson	9/1/2000	20,000	Dev. Fund loan
QMAS	Walhalla	8/8/1994	150,000	Dev. Fund equity
R&S Casework	Fargo	5/11/1998	65,000	Dev. Fund loan
R. Blajsczak/ D. Russell	Fargo	7/23/1998	53,754	Dev. Fund loan
RCB Baking	Fargo	9/17/1997	100,000	Dev. Fund loan
Red River Trading	Grand Forks	1/23/1995	30,000	Dev. Fund loan
Red River Trading Co.	Grand Forks	2/28/1995	30,000	Dev. Fund loan
Reiter Welding	Dickinson	3/16/1998	25,000	Dev. Fund loan
Reiter Welding	Dickinson	10/21/1998	100,000	Dev. Fund loan
Reiter Welding	Dickinson	5/20/1999	25,000	Dev. Fund loan
[illegible]idual Materials	Grand Forks	9/8/1997	200,000	Dev. Fund loan
[illegible]odyne	Rugby	3/5/1998	19,737	Dev. Fund loan
[illegible]oodyne	Rugby	1/19/1993	300,000	Dev. Fund equity
Rosenbluth	Dickinson	8/7/2000	7,092	Dev. Fund loan
RSA Building	Fargo	9/15/1993	120,000	Dev. Fund loan
RWA Properties	Fargo	9/1/1998	175,000	Dev. Fund loan

North Dakota Development Fund -- Trial Balance

3/20/2001 Company	Location	Invest Date	Invest Amount	Dev. Fund Loan/ Rural Fund Equity
Safe Corporation	Esmond	9/10/1992	300,000	Dev. Fund loan
[illegible]wyer Beef	Sawyer	9/7/1990	50,000	Dev. Fund loan
[illegible]ltz Creamery	Bismarck	10/19/1998	200,000	Dev. Fund loan
[illegible]hultz Creamery	Bismarck	3/3/2000	200,000	Dev. Fund equity
Schultz Creamery	Bismarck	5/19/2000	33,333	Dev. Fund loan
Schultz Creamery	Bismarck	10/20/2000	33,333	Dev. Fund loan
SEI	Fargo	9/28/1994	329,714	Dev. Fund loan
Shea Technologies	Park River	12/15/1997	250,000	Dev. Fund loan
Sonne Labs	Wahpeton	7/7/2000	225,000	Dev. Fund loan
Steffes & Son	Dickinson	9/19/1996	67,490	Dev. Fund loan
Steffes ETS	Dickinson	9/19/1996	282,510	Dev. Fund loan
TAG	Grand Forks	7/16/1990	75,000	Dev. Fund equity
TAG	Grand Forks	10/9/1991	225,000	Dev. Fund equity
Tech Rom Libraries	Mandan	7/22/1993	75,000	Dev. Fund equity
TRAX+	Bismarck	8/17/2000	200,000	Dev. Fund loan
TRAX+ / Raging River	Bismarck	12/15/2000	500,000	Dev. Fund loan
Turtle Mountain Mfg.	Belcourt	8/31/1992	307,000	Dev. Fund loan
Ultra Tech	Dickinson	1/5/2001	20,000	Dev. Fund loan
Ultra Tech	Dickinson	12/11/2000	3,333	Dev. Fund loan
Unisys	Bismarck	1/19/1995	50,000	Dev. Fund grant
Unisys	Bismarck	3/15/1995	50,000	Dev. Fund grant
USA Technologies	Hillsboro	11/4/1992	150,000	Dev. Fund equity
Vector Training	Grand Forks	4/14/1999	200,000	Dev. Fund loan
Vector Training	Grand Forks	4/14/1999	100,000	Dev. Fund loan
Wahpeton CDC	Wahpeton	9/10/1999	300,000	Dev. Fund loan
Websmart Interactive	Minot	2/20/2001	300,000	Dev. Fund loan
[illegible]illiston EDC	Williston	9/10/1999	300,000	Dev. Fund equity
[illegible]g Manufacturing	Grand Forks	2/10/2000	125,000	Dev. Fund loan
[illegible]ung Manufacturing	Grand Forks	7/10/1997	100,000	Dev. Fund loan
			$24,225,971	
Abrasives Inc.	Glen Ullin	8/31/2000	150,000	Rural Fund equity
Advanced Architecture	Fargo	1/4/1995	28,300	Rural Fund TTI
AgGrow Oils	Carrington	10/3/1997	300,000	Rural Fund loan
AgGrow Oils	Carrington	9/1/1998	200,000	Rural Fund loan
Alchem Limited	Grafton	5/28/1998	350,000	Rural Fund loan
All-In-One Products	Watford City	2/14/2001	125,000	Rural Fund loan
Ameritech	Watford City	5/19/1999	97,000	Rural Fund loan
Bandy Technology	Walhalla	3/6/1997	50,000	Rural Fund TTI
Bismarck Canvas	Menoken	2/1/2000	35,000	Rural Fund loan
Blue ThunderHawks	Larimore	12/23/1998	16,100	Rural Fund loan
Blue ThunderHawks	Larimore	2/9/1999	15,671	Rural Fund loan
Brite Flite	Hazen	3/10/1994	30,000	Rural Fund loan
Buffalo Commons	Mott	7/31/1996	120,000	Rural Fund loan
CADgraphics	Devils Lake	2/14/2001	60,000	Rural Fund loan
Commercial Group West	Kenmare	12/3/1999	400,000	Rural Fund loan
Creative Industries	Kenmare	12/15/1999	75,000	Rural Fund loan
Cross Consulting	Watford City	10/13/2000	60,000	Rural Fund loan
Dacco, Inc.	Hebron	4/29/1998	400,000	Rural Fund loan
Dacco, Inc.	Hebron	9/11/2000	800,000	Rural Fund loan
Dakota Dairy	Hebron	9/27/1996	130,000	Rural Fund loan
Dakota Dairy	Hebron	6/15/1998	156,250	Rural Fund loan
[illegible]kota Fiber	Casselton	6/2/1994	33,700	Rural Fund equity
[illegible]ota Fresh	Casselton	4/23/1996	50,000	Rural Fund equity
Dakota Medical Lab.	Ft. Totten	3/5/1996	21,600	Rural Fund TTI
Dale's Clothing	Bowman	5/21/1999	5,500	Rural Fund loan
Deva Lifewear	Westhope	1/20/1999	300,000	Rural Fund loan
Deva Lifewear	Westhope	2/17/2000	100,000	Rural Fund loan

North Dakota Development Fund -- Trial Balance

3/20/2001 Company	Location	Invest Date	Invest Amount	Dev. Fund Loan/ Rural Fund Equity
Drayton Grain Processors	Drayton	4/18/1996	300,000	Rural Fund loan
[illegible]rayton Grain Processors	Drayton	8/14/1998	240,000	Rural Fund loan
[illegible]rton Grain Processors	Drayton	3/1/2000	204,846	Rural Fund loan
[illegible]ynamics Marketing	Grafton	12/30/1996	125,000	Rural Fund loan
Edmore Dev. Corp.	Edmore	5/27/1994	80,000	Rural Fund equity
Earth Kind	New Town	8/31/2000	50,000	Rural Fund loan
Farmers Choice Pasta	Leeds	4/1/1998	50,000	Rural Fund loan
Farmer's Choice Pasta	Leeds	10/29/1996	300,000	Rural Fund equity
Fisher Flying Products	Edgeley	3/9/1995	45,000	Rural Fund loan
Flasher Dev. Corp	Flasher	5/31/1996	24,000	Rural Fund equity
Gates Manufacturing LOC	Lansford	8/14/1997	200,000	Rural Fund loan
Halliday JDA	Halliday	1/28/2000	6,000	Rural Fund loan
Halliday JDA	Halliday	1/28/2000	13,750	Rural Fund loan
Halliday JDA	Halliday	11/22/1999	25,000	Rural Fund equity
Harriston Industries	Minto	10/14/1992	200,000	Rural Fund loan
Harriston Industries	Minto	8/7/1996	250,000	Rural Fund loan
Harvest Fuel	Walhalla	2/21/1997	100,000	Rural Fund loan
Harvey Nordin	Devils Lake	3/13/1995	5,000	Rural Fund loan
Heart of Valley	Portland	9/23/1994	50,000	Rural Fund TTI
Hettinger Co. Crop	Hettinger	2/24/1998	36,000	Rural Fund TTI
International Peace Garden		9/1/1998	50,000	Rural Fund loan
Kenmare Economic Dev.	Kenmare	2/13/1995	15,000	Rural Fund grant
Kenmare Motel	Kenmare	6/27/2000	250,000	Rural Fund loan
Killdeer Mountain Mfg.	Killdeer	1/11/2001	500,000	Rural Fund loan
Kirschmann Mfg.	McClusky	1/28/1994	163,000	Rural Fund equity
Lamoure Feed & Seed	Lamoure	8/10/1999	75,000	Rural Fund loan
[illegible] Paulson Enterprises	Bowman	12/12/1997	30,000	Rural Fund loan
[illegible]ds EDC	Leeds	5/29/1996	16,000	Rural Fund loan
[illegible]ewis & Clark Reg. Coun	Bismarck	9/20/1999	37,500	Rural Fund loan
Lighted Impressions	Columbus	5/22/2000	50,000	Rural Fund loan
Microlap Technologies	Rolla	12/18/1996	300,000	Rural Fund loan
Microlap Technologies	Rolla	6/11/1998	36,248	Rural Fund loan
Napoleon Future Fund	Napoleon	10/24/2000	30,000	Rural Fund equity
N. Valley Potato Growers	Hoople	7/30/1997	300,000	Rural Fund loan
N.American Bison Coop.	New Rockford	4/19/1996	300,000	Rural Fund loan
North American Provision	New Rockford	2/17/2000	200,000	Rural Fund loan
ND Envelope Co.	Kenmare	10/26/1994	125,000	Rural Fund loan
Noble Dev. Corp.	Hazen	1/8/1996	300,000	Rural Fund equity
Noble Dev. Corp.	Hazen	5/18/1998	100,000	Rural Fund equity
Noble Development	Hazen	3/18/1996	12,716	Rural Fund loan
Noble Development	Hazen	6/4/1996	82,284	Rural Fund loan
NuGrain	Harvey	3/4/1994	200,000	Rural Fund equity
NuGrain	Harvey	2/14/1995	275,000	Rural Fund equity
NYTAF	Edmore	2/24/1995	125,000	Rural Fund equity
NYTAF Ind.	Edmore	3/10/1994	25,000	Rural Fund equity
Oakes Enhancement	Oakes	4/8/1999	201,000	Rural Fund loan
Orbtech	Steele	5/24/1995	10,000	Rural Fund grant
Oster, E. United Test	Hazen	6/22/1994	5,000	Rural Fund loan
PolarWare	McClusky	6/6/2000	400,000	Rural Fund loan
Prairie Truck	Minot	5/28/1999	150,000	Rural Fund loan
Precision Fiberglass	Edgeley	6/12/1992	250,000	Rural Fund equity
[illegible]cision Fiberglass	Edgeley	9/24/1993	20,000	Rural Fund equity
[illegible]gsley's	Devils Lake	3/8/1994	200,000	Rural Fund loan
Pugsley's	Devils Lake	1/12/1996	100,000	Rural Fund loan
Pump Systems	Dickinson	8/2/2000	31,250	Rural Fund loan
Q&R Processing	Tolna	8/8/1994	75,000	Rural Fund equity
Ray Mac Inc.	Gwinner	9/8/2000	250,000	Rural Fund loan

North Dakota Development Fund -- Trial Balance

3/20/2001 Company	Location	Invest Date	Invest Amount	Dev. Fund Rural Fund	Loan/ Equity
Roger Rasch	Hazen	8/26/1994	2,880	Rural Fund	loan
"a JDA	Rolla	1/30/1998	50,000	Rural Fund	loan
JDA	Rolla	6/15/1999	25,000	Rural Fund	loan
Lakakawea Lake Cabins	Hazen	11/8/2000	64,600	Rural Fund	loan
Schepp's Deli	Lansford	9/23/1996	25,000	Rural Fund	loan
Souris River Grain	Newburg	1/12/2000	100,000	Rural Fund	loan
Steffes ETS	Dickinson	2/6/2001	20,000	Rural Fund	loan
Sure-Way Systems	Valley City	12/7/1998	299,000	Rural Fund	loan
TJ Manufacturing	Harvey	3/31/1994	40,000	Rural Fund	loan
Top Taste	Finley	6/8/2000	300,000	Rural Fund	loan
TRJ Enterprises	Hazen	1/13/1995	26,000	Rural Fund	loan
TRJ Enterprises	Watford City	11/18/1996	57,500	Rural Fund	loan
TSR Parts	Colgate	1/11/2000	45,000	Rural Fund	loan
TSR Parts	Colgate	12/22/1999	250,000	Rural Fund	loan
West Dakota Feed & See	Ross	11/15/1999	100,000	Rural Fund	loan
West Dakota Feed & See	Ross	3/2/2000	150,000	Rural Fund	loan
			$13,258,695		
TOTAL PORTFOLIO			$37,514,666		

Charge offs to the Development Fund

By the Investment Date

Shown Graphically

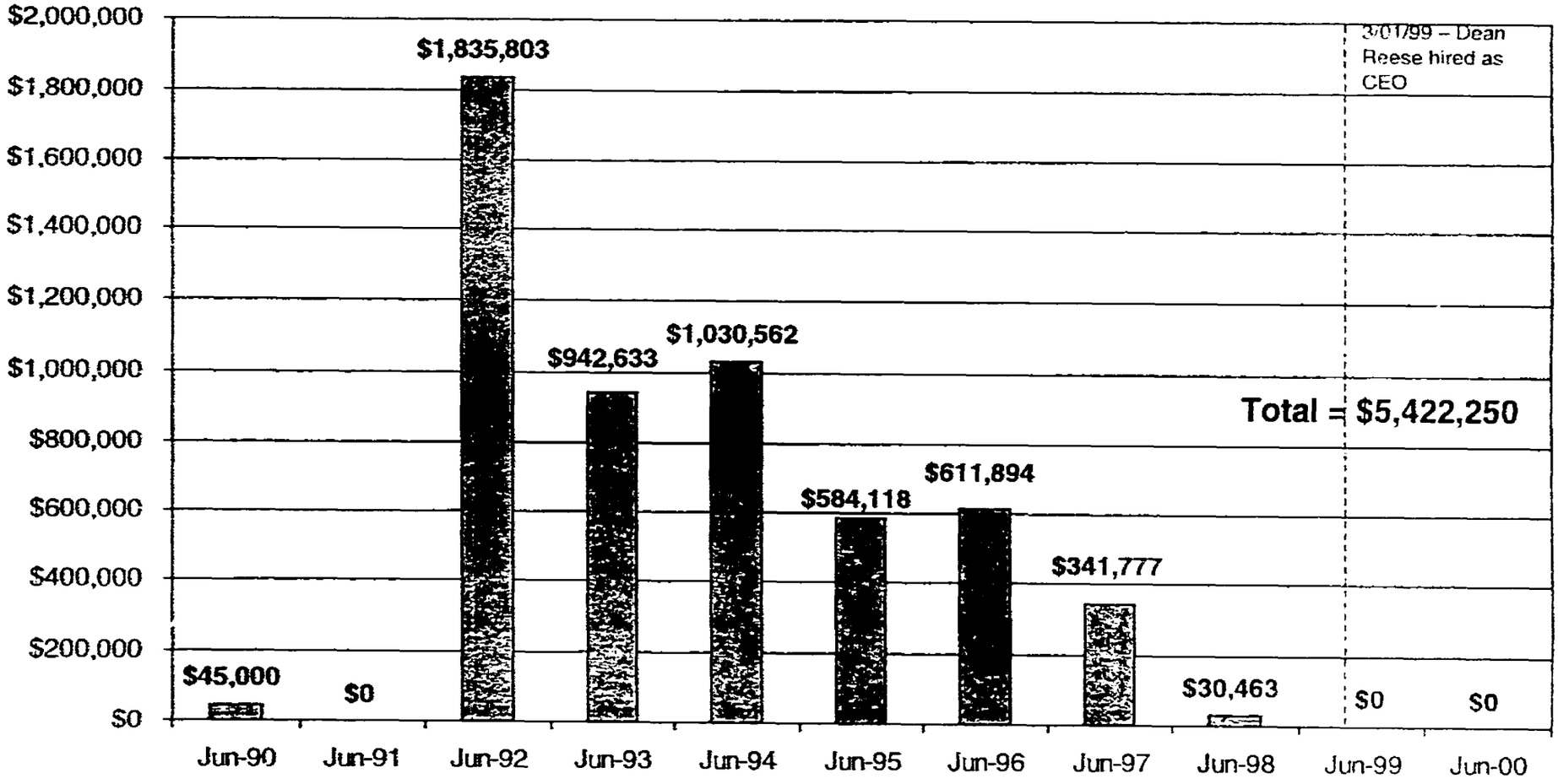
This shows how Dean's change in philosophy

Is affecting the bad debts incurred by the

Fund

NORTH DAKOTA DEVELOPMENT FUND

CHARGE-OFFS BY INVESTMENT DATE



Charge-offs are shown by the year in which the investment occurred as of December 31, 2000.

Charge offs to the Development Fund

By the Investment Date

Shown Numerically

This shows how Dean's change in philosophy

Is affecting the bad debts incurred by the

Fund

North Dakota Development Fund - Trial Balance

Company	Location	Date Invest	Amount Invest	Dev. Fund Loan/ Rural Fund Equity	Status	Chg-off Year
12/31/2000						
Sawyer Beef	Sawyer	9/7/1990	50,000	Dev. Fund	chg-off 45,000	2000
Total 1990					**$45,000**	
Pro Entry	Minot	3/2/1992	15,000	Dev. Fund	chg-off 11,988	1996
Pro Entry	Kenmare	3/2/1992	15,000	Dev. Fund	chg-off 11,988	1996
[redacted] Catalyst	Williston	4/9/1992	300,000	Dev. Fund equity	chg-off 300,000	1998
[redacted]ilo	Minot	4/16/1992	300,000	Dev. Fund equity	chg-off 300,000	1998
[redacted]n Fiberglass	Edgeley	6/12/1992	250,000	Rural Fund equity	chg-off 250,000	1995
ATL, Ltd.	W. Fargo	7/16/1992	50,000	Dev. Fund equity	chg-off 50,000	1994
ND Housing & ED/MAA	Fargo	7/24/1992	34,000	Dev. Fund urban debt	chg-off 1,274	1998
Safe Corporation	Esmond	9/10/1992	300,000	Dev. Fund	chg-off 282,783	1995
ADE	Regent	9/11/1992	50,000	Dev. Fund equity	chg off - 37,769	1995
USA Technologies	Hillsboro	11/4/1992	150,000	Dev. Fund equity	chg-off 150,000	1995
Oral Logic	Minot	12/10/1992	100,000	Dev. Fund equity	chg-off 100,000	1998
Infrared Technologies	Grand Forks	12/10/1992	140,000	Dev. Fund equity	chg-off 140,000	1995
Mightylite	Hankinson	12/21/1992	200,001	Dev. Fund equity	chg-off 200,001	1995
Total 1992					**$1,835,803**	
ADE	Regent	1/4/1993	25,000	Dev. Fund equity	chg-off 25,000	1995
Kirschmann Mfg.	McClusky	4/7/1993	150,000	Dev. Fund equity	chg-off 150,000	1995
Mightylite	Hankinson	4/7/1993	99,999	Dev. Fund equity	chg-off 99,999	1995
Kirschmann Mfg.	McClusky	6/17/1993	150,000	Dev. Fund equity	chg-off 150,000	1995
FACT	Ft. Yates	7/16/1993	60,000	Dev. Fund na lease	chg-off 37,000	1995
Tech Rom Libraries	Mandan	7/22/1993	75,000	Dev. Fund equity	chg-off 75,000	1995
InstaScreen	Harvey	7/29/1993	80,000	Dev. Fund	chg-off 18,134	1997
FACT	Ft. Yates	9/20/1993	17,000	Dev. Fund na lease	chg-off 14,500	1995
Precision Fiberglass	Edgeley	9/24/1993	20,000	Rural Fund equity	chg-off 20,000	1995
ADE	Regent	10/27/1993	43,000	Dev. Fund equity	chg-off 43,000	1995
Mexican Village	Hillsboro	12/7/1993	60,000	Dev. Fund equity	chg-off 60,000	1999
Dakota Catalyst	Williston	12/29/1993	250,000	Dev. Fund equity	chg-off 250,000	1998
Total 1993					**$942,833**	
Kirschmann Mfg.	McClusky	1/28/1994	163,000	Rural Fund equity	chg-off 163,000	1995
FSP, Inc.	Walhalla	2/9/1994	150,000	Dev. Fund	chg-off 94,999	2001
NuGrain	Harvey	3/4/1994	200,000	Rural Fund equity	chg-off 200,000	1999
NYTAF Ind.	Edmore	3/10/1994	25,000	Rural Fund equity	chg-off 24,932	1996
TJ Manufacturing	Harvey	3/31/1994	40,000	Rural Fund	chg-off 35,930	1998
Barton Industries	Minot	5/23/1994	140,000	Dev. Fund equity	chg-off 140,000	1996
[redacted]more Dev. Corp.	Edmore	5/27/1994	80,000	Rural Fund equity	chg-off 80,000	1996
[redacted]' Fiber	Casselton	6/2/1994	33,700	Rural Fund equity	chg-off 26,700	1996
[redacted]	Walhalla	6/6/1994	150,000	Dev. Fund equity	chg-off 150,000	2001
[redacted]rocessing	Tolna	6/6/1994	75,000	Rural Fund equity	chg-off 75,000	1996
Foam Technologies	Williston	6/9/1994	70,000	Dev. Fund	chg-off 60,000	1996
Chiefs Choice	Mandan	6/15/1994	175,000	Dev. Fund equity	chg-off 175,000	1997
Heart of Valley	Portland	9/23/1994	50,000	Rural Fund TTI	chg-off 50,000	1999
Total 1994					**$1,030,562**	
Advanced Architecture	Fargo	1/4/1995	28,300	Rural Fund TTI	chg-off 28,300	1998
Red River Trading	Grand Forks	1/23/1995	30,000	Dev. Fund	chg-off 30,000	1997
Falcon Fiberglass	Williston	2/1/1995	42,500	Dev. Fund	chg-off 37,297	1998
NuGrain	Harvey	2/14/1995	275,000	Rural Fund equity	chg-off 275,000	1999
Barton Industries	Minot	2/15/1995	50,000	Dev. Fund equity	chg-off 50,000	1996
NYTAF	Edmore	2/24/1995	125,000	Rural Fund equity	chg-off 125,000	1996
Red River Trading Co.	Grand Forks	2/28/1995	30,000	Dev. Fund	chg-off 30,000	1997
Orbtech	Steele	6/24/1995	10,000	Rural Fund grant	chg-off 8,621	1997
Total 1995					**$584,118**	
Dakota Medical Lab.	Ft. Totten	3/5/1996	21,600	Rural Fund TTI	chg-off 21,600	1998
Dakota Fresh	Casselton	4/23/1996	50,000	Rural Fund equity	chg-off 50,000	1999
Buffalo Commons	Mott	7/31/1996	120,000	Rural Fund	chg-off 120,000	2000
Dakota Dairy	Hebron	9/27/1996	130,000	Rural Fund	chg-off 103,144	2000
Farmer's Choice Pasta	Leeds	10/29/1996	300,000	Rural Fund equity	chg-off 317,150	2000
Total 1996					**$611,894**	
Bandy Technology	Walhalla	3/6/1997	50,000	Rural Fund TTI	chg-off 50,000	2001
North Plains Premium Be	Mandan	4/23/1997	25,000	Dev. Fund	chg-off 25,000	1999
RCB Baking	Fargo	9/17/1997	100,000	Dev. Fund	chg-off 46,245	1999
AgGrow Oils	Carrington	10/3/1997	300,000	Rural Fund	chg-off 270,532	2000
Total 1997					**$341,777**	
Blue ThunderHawks	Larimore	12/31/1998	16,100	Rural Fund	chg-off 14,792	2000
Blue ThunderHawks	Larimore	12/31/1998	15,671	Rural Fund	chg-off 15,671	2000
Total 1998					**$30,463**	
Total Charge-offs					**$5,422,250**	

[redacted]GE OFF BY INVESTMENT DATE

North Dakota Development Fund - Trial Balance

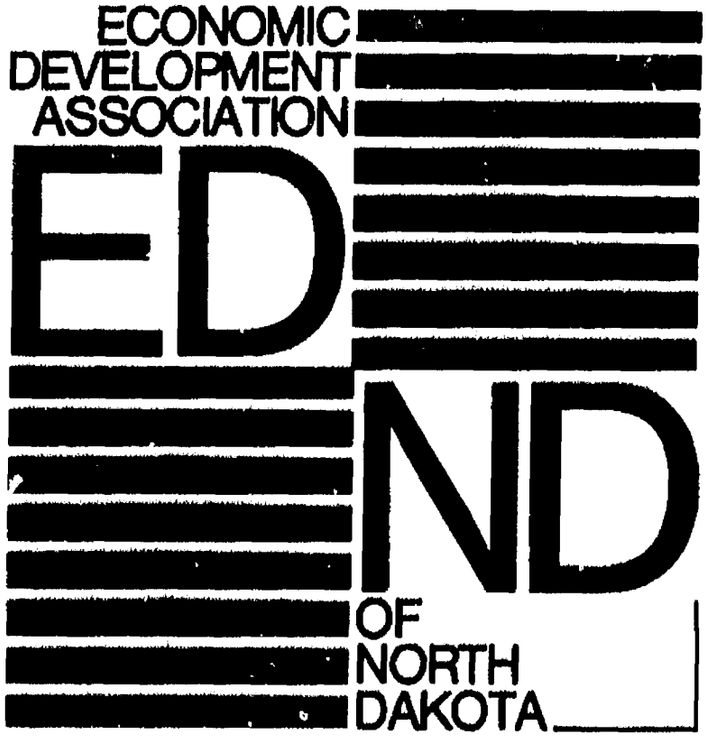
Company 12/31/2000	Location	Date Invest	Amount Invest	Rural Fund Loan/ Dev. Fund Equity	Status	Chg off Year
ATL, Ltd.	W. Fargo	7/16/1992	50,000	Dev. Fund equity	chg-off 50,000	1994
	Total 1994				**$50,000**	
Precision Fiberglass	Edgeley	9/12/1992	250,000	Rural Fund equity	chg-off 250,000	1995
[illegible] Corporation	Esmond	9/10/1992	300,000	Dev. Fund	chg-off 282,783	1995
	Regent	9/11/1992	50,000	Dev. Fund equity	chg off - 37,769	1995
[illegible]chnologies	Hillsboro	11/4/1992	150,000	Dev. Fund equity	chg-off 150,000	1995
[illegible]ed Technologies	Grand Forks	12/10/1992	140,000	Dev. Fund equity	chg off 140,000	1995
Mightylite	Hankinson	12/21/1992	200,001	Dev. Fund equity	chg-off 200,001	1995
ADE	Regent	1/4/1993	25,000	Dev. Fund equity	chg-off 25,000	1995
Kirschmann Mfg.	McClusky	4/7/1993	150,000	Dev. Fund equity	chg-off 150,000	1995
Mightylite	Hankinson	4/7/1993	89,999	Dev. Fund equity	chg-off 99,999	1995
Kirschmann Mfg.	McClusky	6/17/1993	150,000	Dev. Fund equity	chg-off 150,000	1995
FACT	Ft. Yates	7/16/1993	60,000	Dev. Fund na lease	chg-off 37,000	1995
Tech Rom Libraries	Mandan	7/22/1993	75,000	Dev. Fund equity	chg-off 75,000	1995
FACT	Ft. Yates	9/20/1993	17,000	Dev. Fund na lease	chg-off 14,500	1995
Precision Fiberglass	Edgeley	9/24/1993	20,000	Rural Fund equity	chg-off 20,000	1995
ADE	Regent	10/27/1993	43,000	Dev. Fund equity	chg-off 43,000	1995
Kirschmann Mfg.	McClusky	1/28/1994	163,000	Rural Fund equity	chg-off 163,000	1995
	Total 1995				**$1,838,052**	
Pro Entry	Minot	3/2/1992	15,000	Dev. Fund	chg-off 11,988	1996
Pro Entry	Kenmare	3/2/1992	15,000	Dev. Fund	chg-off 11,988	1996
NYTAF Ind.	Edmore	3/10/1994	25,000	Rural Fund equity	chg-off 24,932	1996
Benton Industries	Minot	5/23/1994	140,000	Dev. Fund equity	chg-off 140,000	1996
Edmore Dev. Corp.	Edmore	5/27/1994	80,000	Rural Fund equity	chg-off 80,000	1996
Dakota Fiber	Casselton	6/2/1994	33,700	Rural Fund equity	chg-off 26,700	1996
Q&R Processing	Tolna	8/8/1994	75,000	Rural Fund equity	chg-off 75,000	1996
Foam Technologies	Williston	8/9/1994	70,000	Dev. Fund	chg-off 60,000	1996
Benton Industries	Minot	2/15/1995	50,000	Dev. Fund equity	chg-off 50,000	1996
NYTAF	Edmore	2/24/1995	125,000	Rural Fund equity	chg-off 125,000	1996
	Total 1996				**$805,608**	
InstaScreen	Harvey	7/28/1993	80,000	Dev. Fund	chg-off 18,134	1997
Chiefs Choice	Mandan	8/15/1994	175,000	Dev. Fund equity	chg-off 175,000	1997
Red River Trading	Grand Forks	1/23/1995	30,000	Dev. Fund	chg-off 30,000	1997
Red River Trading Co.	Grand Forks	2/28/1995	30,000	Dev. Fund	chg-off 30,000	1997
Orbtech	Steele	5/24/1995	10,000	Rural Fund grant	chg-off 8,521	1997
	Total 1997				**$261,655**	
[illegible]Catalyst	Williston	4/9/1992	300,000	Dev. Fund equity	chg-off 300,000	1998
[illegible]gic	Minot	4/16/1992	300,000	Dev. Fund equity	chg-off 300,000	1998
ND Housing & ED/MAA	Fargo	7/24/1992	34,000	Dev. Fund urban debt	chg-off 1,274	1998
Oral Logic	Minot	12/10/1992	100,000	Dev. Fund equity	chg-off 100,000	1998
Dakota Catalyst	Williston	12/29/1993	250,000	Dev. Fund equity	chg-off 250,000	1998
TJ Manufacturing	Harvey	3/31/1994	40,000	Rural Fund	chg-off 35,930	1998
Advanced Architecture	Fargo	1/4/1995	28,300	Rural Fund TTI	chg-off 28,300	1998
Falcon Fiberglass	Williston	2/1/1995	42,500	Dev. Fund	chg-off 37,297	1998
Dakota Medical Lab.	Ft. Totten	3/5/1996	21,600	Rural Fund TTI	chg-off 21,600	1998
	Total 1998				**$1,074,401**	
Mexican Village	Hillsboro	12/7/1993	60,000	Dev. Fund equity	chg-off 60,000	1999
NuGrain	Harvey	3/4/1994	200,000	Rural Fund equity	chg-off 200,000	1999
Heart of Valley	Portland	9/23/1994	50,000	Rural Fund TTI	chg-off 50,000	1999
NuGrain	Harvey	2/14/1995	275,000	Rural Fund equity	chg-off 275,000	1999
Dakota Fresh	Casselton	4/23/1996	50,000	Rural Fund equity	chg-off 50,000	1999
North Plains Premium Be	Mandan	4/23/1997	25,000	Dev. Fund	chg-off 25,000	1999
RCB Baking	Fargo	9/17/1997	100,000	Dev. Fund	chg-off 46,245	1999
	Total 1999				**$706,245**	
Sawyer Beef	Sawyer	9/7/1990	50,000	Dev. Fund	chg-off 45,000	2000
Buffalo Commons	Mott	7/31/1996	120,000	Rural Fund	chg-off 120,000	2000
Dakota Dairy	Hebron	9/27/1996	130,000	Rural Fund	chg-off 103,144	2000
Farmer's Choice Pasta	Leeds	10/29/1996	300,000	Rural Fund equity	chg-off 317,150	2000
AgGrow Oils	Carrington	10/3/1997	300,000	Rural Fund	chg-off 270,532	2000
Blue ThunderHawks	Larimore	12/23/1998	16,100	Rural Fund	chg-off 14,792	2000
Blue ThunderHawks	Larimore	2/9/1999	15,671	Rural Fund	chg-off 15,671	2000
	Total 2000				**$886,289**	
Total Charge Offs					**$5,422,250**	

CHARGE OFF BY ACTUAL YEAR

SB 2019

James Melland testimony

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA



"VISION FOR THE NEW MILLENNIUM"

January, 2001

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA

"EDND'S VISION FOR THE NEW MILLENNIUM"

Goal #1 - 25,000 new primary sector jobs will be created in ND between 2000 and 2005

Goal #2 - ND's per capita income will be at least 93% of the national average by 2005

To achieve these goals, a clear definition of economic development must be understood. Economic development is a process - not an event - where public policy and the free enterprise intersect to generate "Primary Sector" growth that creates better jobs and personal wealth creation resulting in a higher standard of living for every member of the State.

The new millennium is bringing new economic development trends which the State of North Dakota needs to recognize and adjust to in order to capitalize on existing and future economic opportunities. These trends include:

- Globalization
- Technology & Telecommunications
- Regionalism
- Sustainable Development & Financial Commitment
- Workforce Development

The purpose of the Economic Development Association of North Dakota (EDND) vision is to develop a realistic approach for EDND, the State Legislature and the citizens of North Dakota to follow for understanding and promoting a positive economic future for the State. The following are specific issues that EDND recommends the State of North Dakota address and incorporate into a solid and comprehensive legislative strategy and vision for North Dakota.

1.) **Establish a North Dakota Department of Commerce structure.** State agencies who play a particularly active role in promoting economic development in North Dakota would come together under the umbrella of one public/private agency allowing them to function together with a shared strategic plan maximizing each others strengths. This issue is currently being explored by the Interim Commerce & Labor Committee. Agencies to be considered for inclusion in the Department of Commerce would include:

- ND Department of Economic Development & Finance
- ND Tourism Department
- ND Department of Community Services
- ND Labor Department
- ND Workforce Development Council

2.) **Economic Development finance and incentive programs.** The State of North Dakota must continue to provide finance and incentive programs to support future business start-up, expansion and recruitment projects. The following are existing programs the EDND supports remaining intact and funded at the suggested levels.

- ND PACE - Leave the program as is presently structured -- $6,600,000
- AG-PACE - Leave the program as is presently structured -- $1,500,000
- North Dakota Development Fund - Keep the program in place while keeping the regional rural development portion of the fund in place -- $5,000,000
- Community Development Block Grant Program - Leave the program as is presently structured.
- Renaissance Zones - Recommend the following enhancements to the program.
  - Increase the tax credits available for Renaissance Venture Corporations and additional $2,500,000
  - Allow the income and property tax exemption for renovation of currently owned residential property if it meets the minimum criteria.
- Corporate Income Exemptions - Leave the program as is presently structured
- Property Tax Exemptions - Leave the program as is presently structured
- Sales & Use Tax Exemptions on Manufacturing & Processing Equipment
  - Maintain the program as is presently structured to provide the exemption for primary sector manufacturing and processing companies. Recommend expanding the exemption to be applied to primary sector information processing companies as well. Such companies make up one of North Dakota's primary targeted industries and the State of North Dakota is not affording these businesses an equal opportunity to benefit from the Sales & Use Tax Exemption on Manufacturing & Processing Equipment as it is presently structured. Recommend that the exemption be expanded to be applicable to equipment within North Dakota based primary sector information processing companies. This equipment would include phone switches, WAN & LAN equipment, PBX equipment, servers, storage equipment, etc. It would not include desktop hardware and/or peripherals.

In order to attract and develop new companies that will compete in today's changing economy, new programs need to be established. Such programs would include:

- Investment Capital Fund - Recommend the establishment of a public/private risk investment fund aimed at providing start-up capital for entrepreneurial business. Targeted at e-commerce, information technology, and advanced technology companies.

- Speculative Building Program - Recommend the establishment of a speculative building finance program. The program would encourage private sector investment in speculative commercial buildings for primary sector business use. The program would offer a two-year waiver of property taxes and special assessments as long as the buildings constructed meet with the approval of the community and local development corporations. The Bank of North Dakota would provide participation loans to private developers to finance the speculative building on a short-term basis offering a two year window of no principle or interest payments on the permanent financing. If within this two year period the developer sells the building for a non-primary sector use, the developer would be required to repay the value of the incentives including the value of the tax exemption received up to the point of sale.

3.) **Workforce Development.** Despite North Dakota's declining population, the State is realizing a growth in new jobs being created and total statewide employment. This has begun to create a shortage of workers in the State. To support continued growth, the State of North Dakota must continue to support workforce development, training, and recruitment programs. Existing programs that have been extremely successful (although underfunded) that must be continued and funded at higher levels include:

- Workforce 2000 - Restore to a higher level of funding and reinstate the original intent of the "New Job Definition" so retraining and upgrading for existing employees qualify. Restrict assistance to primary sector jobs only. -- $2,500,000
- New Jobs Training Program - Maintain the program as presently designed.
- Workforce Training Initiative - Support the Workforce Training Initiative passed by the 1999 legislative session. The quadrant workforce training initiative offices would be supported through a combination of public/private funding sources.

Other workforce training programs/initiatives that warrant consideration based upon the growing demand for skilled workers include:

- Development of a state supported labor recruitment program
- Development of an incentive program for college graduates to stay and work in ND
- Explore a low interest mortgage rate program that would attract employees back to North Dakota working in targeted industries.
- Direct the ND University System to be strengthen and/or develop program offerings that are flexible, responsive and relevant to statewide economic development targeted industries and emerging industries. "Supplying Tomorrow's Workforce".

4.) **Economic Development Marketing, Public Relations & Education.** North Dakota is well known to the world as a tourist destination. However, it is virtually unknown as a destination for primary sector business operations and investment. To realize earlier stated goals, the State of ND must successfully start-up new companies, expand existing companies and recruit outside companies through a well defined strategy that would include:

- Develop and adequately fund a business attraction marketing program to bring more primary sector employment into ND. -- $2,000,000 minimum appropriation.
- Locate & promote venture capital investment into North Dakota businesses
- Maintain programs like the Manufacturers Extension Partnership program to assess the needs of ND businesses and inform them of opportunities to support their continued growth.
- Promote entrepreneurship offerings taking place statewide.
- Support educational programs targeted at promoting professionalism and skills development for in-state economic development professionals.

5.) **Technology Infrastructure Development.** Development and implementation of a statewide plan connecting all of North Dakota with a replete fiber optics and broad bandwidth network is a necessity for North Dakota to compete in the ever-expanding worldwide marketplace. The sooner North Dakota (state-wide) is more completely connected to the rest of the world, the quicker the State can begin to reap the rewards of new growth that will follow.

6.) **Agriculture Support & Development.** Regardless of the huge strides the State of North Dakota has made to diversify its economy, agriculture still remains one of our most vital industries. Every effort must be made at the state level to continue to support existing programs as they presently exist and to consider developing new programs that have the capacity to support the shift in our State from a commodity producing State to a food producing State.

- Support the Ag Products Utilization Commission at its current level of funding (i.e. with rural gas tax funding).
- Support the Beginning Farmer Loan Program as is presently structured.
- Support the Ag Mediation & Adult Farm Management Program as is presently structured.

SB 2019

We Will Focus Our Efforts To Create Greater Wealth

Gov. John Hoeven's State of the State Address opened and closed with economic development. He expects the Department of Economic Development and Finance (ED&F) to become more creative and effective. He expects ED&F to nurture business relationships that produce more, better-paying jobs throughout North Dakota.

We intend to deliver.

This Executive Summary presents a candid review of the current programs or services ED&F provides. Support materials are available from the contact person listed and responsible for each service area. www.growingnd.com - the agency web site - is also a valuable source of information on ED&F activities.

Business Development and Marketing

The Business Development staff is responsible for the expansion of existing business, supporting start-ups and recruiting or attracting business investment from outside the state. Business developers work closely with their clients, development organizations, communities and local developers to seek and secure successful business investment projects.

During fiscal year 1999-2000, ED&F's Business Development team kept in direct contact with more than 150 instate, primary-sector businesses and over 80 out-of-state businesses. Their work with these clients impacted 65 North Dakota communities.
Contact: Lee Peterson, 328.5305

Funding & Financial Services: APUC

APUC provides financial assistance to North Dakota farmers, ranchers and ag-related business owners so they can transform their unique, entrepreneurial ideas into successful ventures that add value to North Dakota's agricultural products. The Commission administers five grant programs that encompass basic and applied research, marketing and utilization, cooperative marketing, farm diversification and agricultural prototypes.

Between July 1, 1999, and June 30, 2000, APUC received 118 grant applications requesting $4.7 million in total funding. The Commission approved 64 projects for a total of $1.38 million in funding. APUC disbursed $1.5 million for ethanol production incentives.
Contact: Lance Gaebe, 328.5350

Funding & Financial Services: ND Development Fund

The North Dakota Development Fund provides flexible, gap financing to North Dakota businesses in an effort to secure the state's economic growth. The Development Fund also administers the Regional Rural Development Revolving Loan Fund (RRLF) which provides dollars specifically for qualifying rural projects.

The Development Fund invested $4.9 million in 28 projects from July 1, 1999, to June 30, 2000. These dollars leveraged over $28 million from other financing institutions and resulted in a 6.95 to 1 ratio — for every Development Fund dollar invested, $6.95 was invested from other sources.

Since the inception of the Fund, it has invested nearly $33.2 million in 197 companies with almost half ($13 million) invested in rural communities. The investments made by the Fund have contributed to the creation of 6,492 primary-sector jobs.
Contact: Dean Reese, 328.5334

Global Business

An ever-increasing number of North Dakota businesses seek to export their goods and services internationally. During the first half of the 1999-01 biennium, ED&F provided support for several international business projects. The agency contracted with an international business consultant to develop a global strategic plan that takes a more aggressive approach to marketing North Dakota, its businesses and its products to the world.
Contact: Lee Peterson, 328.5305

Manufacturing Extension Partnership

The Manufacturing Extension Partnership (MEP) is a public/private partnership affiliated with the U.S. Department of Commerce's National Institute of Standards and Technology. At the heart of the system is a network of more than 400 regional manufacturing extension centers. These centers provide direct services to manufacturers, helping them to address their most critical needs.

ED&F conducted nearly 200 on-site interviews with manufacturers across North Dakota as the basis for an MEP Center. Based on the interview results, five Lean Manufacturing workshops were offered with more than 120 participants from 40 manufacturers learning a systematic approach for identifying and eliminating waste through continuous improvement techniques.

Sixty-four percent of the manufacturers interviewed said they planned to expand their facilities in the next three years. This amounts to an estimated investment of more than $124 million in local economies and the creation of more than 3,500 jobs.
Contact: Randy Schwartz, 328.5314

Research & Intelligence

The Research & Intelligence division of ED&F evolved from the ongoing need to assess North Dakota's capacity, new wealth creators, growth opportunities and competitive position.

During fiscal year 1999-2000, Research & Intelligence staff managed 268 activities; 105 of these were specific company requests. Another 22 were research requests from ED&F clients, and the last 141 dealt with program or topic research.

Research & Intelligence was largely responsible for the development and completion of "Our Competitive Landscape: A report on the composition and performance of the North Dakota economy." The authoritative report was distributed to nearly 10,000 North Dakotans.

There is a New Economy and North Dakota must be a part of it.

– Gov. John Hoeven

We Will Focus Our Efforts To Create Greater Wealth

Research & Intelligence (Continued)

During the past year, Research & Intelligence developed skills and used geographic information systems for industry analysis, North Dakota infrastructure and inclusion on ED&F's web site.
Contact: Cory Finneman, 328.5328

Small Business Development Centers

The Small Business Development Centers (SBDCs) are a partnership program with the U.S. Small Business Administration. ED&F is the primary source for state funding support. SBDCs deliver free, confidential business counseling, workshops, specialty training and links to valuable resources for business clients across the state.

SBDCs conducted 78 manufacturer interviews for the North Dakota MEP Center in 2000. During fiscal year 1999-2000, SBDCs counseled 703 clients for a total of 5,639 hours. Center staff also presented 32 training programs to 872 attendees.
Contact: Wally Kearns, 777.3700

State & Local Development

This division includes the North Dakota Rural Development Council. Funded by the USDA, the administration, information and support services are provided by ED&F. The Council is charged to identify and establish collaborative and proactive partnerships which respond to pressing economic, community development issues.
Contact: Cornelius Grant, 328.5313

Women & Technology

The Women & Technology program is sponsored by the U.S. Small Business Administration, ED&F and the Bank of North Dakota. The program provides basic computer training in North Dakota communities. In the program's first year (1999-2000), more than 600 people attended community computer courses in 13 different communities in North and South Dakota.
Contact: Tara Holt, 328.5897

Workforce Development Council

The North Dakota Workforce Development Council is a 25-member, advisory body appointed by the governor. In the past year, the Council developed the state's first strategic, five-year workforce development plan with heavy emphasis on high-skill, high-wage and high-growth primary-sector industries.

The Council also developed an extensive One-Stop Delivery system through the Workforce Investment Act. Critical services include labor market information, career planning, provider information and access to many local partners who deliver workforce-related products or services.
Contact: Lee Peterson, 328.5312
(position currently vacant)

GROWING
North Dakota

North Dakota Department of
Economic Development & Finance
1833 East Bismarck Expressway
Bismarck, ND 58504
701.328.5300
www.growingnd.com

Growing North Dakota



[illegible] plans to add 100 new jobs to the 500 employees currently working at its Minot office. That's economic development in action. Photo courtesy Stephen Gothe, Minot Daily News.

The Department of Economic Development and Finance provides strategic direction and quality products and services to stimulate and support local economic growth and diversity.

– Current Mission Statement

The Department of Commerce is the perfect solution to leverage our limited resources in financial and human capital so we focus our efforts and create greater wealth for North Dakota.

– Proposed Direction

2001-03 Funding Request

Legislation

Senate Bill 2019 provides an appropriation for the Department of Economic Development & Finance. It also includes an appropriation for the Agricultural Products Utilization Commission (APUC).

Purpose	Funds Requested
Business Expansion, Recruitment	$ 1,031,463
Marketing	1,248,049
APUC	1,425,270
Development Fund	3,000,159
Global Business	192,289
Manufacturing Extension Partnership	558,544
Research & Intelligence	439,714
Workforce Development Council	101,291
Discretionary Grants	1,673,292
Admin. Support, Info. Technology	1,280,371
Total Request	**$10,950,442**

Testimony of Miles Friedman, President of the National Association of State Development Agencies (NASDA) Before the Senate Appropriations Committee...on the North Dakota Department of Economic Development and Finance Budget...January 11, 2001

Good Morning Mr. Chairman and Members of the Committee. Thank you for inviting me to comment briefly on the ED&F budget request.

Allow me to introduce myself: I am President of NASDA, which is a national, not-for-profit, economic development organization, which has worked with state economic development agencies around the country for over fifty years. We were asked by ED&F and by your Interim Committee on Commerce and Labor, to assist the state in addressing the potential for consolidation and/or privatization of its economic development programs. We began to work with those bodies last March, and I have been to North Dakota twice in the past nine months in this regard. In addition, we have conducted many telephone interviews, and conference calls with the Department, the Interim Committee, and other key players in the state during that time.

For over fifty years, NASDA has worked with state development agencies all over the country to help them stay on top of the latest trends in economic development and to find ways to strengthen their own programs. In that capacity, NASDA has assisted with and documented the evolution of state agencies as they progressed from very rudimentary, single purpose offices, to broad based, multi-faceted organizations with a wide range of program responsibilities.

We maintain special programs in most major areas of concentration for economic development agencies, including: marketing and investment attraction; international trade and investment; travel and tourism development; economic development research; local/regional economic development and enterprise zones; technology development; business finance; and workforce development. We compile the most complete directory of state business incentives in the United States and document state efforts in international trade and most functional areas of economic development.

Let Me Summarize Our Work in North Dakota:

We have looked closely at the state of that art for economic development in North Dakota, and have conducted numerous interviews, background research, and focused discussions with key players. In this context, we have also applied our extensive experience over time with what has and has not worked in other states. This culminated with a series of recommendations to the Interim Committee, which are embodied in the Senate bill that proposes the creation of a comprehensive North Dakota Department of Commerce.

As the central player at the state level, ED&F got generally high marks for its performance, but there were concerns that its mandate was not broad enough and that some in the business community and the local economic development community did not find it to be a "full service" agency.

What We Found in North Dakota

- A good base in ED&F and other agencies
- A great deal of diversity among programs
- Too many pieces in too many places
- Strong base at local/regional levels
- Support among private players
- Bi-partisan belief in development
- A few pieces missing

We looked closely at state experience across the country in devising a strategic approach for North Dakota. These experiences provided guidance, though no one state program would be mimicked in North Dakota.

National Trends in Economic Development

- Most states have comprehensive departments of economic development
- States are experimenting with public-private partnerships
- States guide their programs with long-term strategic plans
- States want to improve ROI and accountability
- States are building intrastate networks
- States want to address business demand and input

A four part series of recommendations were developed, during an almost year-long process of consultation. During that time, numerous individuals were consulted from amongst state government agencies, the Interim Committee on Commerce and Labor, the political leadership, the business community and local economic developers.

Summary of Major Recommendations

- Create a comprehensive North Dakota Department of Commerce
- Launch a Commerce Cabinet
- Initiate a unified economic development budget for North Dakota
- Establish a public-private foundation

- In addition it was suggested that the state undertake completion of a long-term strategic economic development plan and that the proposed Commerce Department should include a regional outreach program to strengthent ties to local economic development programs

The following specific courses of action were suggested for implementation as soon as possible:

First, that a *comprehensive Department of Commerce be created*, so as to increase opportunities for coordinating the state's diverse economic development programs, and to establish one central place where businesses and local developers could access the state's resources.

The Proposed Commerce Department Would Include

- Business Services
- Global Business
- Investment Attraction
- Research
- Finance
- Travel and Tourism
- Employment and Training
- Community Development
- Regional Outreach

Second, that a *"Commerce Cabinet" be established*, where the heads of all state agencies with any economic development mandate, would meet regularly, and could facilitate cooperation and collaboration among these agencies and their programs.

The Commerce Cabinet Would Mean

- Heads relevant agencies would meet regularly
- Communication, cooperation and coordination would be encouraged
- Consistency with a state strategic ED plan would be emphasized
- Commerce Director would chair
- Greater accountability would be served

Third, that a *unified economic development budget* be initiated, which would funnel all ED budget requests through the Commerce Secretary, who would have responsibility for insuring that all state expenditures be consistent with state program goals, and would be easily accountable to the Governor and Legislature.

The Unified Economic Development Budget for North Dakota

- All state funded programs would have to submit a request (one could then see them all in one place)
- These requests would be coordinated and presented by the Commerce Director
- All requests would have to be consistent with the state strategic ED plan
- Consistency and accountability would be enhanced

Fourth, that a *non-profit foundation be set up*, with a private board appointed by the Governor, in order to allow greater access by leading private players to the state's ED planning process, and to more actively engage the private sector in support of the state's programs. First tasks for the foundation would include overseeing the development of a long term strategic economic development plan, and launching an ambassadors and mentors program.

The North Dakota Economic Development Foundation

- A private board with staggered terms
- Governor appoints the board
- A not for profit corporation
- Could utilize public and/or private funding
- Would need little or no staff
- Could contract for for most of its work
- Would represent most major business interests and segments of the state
- Could assist and complement the Commerce Department
- Advises the Governor and Legislature
- Helps with big picture, long term issues
- Undertakes strategic economic development plan
- Helps assess program success and progress
- Board serve as ambassadors and mentors
- Conduct special events and fundraising

In addition to these organizational proposals, NASDA has urged the state to strengthen the proposed Commerce Department, by instituting a *regional outreach program*, which would be geared to allow the State of North Dakota to best support local economic development efforts, and would increase local input to the state organization. Communities would also have input to the state program through representation on the private board of the Foundation.

It should be noted that *moving development programs into the Commerce Department need not weaken those programs, but rather, should allow them to flourish.* Travel and tourism, for example, has been folded into more traditional economic development program organizations in most states, as they have realized that this is one of the top industries and employers in most states. Tourism programs benefit by becoming more closely intertwined with business development programs and finding their way into the strategic planning process for economic development. This can pay huge dividends when it comes to investing in infrastructure, setting up guidelines for business assistance programs, developing criteria for financing and incentive programs and looking for synergies with outreach and marketing programs. What's more, an increasing number of local economies have set tourism as their primary goal for economic expansion, especially in smaller rural communities. The strongest mandate we have from the NASDA Tourism Division members, has been to help them become more fully integrated into the economic development planning and management system.

We believe that these proposals will expand and strengthen the state's efforts, will make the state even more responsive to the business community and local economic developers and will increase the flexibility of the state to seize opportunities to enhance the economy over the coming years.

The proposed reorganization is designed to gain more bang for the state's buck by creating increased synergies among programs and by facilitating piggybacking of resources. These are not, in and of themselves, cost-cutting measures, but rather, revenue-stretching moves.

The ED&F Context Helped Set the Stage:

Intrinsic to our work was the background look we took at ED&F, and we were encouraged to find that, for the most part, the state would not have to overcome any serious image problems. In fact, the agency got generally high marks from those we talked to, (as did most of the existing players). The biggest concerns were about: the diversity of players getting state funds, with no central clearinghouse; the absence of a strong global development program; the concern over relative roles between state and local developers; whether the resources available to economic development were adequate; and the degree of private sector involvement in the state program.

The predominant feeling was that ED&F had many of the tools it needed, and that those that were missing could be added to this basic structure fairly comfortably. With the addition of some functions and the incorporation of others that were currently outside the agency, most people felt that an expanded ED&F could evolve into the Commerce Department that the state needed. In other words, rather than a radical departure, this would be a smooth, evolutionary process, that would leave the state in a stronger position, without causing a major disruption.

Why, you might ask, is it then necessary to form a Commerce Department? Forming a Commerce Department would complete the job of insuring that North Dakota has the tools it needs to respond to the challenges of the New Economy and the needs of local economic development officials. "Commerce" is a more appropriate descriptor of what the reformed agency would be responsible for, and formation of the new agency would be a way of sending a message as to the state's intentions. It also would bring North Dakota more in line with the nomenclature and practice which is in place in the most progressive states in the nation.

<u>Advantages of the Proposed Reorganization</u>

- Better communication, cooperation and coordination among programs
- Get more out of resources
- More predictable, easier to access
- More accountable
- More flexible and responsive
- Easier to mobilize
- Strengthens individual programs
- Better able to address challenges of the New Economy
- More competitive with other states
- Brings continuity of purpose over time
- Likely to garner national attention

In fact, this overall proposal would help position North Dakota as one of the most energetic and progressive states in the field of economic development.

Nevertheless, in the transition period, as the new structure is being considered, and perhaps put in place, it is essential that ED&F continue to have the resources it needs and the support of the legislature. This will allow successful in place program to continue, will set the stage for

expanding and re-engineering the state's program, and will help keep the positive momentum created by the current proposals, flowing. In fact, support for ED&F now, will enable the state to move forward with much of what needs to be done, without North Dakota missing a beat.

In Conclusion

It is worth noting that two key state organizations have expressed support for this general strategy: both EDND and GNDA have been quite receptive to the proposals outlined above, and in fact, EDND had already developed the outline for a similar reorganization last year. Thus, I believe the opportunity presents itself to build on support by the business community and local economic developers that will help the state move even more aggressively forward in meeting the challenge of augmenting its economy for years to come.

I hope that you will help take the first step by looking favorably upon the ED&F budget.

Thank you for this opportunity to be with you today and to express my thoughts.

PROJECTED ND DEVELOPMENT FUND CASH AVAILABILITY
(July 1, 2001 to June 30, 2003)

1. Cash Availability (1-9-01)

-Development Fund:	$4,976,805.42
-Rural Fund:	2,765,195.92
-Development Fund (TTI collection):	206,000.00
Total Cash available prior to Unfunded Commitments and Pending Applications:	$7,948,001.34
Projected Appropriation next Biennium:	2,616,000.00
Investment Repayments ($225,000 X24):	5,400,000.00
Less: Unfunded Projects & Pending Applications:	($7,635,316.00)
Cash Available Before Expenses:	$8,328,685.34
Less: Expenses (2 years): *	(2,211,400.00)
Cash Available For New Projects:	$6,117,285.34
Investment Funding (7-1-99 to 12-31-00) **	$8,139,725.00

*Average annual administrative costs have been $146,700 and bad debt expense has averaged $959,000 the past 3 years ($959,000X2 plus $146,700X2= $2,211,400).

**Based on actual funding of projects for 18 months and not a full 2-year period. If the activity were annualized out for a full 2-year period the projected funding level for the biennium ending 6-30-01 would be $10,852,966. Based on the historical level of funding the Development Fund would not be able to meet all future potential loan and equity investment funding requests. But, as listed above, the Unfunded Projects and Pending Applications could change, but the Unfunded Commitments total of $2,906,816 will close. The Pending Applications of $4,728,500 would have the greatest chance of change, but the majority of the requests in the pending stage seem strong. But, if 50% of the Pending Projects are not approved, it would free up $2,364,250 for additional investments. If this did happen, the Development Fund still would not be able to cover the full funding requests for the new biennium based on the prior biennium results ($6,117,285.34 + $2,364,250 = $8,481,535.34 as compared to a projected funding level of $10,852,966).

Based on the above analysis and graphs showing the accomplishment of the Development Fund the past 2 years, the Development Fund does need the support of the Legislature and an increased appropriated funding level than in the past.

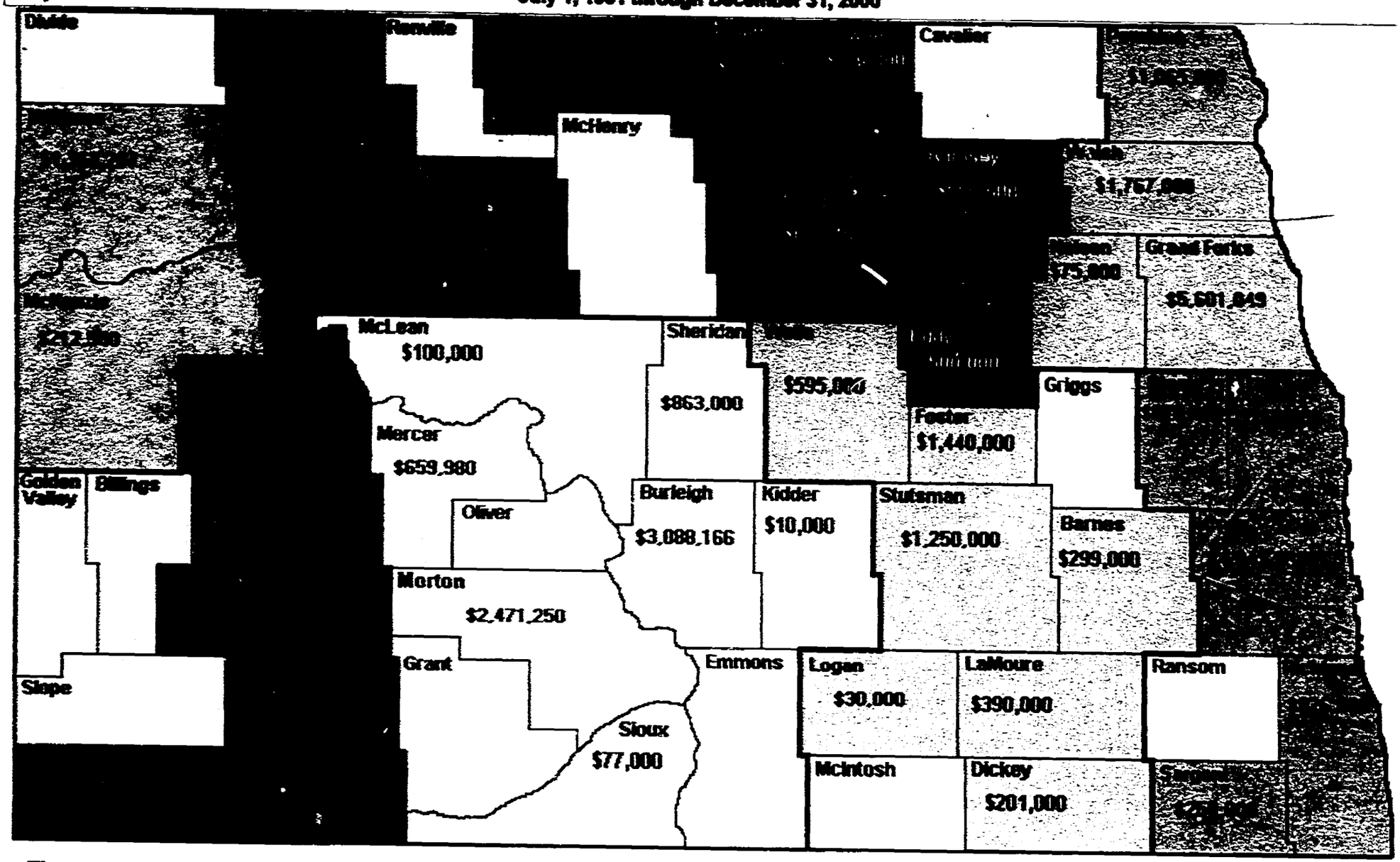
TECHNOLOGY TRANSFER, INC. (SUMMATION OF STATUS)
January 8, 2001

1. Funding Agreements acquired by North Dakota Development Fund (July 1,1999):	$1,604,428.40
2. Funds collected by Development Fund (July 1, 1999 to December 31, 2000:	161,557.02
3. Funding Agreements Balance (December 31, 2000):	1,442,871.38
4. Balance in Deposit Account:	$ 206,068.19

[redacted] Associates	Grand Forks	[redacted]	[redacted]
Lamoure Feed & Seed	Lamoure	8/10/1999	75,000
Wahpeton CDC	Wahpeton	9/10/1999	300,000
[redacted]ston EDC	Williston	9/10/1999	300,000
[redacted] & Clark Reg. Coun	Bismarck	9/20/1999	37,500
[redacted] Dakota Feed & See	Ross	11/15/1999	100,000
[redacted]day JDA	Halliday	11/22/1999	25,000
Commercial Group West	Kenmare	12/3/1999	400,000
Meridian Environmental	Grand Forks	12/7/1999	90,000
Creative Industries	Kenmare	12/15/1999	75,000
TSR Parts	Colgate	12/22/1999	250,000
TSR Parts	Colgate	1/11/2000	45,000
Souris River Grain	Newburg	1/12/2000	100,000
Biodigestor Technologies	Grand Forks	1/14/2000	300,000
Halliday JDA	Halliday	1/26/2000	6,000
Halliday JDA	Halliday	1/26/2000	13,750
Bismarck Canvas	Menoken	2/1/2000	35,000
Young Manufacturing	Grand Forks	2/10/2000	125,000
Deva Lifewear	Westhope	2/17/2000	100,000
North American Provision	New Rockford	2/17/2000	200,000
Drayton Grain Processors	Drayton	3/1/2000	204,846
West Dakota Feed & See	Ross	3/2/2000	150,000
Schultz Creamery	Bismarck	3/3/2000	200,000
Cobra Hose	Fargo	3/10/2000	250,000
Schultz Creamery	Bismarck	5/19/2000	33,333
Lighted Impressions	Columbus	5/22/2000	50,000
BeAtHome.Com	Fargo	6/8/2000	70,000
PolarWare	McClusky	6/8/2000	400,000
[redacted] Taste	Finley	6/8/2000	300,000
[redacted]re Motel	Kenmare	6/27/2000	250,000
[redacted] Labs	Wahpeton	7/7/2000	225,000
Pump Systems	Dickinson	8/2/2000	31,250
Rosenbluth	Dickinson	8/7/2000	7,092
Minot Area Development	Minot	8/9/2000	500,000
TRAX+	Bismarck	8/17/2000	200,000
Abrasives Inc.	Glen Ullin	8/31/2000	150,000
Earth Kind	New Town	8/31/2000	50,000
Pump Systems	Dickinson	9/1/2000	20,000
Ray Mac Inc.	Gwinner	9/8/2000	250,000
Dacco, Inc.	Hebron	9/11/2000	800,000
Cross Consulting	Watford City	10/13/2000	60,000
Schultz Creamery	Bismarck	10/20/2000	33,333
Napoleon Future Fund	Napoleon	10/24/2000	30,000
Sakakawea Lake Cabins	Hazen	11/8/2000	64,600
CD Sound	Bismarck	11/20/2000	125,000
Buffalo City Wood Prod.	Jamestown	11/29/2000	125,000
Ultra Tech	Dickinson	12/11/2000	3,333
Glass Busters	Fargo	12/14/2000	300,000
TRAX+ / Raging River	Bismarck	12/15/2000	500,000

[redacted]

North Dakota Development Fund and Rural Fund Investments
July 1, 1991 through December 31, 2000



There are 37 counties with NDDF and RRLF investments.

Region 1	Region 5
Region 2	Region 6
Region 3	Region 7
Region 4	Region 8

Total Funded $38,938,656

Testimony to House of Representatives Appropriations Committee
North Dakota Department of Economic Development and Finance Budget
March 2,2001

Miles Friedman, President
National Association of State Development Agencies (NASDA)

Good Morning Mr. Chairman and Members of the Committee. Thank you for inviting me to comment on the ED&F budget request.

Allow me to introduce myself: I am President of NASDA, which is a national, not-for-profit, economic development organization, which has worked with state economic development agencies around the country for over fifty years. We were asked by ED&F and by your Interim Committee on Commerce and Labor, to assist the state in addressing the potential for consolidation and/or privatization of its economic development programs. We began to work with those bodies last March, and I have been to North Dakota four times in the past year in this regard. We have also consulted with groups such as the Econornic Development Association of North Dakota (EDND) and the Greater North Dakota Association (GNDA). In addition, we have conducted many telephone interviews, and conference calls with the Department, the Interim Committee, and other key players in the state during that time.

For over fifty years, NASDA has worked with state development agencies all over the country to help them stay on top of the latest trends in economic development and to find ways to strengthen their own programs. In that capacity, NASDA has assisted with and documented the evolution of state agencies as they progressed from very rudimentary, single purpose offices, to broad based, multi-faceted organizations with a wide range of program responsibilities.

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We have looked closely at the state of the art for economic development in North Dakota, and have conducted numerous interviews, background research, and focused discussions with key players. In this context, we have also applied our extensive experience over time with what has and has not worked in other states. This culminated with a series of recommendations to the Interim Committee, which were embodied in the bill that proposed the creation of a comprehensive North Dakota Department of Commerce.

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community and the local economic development community did not find it to be a full service agency.

What We Found in North Dakota

- A good base in ED&F and other agencies
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National Trends in Economic Development

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- States are experimenting with public-private partnerships
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Summary of Major Recommendations

- Create a comprehensive North Dakota Department of Commerce
- Launch a Commerce Cabinet
- Initiate a unified economic development budget for North Dakota
- Establish a public-private foundation
- In addition it was suggested that the state undertake completion of a long-term strategic economic development plan and that the proposed Commerce Department should include a regional outreach program to strengthen ties to local economic development programs.

The following specific courses of action were suggested for implementation as soon as possible:

First, that a *comprehensive Department of Commerce be created*, so as to increase opportunities for coordinating the state's diverse economic development programs, and to establish one central place where businesses and local developers could access the state's resources.

The Proposed Commerce Department Would Include

- **Business Services**
- **Global Business**
- **Investment Attraction**
- **Research**
- **Finance**
- **Travel and Tourism**
- **Employment and Training**
- **Community Development**
- **Regional Outreach**

Second, that a "*Commerce Cabinet" be established*, where the heads of all state agencies with any economic development mandate, would meet regularly, and could facilitate cooperation and collaboration among these agencies and their programs.

The Commerce Cabinet Would Mean

- Heads of relevant agencies would meet regularly
- Communication, cooperation and coordination would be encouraged
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Fourth, that a *non-profit foundation be set up*, with a private board appointed by the Governor, in order to allow greater access by leading private players to the state's ED planning process, and to more actively engage the private sector in support of the state's programs. First tasks for the foundation would include overseeing the development of a long-term strategic economic development plan, and launching an ambassadors' and mentors program.

The North Dakota Economic Development Foundation

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- Governor appoints the board
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- Helps with big picture, long term issues
- Undertakes strategic economic development plan
- Helps assess program success and progress
- Board serve as ambassadors and mentors
- Conduct special events and fundraising

In addition to these organizational proposals, NASDA has urged the state to strengthen the proposed Commerce Department, by instituting a *regional outreach program*, which would be geared to allow the State of North Dakota to best support local economic development efforts, and would increase local input to the state organization. Communities would also have input to the state program through representation on the private board of the Foundation.

With a strong presence at Commerce, and an aggressive regional outreach and assistance program, the state will be better positioned to serve North Dakota's rural communities. The very communities, who now have the lowest level of economic development capacity and the least resources, will be the biggest beneficiaries of a consolidated Commerce Department. Through their regional outreach programs, numerous states have been able to build closer relationships with their communities and to partner on more development projects. States have found that such regional programs, operated by consolidated Commerce agencies, can help them become true partners in economic development to their smaller communities, and to direct more help to such communities. Such has been the experience in states as diverse as New York and North Carolina.

It should also be noted that *moving development programs into the Commerce Department need not weaken those programs, but rather, should allow them to flourish.* Travel and tourism, for example, has been folded into more traditional economic development program organizations in most states, as they have realized that this is one of the top industries and employers in most states. Tourism programs benefit by becoming more closely intertwined with business development programs and finding their way into the strategic planning process for economic development. This can pay huge dividends when it comes to investing in infrastructure, setting up guidelines for business assistance programs, developing criteria for financing and incentive programs and looking for synergies with outreach and marketing programs. What's more, an increasing number of local economies have set tourism as their primary goal for economic expansion, especially in smaller rural communities. The strongest mandate we have from the

NASDA Tourism Division members has been to help them become more fully integrated into the economic development planning and management system.

In recent interviews of state tourism directors, one said, in fact, "I don't see any negatives in being part of Commerce." He specifically cited an enhanced ability to gain economies of scale and to leverage greater resources, as the primary advantages of this arrangement. He especially felt that his location within Commerce better enabled his office to assist rural communities in his state, who have a wide range of economic development challenges to confront, and also mentioned the integration with Commerce efforts in the international trade arena. Another state tourism director touted her ability to work with the economic development office to prioritize local economic development projects that made sense for the big picture in small communities.

This theme is sounded by many of the state tourism directors from Idaho to New Hampshire, who consistently maintain that location within Commerce can give them greater leveraging power for resources, an expanded ability to serve smaller communities, and increased opportunities to piggyback on traditional economic development programs.

We believe that these proposals will expand and strengthen the state's efforts, will make the state even more responsive to the business community and local economic developers and will increase the flexibility of the state to seize opportunities to enhance the economy over the coming years.

The proposed reorganization is designed to gain more bang for the state's buck by creating increased synergies among programs and by facilitating "piggybacking" of resources. These are not, in the purest sense of the term, cost cutting measures, but rather, revenue-stretching move.

The ED&F Context Helped Set the Stage:

Intrinsic to our work was the background look we took at ED&F, and we were encouraged to find that, for the most part, the state would not have to overcome any serious image problems. In fact, the agency got generally high marks from those we talked to, (as did most of the existing players). The biggest concerns were about: the diversity of players getting state funds, with no central clearinghouse; the absence of a strong global development program; the concern over relative roles between state and local developers; whether the resources available to economic development were adequate; and the degree of private sector involvement in the state program.

The predominant feeling was that ED&F had many of the tools it needed, and that those that were missing could be added to this basic structure fairly comfortably. With the addition of some functions and the incorporation of others that were currently outside the agency, most people felt that an expanded ED&F could evolve into the Commerce Department that the state needed. In other words, rather than a radical departure, this would be a smooth, evolutionary process, which would leave the state in a stronger position, without causing a major disruption.

Why, you might ask, is it then necessary to form a Commerce Department? Forming a Commerce Department would complete the job of insuring that North Dakota has the tools it

needs to respond to the challenges of the New Economy and the needs of local economic development officials. "Commerce" is a more appropriate descriptor of what the reformed agency would be responsible for, and formation of the new agency would be a way of sending a message as to the state's intentions. It also would bring North Dakota more in line with the nomenclature and practice that is in place in the most progressive states in the nation.

Advantages of the Proposed Reorganization

- Better communication, cooperation and coordination among programs
- Get more out of resources
- More predictable, easier to access
- More accountable
- More flexible and responsive
- Easier to mobilize
- Strengthens individual programs
- Better able to address challenges of the New Economy
- More competitive with other states
- Brings continuity of purpose over time
- Likely to garner national attention

In fact, this overall proposal would help position North Dakota as one of the most energetic and progressive states in the field of economic development.

Nevertheless, in the transition period, as the new structure is being considered, and perhaps put in place, it is essential that ED&F continue to have the resources it needs and the support of the legislature. This will allow successful in place programs to continue, will set the stage for expanding and re-engineering the state's program, and will help keep the positive momentum created by the current proposals flowing. In fact, support for ED&F now, will enable the state to move forward with much of what needs to be done, without North Dakota missing a beat.

In Conclusion

It is worth noting that two key state organizations have expressed support for this general strategy: both EDND and GNDA have been quite receptive to the proposals outlined above, and in fact, EDND had already developed the outline for a similar reorganization last year. Thus, I believe the opportunity presents itself to build on support by the business community and local economic developers that will help the state move even more aggressively forward in meeting the challenge of augmenting its economy for years to come.

I hope that you will help take the first step by looking favorably upon the ED&F budget.

Thank you for this opportunity to be with you today and to express my thoughts.

Prepared by the North Dakota Legislative Council staff for Senate Appropriations
January 18, 2001

Department 605 - Department of Commerce
Senate Bill No. 2019 (Proposed Hoeven amendments)

	1999-2001 Legislative Appropriations	2001-03 Schafer Recommendation	2001-03 Hoeven Recommendation	Hoeven Increase (Decrease) to 1999-2001	Hoeven Increase (Decrease) to Schafer
Department of Economic Development and Finance	$11,906,877	$20,411,391	**$0**	($11,906,877)	**($20,411,391)**
Department of Tourism	4,379,000	4,960,778	**0**	(4,379,000)	**(4,960,778)**
Division of Community Services	42,039,780	39,098,238	**0**	(42,039,780)	**(39,098,238)**
Department of Commerce	0	0	**60,968,908**	60,968,908	**60,968,908**
Total	$58,325,657	$64,470,407	**$60,968,908**	$2,643,251	**($3,501,499)**
General fund	$12,953,300	$19,805,180	**$17,402,349**	$4,449,049	**($2,402,831)**
Other funds	$45,372,357	$44,665,227	**$43,566,559**	($1,805,798)	**($1,098,668)**
FTE	55.00	62.00	**53.00**	(2.00)	**(9.00)**

Major Hoeven Recommendations Affecting Department of Commerce 2001-03 Budget Compared to Senate Bill No. 2019 as Introduced (Schafer Budget)

	FTE	General Fund	Other Funds	Total
1. Adds a business development director.	1.00	$183,266		$183,266
2. Adds a marketing director.	1.00	$183,266		$183,266
3. Removes the new FTE positions added into the Department of Economic Development and Finance in the Schafer budget.	(8.00)	($951,819)		($951,819)
4. Removes administrative positions from the existing Department of Economic Development and Finance, Tourism Department, and Division of Community Services.	(12.00)	($742,688)	($399,337)	($1,142,025)
5. Adds administrative positions in an administration program of the Department of Commerce.	8.00	$669,513	$207,961	$877,474
6. Adds the work force development position that the Schafer budget transferred from the Department of Economic Development and Finance to the Board for Vocational and Technical Education ($121,168) and related operating expenses ($86,759).	1.00	$103,964	$103,963	$207,927
7. Adds funding for additional rent costs.		$128,490	$41,526	$170,016
8. Adds funding for one-time technology costs relating to relocation.		$17,500		$17,500
9. Removes the additional general fund support added to the Department of Economic Development and Finance in the Schafer budget for operating expenses relating to marketing electronic data management systems (EDMS), geographic information systems (GIS), and research and analysis.		($3,675,515)		($3,675,515)
10. Removes funding for the Department of Economic Development and Finance added in the Schafer budget for the Department of Economic Development and Finance for equipment relating to the 8 new FTE positions.		($200,000)		($200,000)
11. Reduces funding added in the Schafer budget for the manufacturing extension partnership (MEP) ($1,199,280 remains for the MEP, $400,000 of which is from the general fund).		($524,485)	($1,049,690)	($1,574,175)
12. Adds funding for economic development marketing.		$646,902		$646,902

and the ADM plant in Walhalla and any new plant that may begin operations will be eligible to receive up to $800,000.

9. Increases general fund support for the Agricultural Products Utilization Commission to replace the anticipated reduction in special funds available in the agricultural fuel tax fund.	$426,403	($304,954)	$121,449

Major Hoeven Recommendations Affecting Department of Economic Development and Finance 2001-03 Budget Compared to the Bill as Introduced (Schafer Budget)

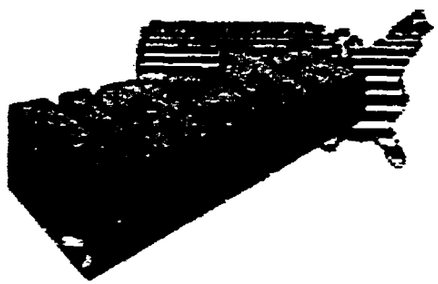
	General Fund	Other Funds	Total
1. Eliminates the Department of Economic Development and Finance and includes those duties in the proposed Department of Commerce. Recommended funding for the Department of Commerce is $60.97 million ($17.4 million from the general fund; $43.6 million from other funds), which is $3.5 million ($2.4 million from the general fund; $1.1 million from other funds) less than the Schafer recommendation for the combined agencies of the Tourism Department, the Division of Community Services, and the Department of Economic Development and Finance.	($14,014,489)	($6,396,902)	($20,411,391)

Major Legislation Affecting the Department of Economic Development and Finance

Senate Bill No. 2032 consolidates the Department of Economic Development and Finance, the Division of Community Services, and the Tourism Department into a department of commerce administered by a commissioner of commerce; creates a North Dakota commerce cabinet; and allows for creation of a privately funded North Dakota economic development foundation.

House Bill No. 1095 increases per diem for members of the Agricultural Products Utilization Commission by $12.50 per day, from $50 to $62.50 and authorizes the payment of per diem to commission members for conducting official commission business in addition to meetings. (Passed House)

Establishing a Game Plan for Economic Development in North Dakota…



January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

We Started at Ground Zero

- What do you think of as Economic Development?

- What should the state's role be?
- What are the roles of Localities? Regions?
- What are the roles of the many non-profits in North Dakota?
- Can the private sector be more directly involved?

Evolution of a North Dakota System

- Why are there so many ED programs in North Dakota, situated in so many agencies and organizations?
- What are the goals for the ED system in North Dakota, and why?
- Can we achieve: consolidation; coordination; stronger private sector role; greater tracking ability?

Where do the programs go?

- Which programs belong in the state ED agency, and which do not?
- How will the "others" be coordinated?
- How do you deal with: state agencies? Non-profits? Independent authorities?
- What are the criteria?

The Intrastate Network

- What do the regions and localities do best?
- What are the opportunities for cooperation?
- How can local support be built for a more coordinated North Dakota ED system?
- Can the State do more to support local efforts?

A Public-Private Partnership for North Dakota

- What is the primary goal in wanting to directly involve the private sector in the State program?
- Are there particular forms in which the private sector could participate?
- Can you achieve private sector involvement in a way that strengthens a public sector program?
- Can you keep the private sector engaged and meet private sector expectations?

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

Where did we go from here?

- What is the agenda?

- What courses of action are available?

- What can realistically be accomplished?

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

What Did We Find in North Dakota?

- A good base in ED&F and other agencies
- A great deal of diversity among programs
- Too many pieces in too many places
- Strong base at local/regional levels
- Support amongst private players
- Bi-partisan belief in development
- A few pieces missing

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

National Trends

- Most states have comprehensive departments of commerce
- States are experimenting with public-private partnerships
- States guide their programs with long-term strategic plans
- States want to improve ROI and accountability
- States are building intrastate networks
- States want to address business demand/input



How Can the System Better Serve...

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

January 10, 2001

The Key Players

- The Governor & Legislature
- The Business Community
- Local and Regional Governments
- The Citizens of ND

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

Major Recommendations

- Create a Comprehensive ND Department of Commerce
- Launch a Commerce Cabinet
- Initiate a Unified ED Budget for ND
- Establish a Public/Private Foundation
- Develop a Comprehensive Strategic ED Plan

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles Friedman

Proposed ND Dept of Commerce

- Business Services
- Global Business
- Investment Attraction
- Research
- Finance
- Travel & Tourism
- Employment & Training
- Community Development
- Regional Outreach

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles Friedman

Commerce Cabinet

- Heads of Relevant Agencies Meet Regularly
- Communication, Cooperation, Coordination
- Consistency with a State Strategic ED Plan
- Chaired by Commerce Director
- Greater Accountability

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles Friedman

Unified State ED Budget

- All state funded programs must submit request
- Coordinated and presented by Director of Commerce
- All requests must be consistent with State ED plan
- Consistency and Accountability

ND ED Foundation

- Private board, staggered terms
- Bd appointed by Governor
- Established as a not for profit corporation
- Blended funding
- Little or no staff
- Contract for most products
- Rep major state interests
- Assist and complement State DOC
- Advise Governor, Legislature
- Big picture, long term
- Strategic ED Plan
- Assess progress/success
- Ambassadors, mentors
- Special events/fundraising

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

Major Advantages of the Proposed Reorganization

- Better communication, cooperation and coordination among ED programs
- Get more out of resources
- More predictable, easier to access
- More accountable
- More flexible, responsive

Advantages, continued

- Easier to mobilize
- Strengthens individual programs
- Better able to address new economy challenges
- More competitive with other states
- Continuity of purpose over time
- Likely to garner national recognition

The Momentum is There for Positive Change

- Work of the Interim Committee
- Background research by ED&F
- Bi-partisan support
- Good place in the process, with continuity
- A Governor with ED qualifications
- Economic opportunities
- Support of local developers and businesses
- Chance to be a national leader

January 10, 2001

ND Senate I,B & L
Committee/Testimony of Miles
Friedman

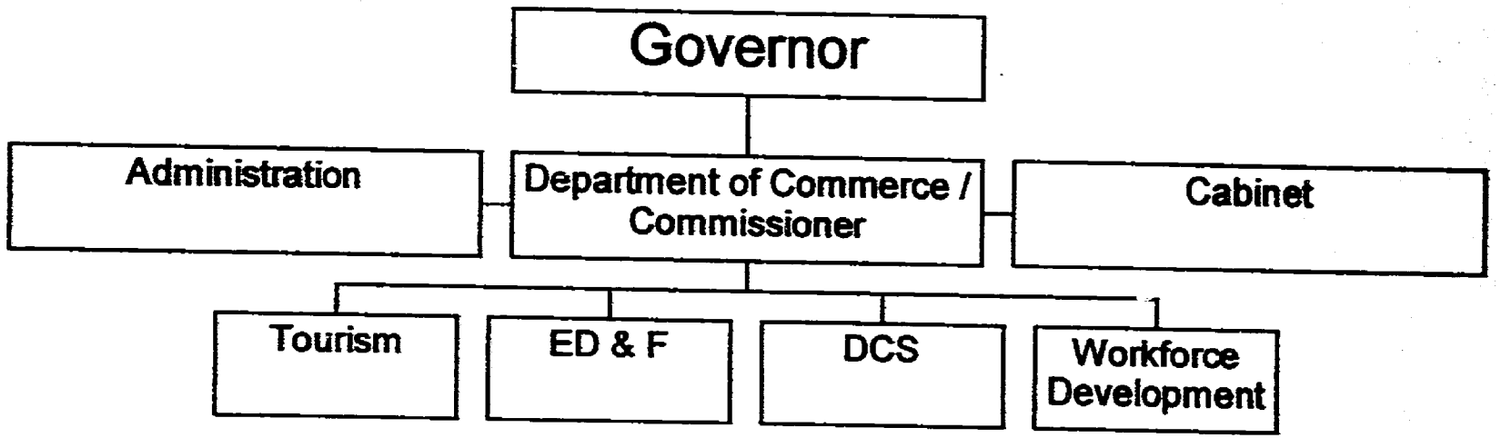
- PROPOSED -

Private Industry

Advisory Executive Committee

Foundation Fundraising

Department of Commerce Organizational Chart



SB 219

SB 2017

REQUEST SUMMARY

606 DEPARTMENT OF COMMERCE

Version: 2001-0605-S-01

Date: 1/18/01

Time: 10:14:20

	Expenditures 1997 - 1999 Biennium	First Year Expenditures 1999 - 2000	Present Budget Balance 2000 - 2001	Total Present Budget 1999 - 2001 Biennium	Requested Budget 2001 - 2003 Biennium	2001 - 2003 Biennium Incr. (Decr.)
MAJOR PROGRAMS						
ADMINISTRATION	0	0	0	0	1,064,990	1,064,990
DIV OF ECONOMIC DEVELOPMENT & FINANCE	12,021,641	4,644,899	8,614,676	13,259,575	16,401,228	3,141,653
DIV OF COMMUNITY SERVICES	43,400,540	20,934,098	21,105,682	42,039,780	38,625,339	(3,414,441)
DIV OF TOURISM	4,020,277	2,124,874	2,254,126	4,379,000	4,877,351	498,351
TOTAL	59,442,458	27,703,871	31,974,484	59,678,355	60,968,908	1,290,553
LINE ITEMS						
SALARIES AND WAGES	4,988,501	2,386,710	3,133,736	5,520,446	6,028,893	508,447
OPERATING EXPENSES	5,851,285	2,845,419	5,633,234	8,478,653	10,450,832	1,972,179
EQUIPMENT	105,598	87,991	84,845	172,836	199,936	27,100
GRANTS	44,785,220	20,444,040	20,020,351	40,464,391	38,626,226	(1,838,165)
APUC	3,711,854	1,914,707	3,003,327	4,918,034	5,007,270	89,236
LEWIS & CLARK BICENTENNIAL	0	25,004	98,991	123,995	655,751	531,756
TOTAL	59,442,458	27,703,871	31,974,484	59,678,355	60,968,908	1,290,553
FUNDING SOURCES						
GENERAL FUND	13,736,680	5,530,808	7,422,492	12,953,300	17,402,349	4,449.049
FEDERAL FUND	39,286,487	18,418,380	19,368,600	37,786,980	34,367,918	(3,419,062)
SPECIAL FUND	6,419,251	3,754,683	5,183,392	8,938,075	9,198,641	260,566
TOTAL	59,442,418	27,703,871	31,974,484	59,678,355	60,968,908	1,290,553
FULL TIME EQUIVALENT EMPLOYEES	59.00			55.00	53.00	(2.00)

SB 2015

TESTIMONY ON SB 2019
LINDA Butts, Deputy Director
Department of Economic Development and Finance

March 2, 2001

Good morning Chairman Timm and members of the House Appropriations Committee.

I am Linda Butts, Deputy Director of the Department Economic Development and Finance.

I am here today to testify on Engrossed Senate Bill 2019 – the budget for the Department of Commerce. Originally this bill included only the budget for the Economic Development & Finance Office (ED&F). However, as recommended by Governor Hoeven and approved by the Senate, this bill now incorporates the budgets of ED&F, Department of Tourism, and the Division of Community Services.

You have already held hearings, and passed to the Senate, the original appropriation bills for Tourism (HB 1022) and Community Services (HB 1015). Additionally Senate Bill 2032, the substantive bill creating a Department of Commerce as proposed by the Interim Business and Commerce Committee, has passed the Senate. So there are actually four different bills, two starting in each House that will eventually need to be brought together.

The object of today's testimony is to give you an overview of the Commerce Concept. Next Tuesday we will deal with the details of the budget in the Government Operations Division of appropriation. However I will comment briefly on the big picture of the budget as it applies to this agency. As proposed, the consolidation of these three agencies will result in net savings of approximately $250,000 compared to current biennium spending, and a reduction of 4.00 FTE in administrative type functions. The savings will result from streamlining processes and consolidating fiscal and administrative services (i.e. receptionist and accounting responsibilities).

Governor Hoeven's budget does not reduce program budgets; rather, it enhances present programs such as the Development Fund, APUC, and Tourism marketing

efforts. It does not take program dollars from one division and transfer it to another. Tourism, Community Services, and Economic Development and Finance will continue to provide the same services they do today.

We will be proposing amendments to Engrossed SB 2019 to better reflect the interim committee's vision allowing the agency the flexibility and statewide global approach they felt would be necessary to make this a successfully endeavor.

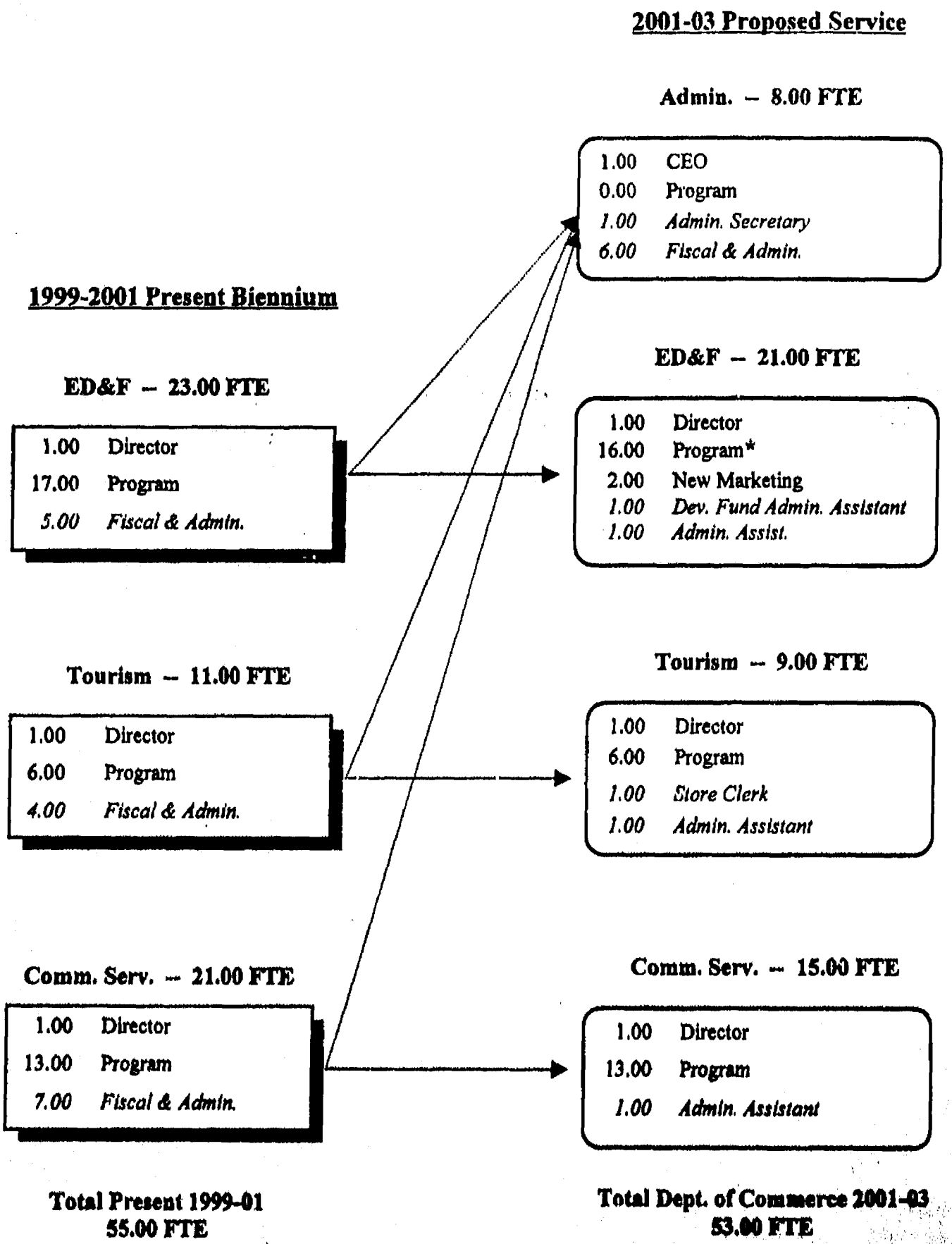
As a part of the overview, Mr. Miles Friedman, President of the National Association of State Development Agencies (NASDA) will give you a historic perspective of the work that has been done over the past two years by the Interim Committee on Commerce and Labor. Mr. Friedman worked closely with the committee in the development of SB 2032.

Additionally, you will hear from the Director's of Tourism, Workforce Development and Division of Community Services regarding their thoughts on the proposed Department of Commerce.

Lee Peterson, the new director of Economic Development and Finance, will then offer wrap up comments about the Department of Commerce and his vision for economic development in North Dakota.

Thank you Mr. Chairman.

DEPARTMENT OF COMMERCE



* 1.00 ED&F program position transferred for CEO of Dept. of Commerce

DEPARTMENT OF COMMERCE
Division of Administration
Summary of FTE

- Transferred to the Administration Division, from ED&F, Department of Tourism and Community Services, all administrative positions with responsibilities for fiscal & budgeting, accounting, grants & contracts, receptionist, and general office support work:

2.00	Business manager type positions
2.00	Accounting & budget specialists
1.00	Account technician
1.00	Grants & contracts coordinator
5.00	Administrative assistants
3.00	Administrative/office & store clerks
1.00	Development fund admin asst.
1.00	Administrative secretary
16.00	**Total administrative staff**

- Transferred from the administration pool for direct services to the divisions:

3.00	Administrative assistants – 1.00 each to the divisions of Tourism, ED&F & Community Services (assistants will be available to the other divisions as their schedules allow).
1.00	Administrative clerk for store in the Division of Tourism
1.00	Development fund administrative assistant
(5.00)	**Total administrative positions from pool**

- Reviewed job descriptions of remaining 11.00 administrative positions for similar responsibilities and duplicated efforts. Consideration given to efficiencies that can be gained through consolidation of responsibilities, streamlining processes through a "pool" environment and technological advancements.

(4.00) Administrative positions recommended for unfunding

- Transferred from ED&F to administrative pool:

1.00 Commissioner of Department of Commerce

Recommended Administration Pool

1.00	Commisisoner
1.00	Business manager
2.00	Accountants
1.00	Account technician
1.00	Grants & contracts coordinator
1.00	Administrative secretary & receptionist
1.00	Administrative assistant
8.00	**Total**

DEPARTMENT OF COMMERCE
CONSOLIDATED BUDGETS

Governor's Recommendation:

Salaries & Wages	$ 6,028,893
Operating Expense	$ 10,450,832
Equipment	$ 199,936
Grants-Development Fund	$ 2,616,000
Grants	$ 36,010,226
APUC	$ 5,007,270
Lewis & Clark	$ 655,751
Total	**$ 60,968,908**
General Fund	$ 17,402,349
Federal & Special	$ 43,566,559

The Governor's Budget recommendation takes into consideration that the successful merger of 3 separate agencies will require the support of all staff. Employees will have to look past the boundaries of their present job, in a separate agency, to the mission of the new Department of Commerce. Staff will be asked to re-establish goals and objectives, re-engineer processes, to find ways to share their specific skills and expertise within the new department. A single budget, approved by the legislature, will strengthen the message of consolidated services and assist managers in obtaining the buy-in of employees.

Separate Budget Appropriation versus Separate Accounting

Governor's recommendation - Establishes a **consolidated budget appropriation** for the Department of Commerce according to the standard line items (salaries, operating) and retains all special line items such as APUC, Development Fund and Lewis & Clark. However, **separate accounting** for administrative & fiscal services, ED&F, tourism, workforce development, and community services will be maintained. Revenue and expenditure reports for these functions will be continued to ensure that the dollars are expended according to legislative intent.

Governor's recommendation - Provides **accountability**, with necessary **flexibility**, for the merged fiscal and administrative responsibilities. *For example*, if it is determined that an administrative assistant budgeted in economic development can be better utilized in tourism, the staff person and dollars can be easily transferred within the accounting system. However, according to the Senate version, the department would have to seek emergency commission approval to make this type of adjustment.

Senate recommendation - Establishes a **separate budget appropriation**, by traditional line item, for administration, economic development, tourism, workforce development and community services. This means the department is confined to **5 separate budgets** similar to 5 separate agencies. This type of format contradicts the assumptions made when the budget for Commerce was developed. *For example*, it was assumed that the budget for administration and fiscal services would be more fully developed once the agencies were merged. Therefore, the present budget for this function includes only staff salaries, the additional cost for rent, and one-time ITD hookups. There is no budget for the travel, general office supplies, copying, and other "pooled expenses". The agency will have to seek emergency commission approval to transfer dollars to this budget.

DEPARTMENT OF COMMERCE
Governor Hoeven's Recommendation
Summary Schedule

Budget Description	Admin Services	Community Services	Tourism	Econ Dev & Finance	Appn. Total
Salary & Wages	**877,474**	**1,665,525**	**905,785**	**2,580,109**	**6,028,893**
General Fund	669,513	539,471	905,785	2,381,681	4,496,450
Federal & Special Fund	207,961	1,126,054		198,428	1,532,443
Operating Expenses	**187,516**	**2,579,380**	**3,270,437**	**4,413,499**	**10,450,832**
General Fund	145,990	419,083	2,907,437	2,743,140	6,215,650
Federal & Special Fund	41,526	2,160,297	363,000	1,670,359	4,235,182
Equipment	**0**	**73,500**	**15,378**	**111,058**	**199,936**
General Fund	0	73,500	15,378	111,058	199,936
Federal & Special Fund	0	0	0	0	0
Grants - Development Fund	**0**	**0**	**0**	**2,616,000**	**2,616,000**
General Fund	0	0	0	2,616,000	2,616,000
Federal & Special Fund	0	0	0	0	0
Grants	**0**	**34,306,934**	**30,000**	**1,673,292**	**36,010,226**
General Fund		90,000	30,000	1,673,292	1,793,292
Federal & Special Fund	0	34,216,934	0	0	34,216,934
APUC	**0**	**0**	**0**	**5,007,270**	**5,007,270**
General Fund	0	0	0	1,425,270	1,425,270
Federal & Special Fund	0	0	0	3,582,000	3,582,000
					0
Lewis & Clark Bicentennial	**0**	**0**	**655,751**	**0**	**655,751**
General Fund	0	0	655,751	0	655,751
Federal & Special Fund	0	0	0	0	0
GRAND TOTAL	**1,064,990**	**38,625,339**	**4,877,351**	**16,401,228**	**60,968,908**
General Fund	**815,503**	**1,122,054**	**4,514,351**	**10,950,441**	**17,402,349**
Federal & Special Fund	**249,487**	**37,503,285**	**363,000**	**5,450,787**	**43,566,559**
FTE	**8.00**	**15.00**	**9.00**	**21.00**	**53.00**

Sandy Paulson, OMB- 3/12/01
File:Rollup of Gov Hoeven's Rec

DEPARTMENT OF COMMERCE

Division of Administrative Services

Budget Description	1999-2001 Present Budget	2001-03 Governor's Proposed	2001-03 Senate Proposed	Inc(Dec) from Gov Recom
Salary & Wages	**0**	**877,474** [1]	**877,474**	**0**
General Fund	0	669,513	669,513	0
Federal & Special Funds	0	207,961	207,961	0
Operating	**0**	**187,516**	**187,516**	**0**
General Fund	0	145,990	145,990	0
Federal & Special Funds	0	41,526	41,526	0
Equipment	**0**	**0**	**0**	**0**
General Fund	0	0	0	0
Federal & Special Funds	0	0	0	0
Economic Dev.Foundation	**0**	**0**	**100,000** [2]	**100,000**
General Fund	0	0	100,000	100,000
Federal & Special Funds	0	0	0	0
Grand Total	**0**	**1,064,990**	**1,164,990**	**100,000**
General Fund	**0**	**815,503**	**915,503**	**100,000**
Federal & Special Funds	**0**	**249,487**	**249,487**	**0**
FTE	**0.00**	**8.00**	**8.00**	**0.00**

[1] FTE(8.00) are transfer positions from ED&F, Comm.Serv. & Tourism for fiscal & admin. services

[2] Senate approved $100,000 for strategic plan development and seed money for the foundation.

Department of Tourism

Budget Description	1999-2001 Present Budget	2001-03 Governor's Proposed	2001-03 Senate Proposed	Inc(Dec) from Gov Recom	HB 1022
Salary & Wages	**989,190**	**905,785** [1]	**905,785**	**0**	**1,039,100**
General Fund	989,190	905,785	905,785	0	1,039,100
Federal & Special Funds	0	0	0	0	
Operating	**3,220,437**	**3,270,437**	**3,300,437**	**30,000**	**3,250,437**
General Fund	2,857,437	2,907,437 [2]	2,937,437 [3]	30,000	3,250,437
Federal & Special Funds	363,000	363,000	363,000	0	
Equipment	**15,378**	**15,378**	**15,378**	**0**	**15,378**
General Fund	15,378	15,378	15,378	0	15,378
Federal & Special Funds	0	0	0	0	
Lewis & Clark	**123,995**	**655,751**	**755,751**	**100,000**	**1,405,863**
General Fund	123,995	655,751	755,751	100,000	1,405,863 [4]
Federal & Special Funds				0	
Grants	**30,000**	**30,000**	**100,000** [5]	**70,000**	**0**
General Fund	30,000	30,000	100,000	70,000	0
Federal & Special Funds	0	0	0	0	0
Grand Total	**4,379,000**	**4,877,351**	**5,077,351**	**200,000**	**5,710,778**
General Fund	**4,016,000**	**4,514,351**	**4,714,351**	**200,000**	**5,710,778**
Federal & Special Funds	**363,000**	**363,000**	**363,000**	**0**	**0**
FTE	**11.00**	**9.00**	**9.00**	**0.00**	**11.00**

[1] Reduction in salary & FTE is due to transfer of fiscal & administrative staff to Commerce administration

[2] Governor Hoeven increased marketing (operating) by $50,000 in general funds.

[3] 30,000 used for a grant for the Horizon magazine is transferred to operating.

[4] House approved $750,000 additional dollars for Lewis & Clark

[5] Cowboy Hall of Fame grant for $100,000

Division of Community Services

Budget Description	1999-2001 Present Budget	2001-03 Governor's Proposed	2001-03 Senate Proposed	Inc(Dec) from Gov Recom	HB 1015
Salary & Wages	**1,983,156**	**1,665,525** [1]	**1,665,525**	**0**	***NO***
General Fund	575,517	539,471	539,471	0	***CHANGE***
Federal & Special Funds	1,407,639	1,126,054	1,126,054	0	***FROM***
					GOV'S
Operating	**2,279,194**	**2,579,380**	**2,539,380**	**-40,000**	***RECOM***
General Fund	446,881	419,083	379,083	-40,000	
Federal & Special Funds	1,832,313	2,160,297	2,160,297	0	
Equipment	**61,100**	**73,500**	**73,500**	**0**	
General Fund	61,100	73,500	73,500	0	
Federal & Special Funds	0	0	0	0	
Grants	**37,716,330**	**34,306,934**	**34,306,934**	**0**	
General Fund	40,000	90,000 [2]	90,000	0	
Federal & Special Funds	37,676,330	34,216,934	34,216,934	0	
Grand Total	**42,039,780**	**38,625,339**	**38,585,339**	**-40,000**	
General Fund	**1,123,498**	**1,122,054**	**1,082,054**	**-40,000**	
Federal & Special Funds	**40,916,282**	**37,503,285**	**37,503,285**	**0**	
FTE	**21.00**	**15.00**	**15.00**	**0**	**21.00**

[1] Reduction in salary & FTE is due to transfer of fiscal & administrative staff to Commerce administration

[2] Grants include $40,000 for Emergency Shelter program and $50,000 for strategic planning grants to cities and counties.

Workforce Development

Budget Description	1999-2001 Present Budget	2001-03 Governor's Proposed	2001-03 Senate Proposed	Inc(Dec) from Gov Recom
Salary & Wages	**0**	**0**	**191,287** [1]	**191,287**
General Fund	0	0	130,703	130,703
Federal & Special Funds	0	0	60,584	60,584
				0
Operating[2]	**0**	**0**	**50,000**	**50,000**
General Fund	0	0	50,000	50,000
Federal & Special Funds	0	0	0	0
Equipment	**0**	**0**	**25,000**	**25,000**
General Fund	0	0	25,000	25,000
Federal & Special Funds	0	0	0	0
Grants	**0**	**0**	**675,000** [2]	**675,000**
General Fund	0	0	675,000	675,000
Federal & Special Funds	0	0	0	0
Grand Total	**0**	**0**	**941,287**	**941,287**
General Fund	**0**	**0**	**880,703**	**880,703**
Federal & Special Funds	**0**	**0**	**60,584**	**60,584**
FTE	**0.00**	**0.00**	**2.00**	**2.00**

[1] One FTE is included within ED&F's appropriation in the Governor's recommendation for Dept.of Commerce. The Senate transferred an additional FTE and gen. fund appropriation from ED&F budget to a separate appn. for workforce dev.

[2] $75,000 grants to Champion REAP Alliance Communities; $400,000 grants for developing statewide talent recruitment initiative; & $200,000 for grants to communities for labor availability research & identifying employer workforce needs.

Economic Development & Finance

Budget Description	1999-2001 Present Budget	2001-03 Governor's Proposed	2001-03 Senate Proposed	Inc(Dec) from Gov Recom
Salary & Wages	**2,548,100**	**2,580,109** [1]	**2,388,822**	**-191,287** [2]
General Fund	2,365,074	2,381,681	2,250,978	-130,703
Federal & Special Funds	183,026	198,428	137,844	-60,584
Operating	**2,979,022**	**4,413,499**	**4,453,499**	**40,000**
General Fund	1,750,444	2,743,140 [3]	2,783,140	40,000 [4]
Federal & Special Funds	1,228,578	1,670,359	1,670,359	0
Equipment	**96,358**	**111,058**	**111,058**	**0**
General Fund	96,358	111,058	111,058	0
Federal & Special Funds	0	0	0	0
APUC	**4,918,034**	**5,007,270**	**5,007,270**	**0**
General Fund	983,865	1,425,270	1,425,270	0
Federal & Special Funds	3,934,169	3,582,000	3,582,000	0
Grants-Development Fund	**750,000**	**2,616,000**	**1,616,000**	**-1,000,000**
General Fund	750,000	2,616,000	1,616,000	-1,000,000
Federal & Special Funds	0	0	0	**0**
Grants-Discretionary	**1,968,061**	**1,673,292**	**1,723,292** [5]	**50,000**
General Fund	1,868,061	1,673,292	1,723,292	50,000
Federal & Special Funds	100,000	0		0
Grand Total	**13,259,575**	**16,401,228**	**15,299,941**	**-1,101,287**
General Fund	**7,813,802**	**10,950,441**	**9,909,738**	**-1,040,703**
Federal & Special Funds	**5,445,773**	**5,450,787**	**5,390,203**	**-60,584**
FTE	**23.00**	**21.00**	**19.00**	**-2.00**

[1]Salary & FTE change is due to transfer of fiscal & admin. staff to Commerce administration offset by the cost of adding 2.00 marketing FTE.

[2]Reduction in salary due to Senate transfer of 2.00 FTE to Workforce Development budget

[3]Operating includes $400,000 new general fund dollars for MEP prog.& $592,696 additional gen.fund for marketing. Senate requires $250,000 of the funding be spent on coop marketing grants for local ed corps

[4]Senate removed $40,000 from Community Services and transferred to ED&F

[5]Senate added $50,000 grant dollars for abandoned school's program and requires $15,000 of discretionary grants be used for training local econ.development professionals.

SB 2017
3/31/01

DEPARTMENT OF COMMERCE
UNFUNDED POSITIONS

Description	(a) Annual Salary	(b) Annual Wage&Benefits	(C) Biennium (2 Yr) Wage&Benefits
Admin/Fiscal Staff	25,716	34,958	69,915
Admin/Fiscal Staff	22,248	30,912	61,824
Admin/Fiscal Staff	19,032	27,155	54,310
Admin/Fiscal Staff	44,340	56,707	113,413
TOTAL		**149,731**	**299,462**
General Fund		127,271	253,842
Federal/Special Fund		22,460	45,620

Description	Annual Wage&Benefits	Est.Leave Pay	Total Transition Salary Costs
Salaries & Benefits	149,731	12,478	162,209
General Fund	127,271	10,606	137,877
Federal/Special Fund	22,460	1,872	24,332

Prepared by the North Dakota Legislative Council staff for House Appropriations - Government Operations
March 2001

SB 2019
3-12-01

ETHANOL PRODUCTION INCENTIVE PROGRAM - HISTORY

APPROPRIATIONS

The ethanol production incentive program began in North Dakota in 1989. Prior to 1989, the state allowed a four-cent per gallon tax reduction for ethanol-blended gasoline sold by retailers. The schedule below shows the appropriations made by the Legislative Assembly for ethanol production incentives since its inception in 1989:

	Appropriation From Highway Tax Distribution Fund
1989-91	$3,750,000[1]
1991-93	3,650,000
1993-95	3,650,000
1995-97	3,000,000
1997-99	1,750,000[2]
1999-2001	1,800,000[3]
Total through June 30, 2001	$17,600,000
2001-03 executive budget	2,500,000
Total through June 30, 2003	$20,100,000

[1] This amount was reduced by $342,000 due to budget reductions made as a result of the loss of revenues resulting from the defeat of the gas tax measure on the December 5, 1989, special election ballot.

[2] Includes $250,000 of unspent 1995-97 ethanol production incentive funding resulting from the ADM plant in Walhalla not receiving incentive payments during the second year of the biennium because it was not operating.

[3] Includes a $300,000 appropriation contingent upon a new plant beginning operations after July 1, 1999.

EXPENDITURES

The following schedule shows the actual ethanol production incentive payments made to the ethanol plants in North Dakota since the inception of the program in 1989:

Fiscal Year	Alchem, Ltd. Plant in Grafton	ADM Plant in Walhalla	Total
1989	$1,103,026	$540,555	$1,643,581
1990	196,663	506,972	703,635
1991	875,000	950,000	1,825,000
1992	865,466	939,577	1,805,043
1993	950,000	875,000	1,825,000
1994	875,000	950,000	1,825,000
1995	875,000	950,000	1,825,000
1996	1,000,000	500,000	1,500,000
1997	1,000,000		1,000,000
1998	870,686		870,686
1999	875,000		875,000
2000	750,000		750,000
2001	750,000		750,000
Total	$10,989,841	$6,212,104	$17,197,945

REVENUES

Since 1991, the Legislative Assembly has provided for additional revenues to the highway tax distribution fund to provide the funding necessary for the ethanol production incentive program. The 1991 Legislative Assembly provided for the additional revenues by extending, by one year, the vehicle age categories of the motor vehicle registration fee rate schedules for the 1991-93 and 1993-95 bienniums and by withholding an additional two cents from the agricultural fuel tax refund for the 1991-93 and 1993-95 bienniums. The 1995 Legislative Assembly extended these additional revenue provisions through the 1997-99 biennium. The 1997 Legislative Assembly, in Senate Bill No. 2019, reduced the agricultural fuel tax refund reduction by one cent, from two cents to one cent, because only the Alchem, Ltd. plant in Grafton was eligible for production incentives during the 1997-99 biennium. (The ADM plant in Walhalla had discontinued operations in September 1995.)

The 1999 Legislative Assembly continued the agricultural fuel tax reduction of one cent relating to the ethanol production incentive program through December 31, 2001, and removed the sunset clause of June 30, 1999, for extending, by one year, the vehicle age categories of the motor vehicle registration fee rate schedules. The Department of Transportation, in February 1999, estimated revenues from these two sources would generate $2,575,000 per biennium.

OTHER LEGISLATIVE ACTION

The 1995 Legislative Assembly, in House Bill No. 1134, limited the length of time an ethanol plant may receive incentives. The bill provided that a plant operating before July 1, 1995, could not receive incentives from the state for more than five years of operation after June 30, 1995. A plant that begins operations after June 30, 1995, could not receive incentive payments from the state for more than 10 years of operation, and after December 31, 2007, the state could not provide production incentives to any ethanol plant.

The bill also provided that a plant operating before July 1, 1995, which produced fewer than 15 million gallons of ethanol in the previous fiscal year may receive up to $1,000,000 in incentives from the state for production in each fiscal year. A plant in operation before July 1, 1995, which produced 15 million gallons or more of ethanol in the previous fiscal year and any plant that begins operations after June 30, 1995, would be eligible to receive an equal share of up to

$500,000 of incentives from the state for production in each fiscal year.

The 1997 Legislative Assembly provided that only the Alchem, Ltd. plant in Grafton was eligible for the production incentives of up to $875,000 per year for the 1997-99 biennium.

The 1999 Legislative Assembly extended, in House Bill No. 1019, the number of years ethanol plants may receive production incentives since June 30, 1995, from 5 to 12 years for plants operating before July 1, 1995, and from 10 to 12 years for plants beginning operation after June 30, 1995. After December 31, 2009, the state may not provide production incentives to any ethanol plant.

The 1999 Legislative Assembly provided that an ethanol plant that was in operation before July 1, 1995, and which has a production capacity of fewer than 15 million gallons of ethanol may receive incentives of up to $750,000 per year. An ethanol plant that was in operation before July 1, 1995, and which has a production capacity of 15 million gallons or more is not eligible to receive production incentives.

PLANT OPERATIONS

Since the ethanol production incentive program began in 1989, the Alchem, Ltd. plant in Grafton has been operating continually. The ADM plant in Walhalla was in operation from 1989 until it discontinued operating in September 1995. The plant reopened in July 1998 but again discontinued operations in May 1999. It reopened again in September 2000.

2001-03 RECOMMENDATION

The 2001-03 executive budget recommends, in Senate Bill No. 2019, appropriating $2.5 million from the highway tax distribution fund for ethanol incentives. Of this amount, an ethanol plant that was operating before July 1, 1995, and has a production capacity of fewer than 15 million gallons of ethanol may receive incentives of up to $850,000 per year and a plant that was in operation before July 1, 1995, and produced 15 million or more gallons in the previous fiscal year and any ethanol plant that begins operations after July 1, 1995, may share equally in up to $400,000 per year in production incentives. The recommendation also extends the number of years ethanol plants may receive production incentives from 12 to 14 years since July 1, 1995, for plants beginning operations after July 1, 1995, and from 12 to 14 years for plants beginning operations after July 1, 1995.

SURROUNDING STATES

South Dakota

South Dakota provides ethanol incentive payments of 20 cents per gallon of production with a $1 million annual limit per plant. The cumulative amount of incentive payments a plant may receive is $10 million.

South Dakota taxes gasohol at a 20 cents per gallon rate, two cents per gallon less than its gasoline tax rate of 22 cents per gallon.

Currently, three plants are operating in South Dakota, and two new plants are under construction. In addition, three new plants are in the development process.

Montana

Montana provides ethanol incentive payments of 30 cents per gallon of production with a $3 million annual limit per plant.

Currently, no plants are operating in Montana.

Minnesota

Minnesota provides ethanol incentive payments of 20 cents per gallon of production with a $3 million annual limit per plant. A plant is eligible for the incentive payment for 10 years.

Minnesota requires all gas sold in the state to contain at least 2.7 percent oxygen which creates demand for ethanol in Minnesota.

Currently, 15 plants are operating in Minnesota.

19704

Prepared by the North Dakota Legislative Council staff for Representative Byerly
March 2001

SB2019
3-15-01

FEDERAL INCOME TAX CREDITS FOR ALCOHOL FUEL PRODUCTION

Under Section 40 of the Internal Revenue Code (26 U.S.C. § 40), producers of alcohol fuels or mixtures are entitled to tax credits for production for sale occurring before January 1, 2008. Three types of credits are available. An "alcohol mixture credit" is available to producers for production of a qualified mixture of alcohol and gasoline or special fuel. An "alcohol credit" is available to producers on the basis of the number of gallons of alcohol that is not mixed with gas or special fuels. In addition to the other credits, a "small ethanol producer credit" of 10 cents per gallon is available for production of up to 15 million gallons of ethanol per year if the producer has a capacity, including members under common control and ownership, not exceeding 30 million gallons per year. The alcohol mixture and alcohol credits are unavailable if the alcohol produced is under 150 proof and the credit varies depending on the proof of alcohol produced and the type of alcohol produced. The following chart illustrates the federal credits in cents per gallon for these fuel types:

	Proof of Alcohol		
Type of Credit	190 or Greater	150 or More and Under 190	Under 150
Alcohol mixture credit			
Ethanol	$.54	$.40	None
Other alcohols	$.60	$.45	None
Alcohol credit			
Ethanol	$.54	$.40	None
Other alcohols	$.60	$.45	None
Small ethanol producer credit			
Ethanol	$.10	$.10	$.10
Other alcohols	None	None	None

SB 2019
3-2001

19726

Prepared by the North Dakota Legislative Council staff for Representative Monson
March 2001

NORTH DAKOTA ETHANOL PRICES - 1999-2000

The following schedule lists average prices for ethanol sold from a North Dakota fuel terminal for select months:

Month	Price Per Gallon
January 1999	$.9954
July 1999	$.9606
January 2000	$1.2637
July 2000	$1.4295
January 2001	$1.7994

The prices shown are for pure ethanol. The ethanol is mixed with gasoline at a ratio of 90 percent gasoline and 10 percent ethanol.

3/2/01 SB 2019
Overview

Mr. Chairman and members of the Committee. My name is Gene Narum. I am the Office Manager for ADM Corn Processing in Walhalla, ND and I have worked in that position at the Walhalla Plant since 1986. During that time, I have seen ADM increase the plants thoughput from 12,000 bushels per day to a rated capacity of 30,000 bushels per day.

I am here today to speak to the portion of this legislation that relates to the ethanol production incentives.

It is fairly easy to look at this legislation as an attempt to level the playing field between the large plant and the small plant. There certainly can be an advantage for the large plant with the economies of scale. With a little research though, not only is there a premium being paid to bring corn to the Walhalla plant, there is also increased cost of shipping finished product to the market. Some of that is related to our remote location and a portion is related to our disadvantage in the North Dakota market itself.

This legislation and past legislation has put the Walhalla plant at a disadvantage in marketing ethanol in the state of ND. Sales of ethanol by ADM into the the state of North Dakota has been almost non-existent over the past few years. Without the competition for the market in North Dakota, the consumer is also more likely to pay more for the ethanol blends they purchase.

Also, this legislation essentially provides incentive for the smaller plant not to increase their throughput and thereby increasing their efficiencies.

Over the years ADM has shown a committment to running the plant in Walhalla [redacted] ADM has made a very substantial investment in the plant in an attempt to become more efficient and in turn more competitive in the markets despite our location. The effect of legislation like this is also a powerful message to other so-called large corporations looking to do business in ND.

In closing we feel ethanol production incentives in this legislation should come down on the side of what is fair and equal. Disadvantaging one plant for another should not be the consequence of legislation meant to help build a value-added industry in North Dakota.

We hope the legislators would consider the fairness and equality of the ethanol incentive legislation.

SB 2019
3-22-01

ETHANOL PRODUCTION INCENTIVE PROGRAM
SENATE BILL NO. 2019

- The funding mechanism for the ethanol production incentive payments generates in excess of $2.5M each biennium from the agriculture related gas tax refund requests and the one year extension of vehicle age categories of the registration fee.

- There are presently two ethanol production plants operating in North Dakota. The Alchem plant will receive $1.7M and the ADM plant will receive $.8M for the 2001-2003 biennium under the ethanol production incentive payment provisions contained within SB 2019.

Grafton Valhalla

- The Alchem plant is a small ethanol production facility which has a production capacity of less than fifteen million gallons of ethanol. Alchem employs 45-50 individuals. Alchem produces 10M gallons of ethanol from 4M bushel of corn. On average, 1 bushel of corn produces approximately 2.69 gallons of ethanol.

- The ADM plant is a large ethanol production facility in excess of fifteen million gallons of ethanol which has the competitive advantage with the economies of scale. ADM is the supermarket to the world.

- The ADM plant discontinued operations in September 1995 while production incentives were available and reopened in July 1998 when production incentives were not provided.

- Alchem has contributed financially to the promotion and marketing of ethanol in North Dakota. Alchem has expended in the range of $434,000 over the past three years ($121,000 in 1998, $102,000 in 1999, and $211,000 in 2000) on ethanol promotion including a $10,000 study by UND regarding the promotion of ethanol use.

- Alchem was actively involved in the ethanol incentive production funding for the 2001-2003 biennium. While Alchem supports an increase for ADM's incentives, it is essential for the survival of Alchem, as a smaller plant, to retain the level of incentives established in the Governor's budget as contained in SB 2019.

- North Dakota has an ethanol market share of approximately 14% as compared to the 97% market share in Minnesota and the 42% market share in South Dakota.

- Minnesota provides a 30¢ per gallon production payment up to $3M annual ethanol incentive to each plant for 10 years

- South Dakota provides a 20¢ per gallon production payment with a $1M annual ethanol incentive to each plant.

Information requested by North Dakota Legislative Council regarding Alchem

QUESTION: Which Federal credits does Alchem qualify for?

RESPONSE: Pursuant to 26 USC Section 40, three forms of credits are available, including alcohol mixture credit, alcohol credit and small ethanol producer credit. Out of these credits only the "small ethanol producer credit" would be available for the owners of Alchem which credit amount constitutes taxable income.

Additionally, while Alchem does not qualify for these new production capacity credits there is a bioenergy (ethanol or biodeisel) program under 7 CFR 1424 which will make cash payments to producers for new production. Under the Commodity Credit Corporation (CCC) Charter Act within 7 CFR 1424 there is $7.5M available for producers in fiscal years 2001 and 2002. Because Alchem would need to substantially expand in order to become eligible to qualify for new production these new production credits are not currently available to Alchem. However, the ADM plant may be able to secure payments under this new production credit program depending upon the increase of annual production as compared to the prior year production.

QUESTION: Does Alchem have a Federal subsidy for feedstock that it buys?

RESPONSE: No.

QUESTION: What is the ethanol sales by Alchem in North Dakota as compared with its out of state sales of ethanol?

RESPONSE: In 2000, Alchem produced and sold 10,020,225 gallons of ethanol of which 5,061,587 gallons of ethanol were sold in North Dakota. Accordingly, about 50.51% of the ethanol produced by Alchem was sold in North Dakota.

34 Am Jur 2d, Federal Taxation (1999) ¶ 25162.

34 Am Jur 2d, Federal Taxation (1999) ¶ 25182.

Taxes and Taxation

28 Fed Proc L Ed, Internal Revenue §§ 68:765-68:770.

1 Am Disab, Programs, Services and Accommodations § 4:212.

7 Employment Coord, Children, Aliens, Other Workers ¶ EP-[illegible]

17 Fed Tax Coord [illegible]-13408, 13408.1, 13416.

17A Fed Tax Coord 2d ¶¶ L-15158-15161, 15810, 15906, 15909, 15,407, 15511.

2A Pension Coord, Distributions from Qualified Plans: Income and Excise Tax Consequences ¶ 38,415.

5 Real Estate Coord, ACRS, Depreciation, Tax Credits ¶¶ 74,124, 74,125, 74,302-74,304, 74,842.

§ 40. Alcohol used as fuel

(a) General rule.—For purposes of section 38, the alcohol fuels credit determined under this section for the taxable year is an amount equal to the sum of—

(1) the alcohol mixture credit, plus

(2) the alcohol credit, plus

(3) in the case of an eligible small ethanol producer, the small ethanol producer credit.

(b) Definition of alcohol mixture credit, alcohol credit, and small ethanol producer credit.—For purposes of this section, and except as provided in subsection (h)—

(1) Alcohol mixture credit.—

(A) In general.—The alcohol mixture credit of any taxpayer for any taxable year is 60 cents for each gallon of alcohol used by the taxpayer in the production of a qualified mixture.

(B) Qualified mixture.—The term "qualified mixture" means a mixture of alcohol and gasoline or of alcohol and a special fuel which—

(i) is sold by the taxpayer producing such mixture to any person for use as a fuel, or

(ii) is used as a fuel by the taxpayer producing such mixture.

(C) Sale or use must be in trade or business, etc.—Alcohol used in the production of a qualified mixture shall be taken into account—

(i) only if the sale or use described in subparagraph (B) is in a trade or business of the taxpayer, and

(ii) for the taxable year in which such sale or use occurs.

(D) Casual off-farm production not eligible.—No credit shall be allowed under this section with respect to any casual off-farm production of a qualified mixture.

(2) Alcohol credit.—

(A) In general.—The alcohol credit of any taxpayer for any taxable year is 60 cents for each gallon of alcohol which is not in a mixture with gasoline or a special fuel (other than any denaturant) and which during the taxable year—

(i) is used by the taxpayer as a fuel in a trade or business, or

(ii) is sold by the taxpayer at retail to a person and placed in the fuel tank of such person's vehicle.

(B) User credit not to apply to alcohol sold at retail.—No credit shall be allowed under subparagraph (A)(i) which respect to any alcohol which was sold in a retail sale described in subparagraph (A)(ii).

(3) Smaller credit for lower proof alcohol.—In the case of any alcohol with a proof which is at least 150 but less than 190, paragraphs (1)(A) and (2)(A) shall be applied by substituting "45 cents" for "60 cents".

(4) Small ethanol producer credit.—

(A) In general.—The small ethanol producer credit of any eligible small ethanol producer for any taxable year is 10 cents for each gallon of qualified ethanol fuel production of such producer.

(B) Qualified ethanol fuel production.—For purposes of this paragraph, the term "qualified ethanol fuel production" means any alcohol which is ethanol which is produced by an eligible small ethanol producer, and which during the taxable year—

(i) is sold by such producer to another person—

(I) for use by such other person in the production of a qualified mixture in such other person's trade or business (other than casual off-farm production),

(II) for use by such other person as a fuel in a trade or business, or

(III) who sells such ethanol at retail to another person and places such ethanol in the fuel tank of such other person, or

(ii) is used or sold by such producer for any purpose described in clause (i).

(C) Limitation.—The qualified ethanol fuel production of any producer for any taxable year shall not exceed 15,000,000 gallons.

(D) Additional distillation excluded.—The qualified ethanol fuel production of any producer for any taxable year shall not include any alcohol which is purchased by the producer and with respect to which such producer increases the proof of the alcohol by additional distillation.

(5) Adding of denaturants not treated as mixture.—The adding of any denaturant to alcohol shall not be treated as the production of a mixture.

(c) Coordination with exemption from excise tax.—The amount of the credit determined under this section with respect to any alcohol shall, under regulations prescribed by the Secretary, be properly reduced to take into account any benefit provided with respect to such alcohol solely by reason of the application of subsection (b)(2), (k), or (m) of section 4041, section 4081(c), or section 4091(c).

(d) Definitions and special rules.—For purposes of this section—

(1) Alcohol defined.—

(A) In general.—The term "alcohol" includes methanol and ethanol but does not include—

(i) alcohol produced from petroleum, natural gas, or coal (including peat), or

(ii) alcohol with a proof of less than 150.

(B) Determination of proof.—The determination of the proof of any alcohol shall be made without regard to any added denaturants.

(2) Special fuel defined.—The term "special fuel" includes any liquid fuel (other than gasoline) which is suitable for use in an internal combustion engine.

(3) Mixture or alcohol not used as a fuel, etc.—

(A) Mixtures.—If—

(i) any credit was determined under this section with respect to alcohol used in the production of any qualified mixture, and

(ii) any person—

(I) separates the alcohol from the mixture, or

(II) without separation, uses the mixture other than as a fuel,

then there is hereby imposed on such person a tax equal to 60 cents a gallon (45 cents in the case of alcohol with a proof less than 190) for each gallon of alcohol in such mixture.

(B) Alcohol.—If—

(i) any credit was determined under this section with respect to the retail sale of any alcohol, and

(ii) any person mixes such alcohol or uses such alcohol other than as a fuel,

then there is hereby imposed on such person a tax equal to 60 cents a gallon (45 cents in the case of alcohol with a proof less than 190) for each gallon of such alcohol.

(C) Producer credit.—If—

(i) any credit was determined under subsection (a)(3), and

(ii) any person does not use such fuel for a purpose described in subsection (b)(4)(B),

then there is hereby imposed on such person a tax equal to 10 cents a gallon for each gallon of such alcohol.

(D) **Applicable laws.**—All provisions of law, including [illegible]ties, shall, insofar as applicable and not inconsistent with this section, [illegible] respect of any tax imposed under subparagraph (A), (B), or (C) as if such [illegible]re imposed by section 4081 and not by this chapter.

(4) **Volume of alcohol.**—For purposes of determining—

(A) under subsection (a) the number of gallons of alcohol with respect to which a credit is allowable under subsection (a), or

(B) under section 4041(k) or 4081(c) the percentage of any mixture which consists of alcohol,

the volume of alcohol shall include the volume of any denaturant (including gasoline) which is added under any formulas approved by the Secretary to the extent that such denaturants do not exceed 5 percent of the volume of such alcohol (including denaturants).

(5) **Pass-thru in the case of estates and trusts.**—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

(e) **Termination.**—

(1) **In general.**—This section shall not apply to any sale or use—

(A) for any period after December 31, 2007, or

(B) for any period before January 1, 2008, during which the rates of tax under section 4081(a)(2)(A) are 4.3 cents per gallon.

(2) **No carryovers to certain years after expiration.**—If this section ceases to apply for any period by reason of paragraph (1), no amount attributable to any sale or use before the first day of such period may be carried under section 39 by reason of this section (treating the amount allowed by reason of this section as the first amount allowed by this subpart) to any taxable year beginning after the 3-taxable-year period beginning with the taxable year in which such first day occurs.

(f) **Election to have alcohol fuels credit not apply.**—

(1) **In general.**—A taxpayer may elect to have this section not apply for any taxable year.

(2) **Time for making election.**—An election under paragraph (1) for any taxable year may be made (or revoked) at any time before the expiration of the 3-year period beginning on the last date prescribed by law for filing the return for such taxable year (determined without regard to extensions).

(3) **Manner of making election.**—An election under paragraph (1) (or revocation thereof) shall be made in such manner as the Secretary may by regulations prescribe.

(g) **Definitions and special rules for eligible small ethanol producer credit.**—For purposes of this section—

(1) **Eligible small ethanol producer.**—The term "eligible small ethanol producer" means a person who, at all times during the taxable year, has a productive capacity for alcohol (as defined in subsection (d)(1)(A) without regard to clauses (i) and (ii)) not in excess of 30,000,000 gallons.

(2) **Aggregation [1] rule.**—For purposes of the 15,000,000 gallon limitation under subsection (b)(4)(C) and the 30,000,000 gallon limitation under paragraph (1), all members of the same controlled group of corporations (within the meaning of section 267(f)) and all persons under common control (within the meaning of section 52(b) but determined by treating an interest of more than 50 percent as a controlling interest) shall be treated as 1 person.

(3) **Partnership, S corporations, and other pass-thru entities.**—In the case of a partnership, trust, S corporation, or other pass-thru entity, the limitations contained in subsection (b)(4)(C) and paragraph (1) shall be applied at the entity level and at the partner or similar level.

(4) **Allocation.**—For purposes of this subsection, in the case of a facility in which more than 1 person has an interest, productive capacity shall be allocated among such persons in such manner as the Secretary may prescribe.

(5) **Regulations.**—The Secretary may prescribe such regulations as may be necessary—

(A) to prevent the credit provided for in subsect[illegible] from directly or indirectly benefiting any person with a direct or indi[illegible]ective capacity of more than 30,000,000 gallons of alcohol during the taxa[illegible]ar, or

(B) to prevent any person from directly or indirectly benefiting with respect to more than 15,000,000 gallons during the taxable year.

(h) **Reduced credit for ethanol blenders.**—In the case of any alcohol mixture credit or alcohol credit with respect to any alcohol which is ethanol—

(1) subsections (b)(1)(A) and (b)(2)(A) shall be applied by substituting "54 cents" for "60 cents";

(2) subsection (b)(3) shall be applied by substituting "40 cents" for "45 cents" and "54 cents" for "60 cents"; and

(3) subparagraphs (A) and (B) of subsection (d)(3) shall be applied by substituting "54 cents" for "60 cents" and "40 cents" for "45 cents".

(Added Pub.L. 96-223, Title II, § 232(b)(1), Apr. 2, 1980, 94 Stat. 273, § 44E, and amended Pub.L. 97-34, Title II, § 207(e)(3), Aug. 13, 1981, 95 Stat. 225; Pub.L. 97-354, § 5(a)(2), Oct. 19, 1982, 96 Stat. 1692; Pub.L. 97-424, Title V, § 511(b)(2), (d)(3), Jan. 6, 1983, 96 Stat. 2170, 2171; renumbered § 40 and amended Pub.L. 98-369, Div. A, Title IV, §§ 471(e), 474(k), Title IX, §§ 912(e), (f), 913(b), July 18, 1984, 98 Stat. 826, 832, 1007, 1008; Pub.L. 100-203, Title X, § 10502(d)(1), Dec. 22, 1987, 101 Stat. 1330-444; Pub.L. 101-508, Title XI, § 11502(a)-(f), Nov. 5, 1990, 104 Stat. 1388-480 to 1388-482; Pub.L. 104-188, Title I, § 1703(j), Aug. 20, 1996, 110 Stat. 1876; Pub.L. 105-178, Title IX, § 9003(a)(3), June 9, 1998, 112 Stat. 502.)

[1] So in original. Probably should be "Aggregation".

Amendment of Section

Pub.L. 105-178, Title IX, § 9003(b)(1), June 9, 1998, 112 Stat. 502, provided that, effective Jan. 1, 2001, subsec. (h) of this section is amended to read:

"(h) Reduced credit for ethanol blenders.—

"(1) In general.—In the case of any alcohol mixture credit or alcohol credit with respect to any sale or use of alcohol which is ethanol during calendar years 2001 through 2007—

"(A) subsections (b)(1)(A) and (b)(2)(A) shall be applied by substituting 'the blender amount' for '60 cents',

"(B) subsection (b)(3) shall be applied by substituting 'the low-proof blender amount' for '45 cents' and 'the blender amount' for '60 cents', and

"(C) subparagraphs (A) and (B) of subsection (d)(3) shall be applied by substituting 'the blender amount' for '60 cents' and 'the low-proof blender amount' for '45 cents'.

"(2) Amounts.—For purposes of paragraph (1), the blender amount and the low-proof blender amount shall be determined in accordance with the following table:

In the case of any sale or use during calendar year:	The blender amount is:	The low-proof blender amount is:
2001 or 2002	53 cents	39.26 cents
2003 or 2004	52 cents	38.52 cents
2005, 2006, or 2007	51 cents	37.78 cents."

HISTORICAL AND STATUTORY NOTES

Revision Notes and Legislative Reports

1990 Act. House Report No. 101-881 and House Conference Report No. 101-964, see 1990 U.S. Code Cong. and Adm. News, p. 2017.

1996 Acts. Senate Report No. 104-281 and House Conference Report No. 104-737, see 1996 U.S. Code Cong. and Adm. News, p. 1474.

1998 Acts. House Conference Report No. 105-550 and Statement by President, see 1998 U.S. Code Cong. and Adm. News, p. 64.

Amendments

1998 Amendments. Subsec. (e)(1)(A) Pub.L. 105-178, § 9003(a)(3)(A), substituted "December 31, 2007" for "December 31, 2000".

Subsec. (e)(1)(B). Pub.L. 105-178, § 9003(a)(3)(B), substituted "January 1, 2008" for "January 1, 2001".

Subsec. (h). Pub.L. 105-178, § 9003(b)(1), rewrote subsec. (h), which formerly read:

"(h) **Reduced credit for ethanol blenders.**—In the case of any alcohol mixture credit or alcohol credit with respect to any alcohol which is ethanol—

Farm Service Agency Online

USDA United States Department of Agriculture

Fact Sheet

Electronic Edition

November 2000

Announced Bioenergy Program: 7CFR 1424

Objective

To expand industrial consumption of agricultural commodities by promoting their use in production of bioenergy which will also advance the goals set forth in the President's Executive Order on Biobased Products and Bioenergy.

Purpose

To promote increased production of bioenergy (ethanol and biodiesel).

Authority

Section 5(e) of the Commodity Credit Corporation (CCC) Charter Act authorizes CCC to use its general powers to "increase domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic markets for agricultural commodities...".

Proposal

CCC will make cash payments to bioenergy producers compensating them for a portion of their increased commodity purchases made to expand existing production of bioenergy and to encourage the construction of new production capacity.

Operations

- Bioenergy producers will apply to CCC to participate in this program.
- Eligible commodities will be barley, corn, grain sorghum, oats, rice, wheat, soybeans, sunflower seed, canola, crambe, rapeseed, safflower, flaxseed, mustard seed, and cellulosic crops, such as switchgrass and short rotation trees, grown on farms for the purpose of producing ethanol and or biodiesel or any other commodity or commodity by-product as determined and announced by CCC used in ethanol and biodiesel production which is produced in the United States and its territories. CCC plans to issue a future proposed rule specifically requesting comments on

adding animal fats and oils that are first used in ethanol and/ or biodiesel production to this program.

- Eligible producers will provide CCC with evidence of increased purchase and utilization of agricultural commodities for the increased production of bioenergy.
- CCC will make up to $300 million in cash payments in FY 2001 and FY 2002 ($150 million in each FY) to eligible bioenergy producers on a quarterly fiscal year to date basis.
- Payments will be based on the increase in bioenergy production compared to the previous year's production fiscal year to date.
- All commercial bioenergy producers will be eligible to participate in the program.
- Payments will be structured to encourage participation of producers with less than 65 million gallon annual production capacity.
- A payment limitation will restrict the amount of funds any single producer may obtain annually under the program to five percent or $7.5 million for FY's 2001 and 2002.

Funding

CCC borrowing authority.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not *all prohibited bases apply to all programs.*) *Persons with disabilities who require alternative means for communication of* program information (braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C., 20250-9410, or call (202) 720-5964 (voice or TDD).

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SB 2019
3-6-01

SENATE BILL 2019
HOUSE APPROPRIATIONS COMMITTEE
GOVERNMENT OPERATIONS DIVISION
REPRESENTATIVE REX BYERLY, CHAIRMAN
MARCH 6, 2001

Mr. Chairman and members of the committee my name is Jim Hirsch, Director of the North Dakota Workforce Development Council.

Workforce is an important issue for the State of North Dakota. The nature of the workforce issue varies from community to community.

- In some communities, the lack of an available workforce and skill shortages has prevented some North Dakota businesses from expanding ;
- At the same time, in other communities, there is an available labor pool that is being underutilized due to unemployment and underemployment.; and
- Across the State, customized training options are needed to allow dislocated workers and underemployed workers an opportunity to retrain in a short period of time for available employment opportunities in the State.

Currently, workforce issues and problems have not been documented and needs assessments have not been formalized. Information and intelligence gathering on the State's workforce is being carried out by a number of agencies and organizations. There is no central "warehousing" of data to make it available for comprehensive planning to address workforce needs in the State.

In order to effectively respond the specific issues or problems need to be identified so that the Workforce Development System can bring their collective resources to bear on resolution of the problem.

Accurate and up to date data on the State's workforce is necessary to respond to labor shortages, job shortages and customized training program shortages.

- In order to effectively recruit a workforce, employers need to have current wage survey data. If the wage being offered is below market or below the competition (intra or interstate) recruitment will not work.
- To develop and deliver customized training, information is needed on the job skills required by growth industries in the State and the number of vacancies anticipated through normal attrition, current and projected expansion plans.
- To support new job creation and expansion projects, economic development professionals and site selectors need information related to the state's workforce. This could include information on:
    - workforce availability,
    - workforce skill sets,
    - underemployment,
    - worker dislocations,
    - workforce productivity,
    - absenteeism,
    - turnover rates, etc.

The Workforce Development Division should provide a single point of contact for business, site selectors, economic development professionals, educators, workforce training providers, and others wishing to obtain information and/or sources of information related to North Dakota's workforce.

At this time, the structure is not in place to make this a reality. During the 01 -03 biennium, the Workforce Development Division would lead a process to document and define the workforce issues and problems, conduct needs assessments and to coordinated the development of plans of action to resolve specific workforce issues.

Goal One: **Conduct a workforce availability assessment:**

We need to determine the areas of the State where we have actual workforce shortages, skill gap shortages, underemployment and unemployment.

Tactic One: Work with business, economic development professionals, and site selector's to identify the workforce availability data they require to make decisions on business expansion and business locations to the State.

Tactic Two: **Based on the input, develop a plan and an approach which will gather the workforce availability data by capturing the information from current clients of the mandatory and voluntary partner's of the One Stop Delivery System.**

Tactic Three: **Determine 'gaps' and identify options or sources of the information needed to fill the gaps.**

Tactic Four: **Identify or develop a recommendation to create a "central warehousing" data base to store data on workforce availability.**

Goal Two: **Develop "Core" workforce statistical information:**

We need to determine what "workforce statistical information" is needed by the users of the information and conduct "data mapping" to identify what information is available and where it is available.

Tactic One: By working with economic development professionals, site selectors, business representatives and key partners of the Workforce Development System, identify "core" workforce statistical data requirements.

Tactic Two: Based on "core' workforce statistical data requirements agreed to, conduct "Data Mapping" to identify information already available and the source of the information.

Tactic Three: Determine the gaps in "core" workforce statistical data requirements and develop a plan to fill in the gaps in information.

Tactic Four: Identify or develop a recommendation to create a "central warehousing" data base for "core" workforce statistical information that would be available on a Web Site with "hot links" to additional workforce statistical information available through various agencies and organizations.

Goal Three: **Document "job skills" requirements of expanding industries:**

We need to document the job skill requirements for business and industry and to determine the job skills required as a result of normal attrition, current vacancies and projected vacancies resulting form expansions.

Tactic One: **Through private industry and working with GNDA's New Economy Initiative, develop support from the Industry Clusters to conduct a survey of current "job skill" requirements of their membership.**

Tactic Two: Through the Industry Clusters survey the current workforce levels by job skill, current vacancies by job skill and projected vacancies by job skill.

Tactic Three: Identify or develop a recommendation to create a "central warehousing" data base for industry job skill and vacancy information.

Goal Four: **Develop a "grant and proposal" response capability:**

We need to develop our grant and proposal writing capabilities to allow communities, agencies and organizations to apply for federal and private funding to address workforce issues and problems.

Tactic One: Develop consortiums and partnerships to help define workforce issues and problems and develop responses to address the specific workforce issues related to their community or quadrant.

Tactic Two: Research funding opportunities to access federal and private foundation funding to implement planned responses to workforce issues.

Tactic Three: Develop a "grant and proposal' writing expertise and provide technical assistance to communities, agencies and organizations delivering services to address identified workforce issues.

Goal Five: **Research "Best Practices" and participate in activities targeted at recruitment of workers or development of an available workforce.**

We need to develop plans to support workforce recruitment (intra and interstate) to meet business needs.

Tactic One: Work with employers and communities experiencing workforce and skill shortages to identify the specific skill gaps between the available workforce and employer requirements.

Tactic Two: Coordinate development of salary surveys to insure North Dakota employers have current and up to date wage and fringe benefit data to use in their recruitment efforts.

Tactic Three: Based on documented skill shortages and documented underemployment develop options to provide job skill training to the available workforce to help them meet employer requirements.

Tactic Four: To address a lack of an available workforce, work with business and communities to develop plans to support recruitment from those areas of the

State experiencing high unemployment or underutilization of their labor force as well as areas outside North Dakota experiencing significant worker dislocations and pockets of high unemployment.

Tactic Five: Identify specific job opportunities in high skill, high pay jobs that would be candidates for out of state recruitment and determine avenues for exposing these openings to potential candidates outside of North Dakota.

Tactic Six: Identify those entrepreneurial opportunities which would bring skilled, high tech workers to North Dakota rural communities.

Tactic Seven: Research what other states are doing to attract workers to their State, including targeted industry recruitment, participation in job fairs, open houses, etc.

Mr. Chairman, members of the committee, workforce has emerged as one of the most important issues facing the State.

We must get a handle on what it is we as a State need to do and are prepared to do. The resources for the most part are available to address this problem. The challenge is to coordinate and martial the use of these resources in support of a common vision and common goal for new job creation and new wealth creation in the state.

Mr. Chairman, that concludes my testimony. I would be happy to answer any questions.

Prepared by the North Dakota Legislative Council staff for Representative Wald
March 2001

SUMMARY OF WORKFORCE DEVELOPMENT TRAINING FUNDS

Workforce development training includes education from high school through college and advanced, customized, and specialized training courses. For the purpose of this summary, workforce development training excludes any educational training provided as general coursework by the North Dakota University System and any educational training below the higher education level. Within this context, the major state agencies partnering to provide workforce development training throughout the state include the North Dakota University System, Job Service North Dakota, State Board for Vocational and Technical Education, Department of Human Services, and Workforce Development Council.

	1999-2001 Biennium	2001-03 Biennium Schafer Executive Budget	2001-03 Biennium Hoeven Executive Budget	2001-03 Biennium as of Crossover
General Fund Programs				
North Dakota University System - College Technical Education Council (CTEC)	$197,627	$194,788	$194,788	$194,788
Vocational Education - Workforce training	675,000	675,000	1,350,000	1,350,000
Vocational Education - Industry training program	32,795	30,000	30,000	30,000
Workforce Development Council \1	104,157	104,159	103,964	880,703
Job Service - Work Force 2000 \2	1,250,676	2,000,356	2,250,356	2,250,356
Department of Human Services - JOBS program \3	0	36,523	36,523	36,523
Subtotal - General fund	$2,460,255	$3,240,826	$3,965,631	$4,742,370
Federal Funds Programs				
Workforce Development Council \1	$104,157	$104,156	$103,963	$60,584
Job Service - Senior community service employment program	1,069,524	1,052,242	1,052,242	1,052,242
Job Service - Job Corps \4	449,822	0	0	0
Job Service - Trade adjustment assistance	1,271,962	1,176,217	1,176,217	1,176,217
Job Service - Job Training Partnership Act \5	4,247,422	0	0	0
Job Service - Welfare-to-work \6	1,629,539	0	0	0
Job Service - Dislocated worker	1,849,660	235,345	235,345	235,345
Job Service - Job opportunities and basic skills	3,598,513	4,472,977	4,472,977	4,472,977
Job Service - Workforce investment Act	6,983,485	12,496,060	12,496,060	12,496,060
Department of Human Services - JOBS program \3	5,296,965	7,172,682	7,172,682	7,172,682
Department of Human Services - TANF program	587,170	3,083,671	3,083,671	3,083,671
Department of Human Services - Food stamp \7	510,000	507,500	507,500	507,500
Subtotal - Federal funds	$27,598,239	$30,300,850	$30,300,657	$30,257,278
Special Funds Programs				
Job Service - Department of Veterans Affairs \8	$66,661	$0	$0	$0
Job Service - New jobs	179,884	110,000	110,000	110,000
Job Service - Bremer Foundation \8	70,000	0	0	0
Department of Human Services - JOBS program \3	0	12,370	12,370	12,370
Department of Human Services - Food stamp \7	10,000	7,500	7,500	7,500
Subtotal - Special funds	$326,565	$129,870	$129,870	$129,870
Total all funds	$30,385,059	$33,671,546	$34,396,158	$35,129,518

\1 Funding for the Workforce Development Council for the 1999-2001 biennium was included in the budget for the Department of Economic Development and Finance. In the 2001-03 Schafer executive budget recommendation, funding for the council was moved from the Department of Economic Development and Finance to the State Board for Vocational and Technical Education. In the 2001-03 Hoeven executive budget recommendation, funding for the council was provided for in the budget for the Department of Commerce. As of crossover, funding for the Workforce Development Council is included in the budget for the Department of Commerce. The following provides information regarding the total funding provided in the 1999-2001 biennium and the total funding proposed for the 2001-03 biennium:

	1999-2001 Biennium	2001-03 Biennium Schafer Executive Budget	2001-03 Biennium Hoeven Executive Budget	2001-03 Biennium as of Crossover
General fund	$104,157	$104,159	$103,964	$880,703
Special funds	104,157	104,156	103,963	60,584
Total	$208,314	$208,315	$207,927	$941,287

\2 The funding provided for Work Force 2000 in the 1999-2001 biennium was $1,250,676, of which $1,250,000 was from the general fund, and $67 was from federal funds. All funding proposed for Work Force 2000 for the 2001-03 biennium is from the general fund.

\3 The following provides information regarding the total funding provided in the 1999-2001 biennium and the total funding proposed for the 2001-03 biennium for the Department of Human Services JOBS program:

	1999-2001 Biennium	2001-03 Biennium Schafer Executive Budget	2001-03 Biennium Hoeven Executive Budget	2001-03 Biennium as of Crossover
General fund	$0	$36,523	$36,523	$36,523
Federal funds	5,296,965	7,172,682	7,172,682	7,172,682
Special funds	0	12,370	12,370	12,370
Total	$5,296,965	$7,221,575	$7,221,575	$7,221,575

\4 The Job Corps contract terminated on June 30, 2000.

\5 The Job Training Partnership Act expired on June 30, 2000.

\6 Funding availability for the welfare-to-work program expires on June 30, 2001.

\7 The following provides information regarding the total funding provided in the 1999-2001 biennium and the total funding proposed for the 2001-03 biennium for the Department of Human Services food stamp employment training program:

	1999-2001 Biennium	2001-03 Biennium Schafer Executive Budget	2001-03 Biennium Hoeven Executive Budget	2001-03 Biennium as of Crossover
Federal funds	$510,000	$507,500	$507,500	$507,500
Special funds	10,000	7,500	7,500	7,500
Total	$520,000	$515,000	$515,000	$515,000

\8 This program was funded in the 1999-2001 biennium with one-time grant funding.

The North Dakota Workforce Development Division's role in coordination of the North Dakota Workforce Development System in support of new job creation and new wealth creation in North Dakota.

Work force availability and training are primary concerns for North Dakota business in support of business retention, business expansion and new business start ups. Business needs an available work force and that work force must be trained to meet their needs.

North Dakota businesses also are concerned with keeping their current work force skilled and technologically current. Rapid advances in technology, global competition, regulation and the introduction of new work methods fuel the need for ongoing work force retraining and upgrading training.

There are a number of federal and state funded programs and services that are intended to address the delivery of human resource services, workforce development and workforce training. In the past, these programs have been delivered in isolation and without the benefit of a single state strategy or plan to guide the specific objectives and outcomes to determine what success should be. In many cases these programs and services were delivered without the benefit of input from the private sector.

A successful response to work force recruitment, workforce development and workforce training will require coordination and collaboration between all the players in the Workforce Development System. This includes those agencies charged with the delivery of human resource programs and services that are designed to recruit workers and develop disadvantaged and underutilized segments of the population; the local, state and private workforce development and training providers and the private sector employers and development corporations who develop and create new jobs and new wealth for North Dakota.

The North Dakota Workforce Development Division of the North Dakota Department of Commerce would provide a single point of contact for business, site selectors, economic development professionals, partners of the Workforce Development System and others to obtain information and sources to information related to the state's workforce. This could include workforce availability, work force skill sets, underemployment, worker dislocations, work force productivity, absenteeism, turnover rates, etc.

The North Dakota Workforce Development Division's responsibilities would include:

North Dakota Workforce Development Council Support:

The North Dakota Workforce Development Council was authorized under executive order 95-01. The Council is a twenty five member board which serves in an Advisory capacity to the Governor with responsibility for recommendations on policy, vision and strategic planning related to work force recruitment, work force development and work force training. One of the major responsibilities of the council is to develop a common vision for the North Dakota Workforce Development System and to recommend policies and goals that support the State's economic development strategy and the Governors vision for economic development, workforce development and workforce training.

Council's responsibility to the Governor:

- Recommend the vision, goals and objectives of the State's workforce development system.
- Recommend workforce policy changes to federal and state programs that will improve the effectiveness and efficiency of the State's workforce development system.
- Recommend tactics to address current and future economic development and

work force investment needs of the state.

- Develop a uniform set of objectives and establish benchmarks for quality improvement measures to track the effectiveness of the State's workforce development system.
- Develop a comprehensive workforce development strategic plan for the State that supports the Governor's vision and goals for economic development and workforce training.
- Identify and develop opportunities for collaboration and partnerships between education, employment and training program deliverers and supporting workforce development activities in the State.
- Review and approve a Council operating budget
- Recommend priorities for use of federal and state Workforce Investment Act and funds.
- Prior to submittal to the Governor, review and approve the State's job training plan.
- . Recommend procedure for development of the State's job training plan and selecting a grant recipient or administrative entity for the plan.
- Develop policy guidance and exercise oversight of the State's job training plan and associated activities.
- Perform the duties and functions of State councils as prescribed under law relating to applicable Federal human resource and workforce development programs.

Coordination of North Dakota's Workforce Development System:

The coordination of the State's Workforce Development System is critical success factor in support Governor's vision and goals for economic development, new job creation and new wealth creation for North Dakota. The Workforce Development Division of the North Dakota Department of Commerce would provide a catalyst that

could support greater cooperation and coordination within the Workforce Development System. The Division would support coordination through the following activities:

- Develop an educational process to increase the awareness level of the importance and the impact of work force availability and appropriate work force training in support of business retention and expansion.
- Facilitate the coordination of federal and state mandatory Workforce Incentive Act and One Stop Career Center partners to attain statewide goals in support of the State's economic development goals and the Governor's vision for economic development workforce training.
- Coordinate with the Research and Intelligence Division of the North Dakota Department of Economic Development and Finance to identify and document skill gaps and work force shortages and develop tactics to address these areas.
- Provide technical assistance to communities and organizations in establishing coalitions, consortiums and local partnerships to identify and document work force availability and skill shortages that exist in communities, counties and regional areas of the State.
- Provide technical assistance to communities and organizations to develop tactics and grant proposals to address issues of work force availability and skill shortages.
- Promote the creation of customized training and short term training to address skill shortage occupations identified through the North Dakota Department of Economic Development and Finance or local consortiums and partnerships.
- Provide linkages to the State Workforce Development System, technical assistance and monitoring for REAP Zones projects located in the State.

Work Force Recruitment:

Work force recruitment, identification and preparation of potential work force participants are important issues for North Dakota as well as State's in the Midwest. Availability of workers and skill shortages have prevented many North Dakota businesses from expanding and are a major obstacle to overcome when recruiting new business to the State. New approaches for transforming the State's Workforce Development System to meet the demands brought about by labor shortages, a high-tech society and a work-based welfare system are needed. This restructuring should support and create new linkages between employers and potential employees.

The Workforce Development Division's role in work force recruitment would include the following:

- Bringing work force issues to the North Dakota Workforce Development Council to gain support and recommendations to the Governor for policy or legislative change required to address the work force issues.
- Conduct Salary Surveys to insure North Dakota employers have current and up to date wage and fringe benefit data to use in their recruitment efforts.
- Coordinate with GNDA, GNDA membership and partners of the Workforce Development System to conduct studies to document current employment by industry, skills sets by industry, current skill set vacancies, projected skill set vacancies and use this information to develop work force recruitment plans, curriculum development and training responses.

- With the North Dakota Workforce Development Council and additional local consortiums or partnerships develop a response that will support a coordinated approach to identification of the structurally unemployed, underemployed and refugees populations in the state and provide opportunities for training in skill shortage occupations.
- Provide technical assistance to communities and businesses in the development of a plan to support HI B Visa applications in critical skill shortage occupations and develop tactics to identify and retrain underemployed workers to prepare them for H1 B shortage occupations.
- Provide technical support to communities and businesses to help target out of state recruitment to areas of high unemployment and areas of reported plant closings and high numbers of dislocated workers.
- Provide technical assistance and administer a public/private partnership grant that would support efforts in talent recruitment from out of state former residents.

Statewide labor force statistics

The Workforce Development Division would provide economic developers, businesses, site selectors, state and local agencies and organizations with one stop to access to data on North Dakota workforce availability and workforce preparedness. This would be accomplished by conducting labor force diagnostic studies, conducting data mapping and cataloging of data currently collected and available through agencies and organizations funded through federal, state and research projects. The data should be available on the Web with hot links to specific data collected by partnering agencies

and organizations.

The Workforce Development Division's role in statewide labor force statistics would include the following:

- Support economic development strategies of the State by providing technical assistance and coordinating input from the North Dakota Workforce Development Council into identification of target industries and target occupations within those industries which would support business retention and expansion priorities.
- With the North Dakota Department of Economic Development and Finance, Job Service North Dakota, and the North Dakota Workforce Development Council conduct research to identify and document employer skill shortages resulting from current vacancies (both where active recruitment is occurring or recruitment is not active due to assumption that workers are not available), projected vacancies due to planned future expansion and vacancies projected as a result of new business recruitment.
- Provide technical assistance to help develop strategies to identify unemployed and underemployed workers in North Dakota and support the development of a database of work force availability and an inventory of work force skills.
- With input from the North Dakota Workforce Development Council and the private sector develop strategies which will identify and document unemployment and underemployment by capturing data from current clients of mandatory and voluntary partners under the One Stop Delivery System and supplement this data where needed with underemployment studies and surveys. (Many times unemployed and underemployed are clients of one of the One Stop Delivery System

partners. The challenge is to share information and gather the information into a common database.

- Coordinate with the Tribal Chairs strategies to document unemployment and under employment that exists on State's Reservations and support skill training and business expansion in areas where there is an available labor supply.
- Conduct research and labor force diagnostics that will address the information needs of economic developers and site selectors when working with business clients who are potential candidates for location to the State. (Labor market commute zone, employer testaments, etc.)
- Coordinate with the North Dakota Department of Economic Development and other partner's strategies that will lead to the development of a common and shared database to track labor availability and work force data on productivity, absenteeism and turnover rates.
- Partner with local areas to conduct labor studies through a match grant program.

Workforce Preparedness:

In addition to work force availability, work force preparedness and the ability of the State to respond and deliver workforce training to prepare its work force for the skill requirements of business ranks very high in the decision to locate business to North Dakota or to expand businesses in the state.

The Workforce Development Division's role in work force preparedness would include

the following:

- With the North Dakota Workforce Development Council, the Workforce Training Quadrants, and Job Service North Dakota document the need and coordinate the development of short-term customized training (3-6 months) that will retrain unemployed, underemployed and dislocated North Dakota workers for high pay skill shortage technical occupations that will allow them to remain in North Dakota.
- With the North Dakota Workforce Development Council encourage linkage between the One Stop Delivery System partners, the Workforce Training Quadrants, private sector business, the North Dakota Department of Economic Development and Finance and Local Development Corporations to identify innovative approaches to worker recruitment and work force preparation. These linkages will insure that scarce resources available to the state are used efficiently and in support of the state economic development strategies and the goals of the Governor.
- Provide input into the North Dakota Workforce Development Council advisory role to the Governor which will create an environment where the One Stop Delivery System Partners can fully participate and support the goals of the Governor and Economic Development through targeting workforce development and workforce training programs and services in support State identified priorities
- Through the North Dakota Workforce Development Council provide technical assistance to the partners of the One Stop Delivery System, private sector business, Tribal Chairs and economic development professionals to document skill gaps/skill shortages and provide this information to training providers for use in the development of

curriculum that supports short term customized training responses.

Grant Development

The State of North Dakota, as well as local communities and organizations have opportunities to apply for and receive funding to conduct research, demonstration projects and discretionary funding to address specific work force issues. This funding is most frequently available from Federal agencies and private foundations. Many times, the response time to develop and submit funding proposals are very short and compressed. The most successful applications are those where the problem has been adequately documented, the service strategies and budgets have been clearly defined, the outcome objectives and performance goals have been established and the method to document the outcomes or research objectives are clearly stated.

Many times, these opportunities require a coordinated response to the problem and input and support of the private sector. Some opportunities will require matching funds.

The Workforce Development Division's role in grant development would include the following:

- Track opportunities for the state and local communities to apply for grant and demonstration project funding to address state and local workforce issues.
- Provide technical assistance to help communities build consortiums and partnerships to address priority workforce issues
- Provide technical assistance to communities and organizations that are developing funding applications and grants and help identify information sources and expert input into the grant writing process.
- Coordinate with the North Dakota Workforce Development Council

initiatives that would support grant applications under the HI-B Visa grant process.

Prepared by the North Dakota Legislative Council staff

January 2001

REGIONAL RURAL DEVELOPMENT REVOLVING LOAN FUND STATUS REPORT AS OF JANUARY 23, 2001

The regional rural development revolving loan fund was established with the passage of 1991 House Bill No. 1046 which related to Sunday business opening. In addition to establishing the regional rural development revolving loan fund, 1991 House Bill No. 1046 provided for a contingent appropriation and a transfer into the fund based on the June 30, 1993, general fund ending balance.

The transfer into the regional rural development revolving loan fund was $8,660,171. In addition, repayments to the fund, earnings on the fund, and earnings on investments made by the fund are deposited into the fund. The fund is allocated equally among the eight economic development regions of the state. Investment chargeoffs are assessed against the region which initiated the investment.

The regional rural development revolving loan fund is to be used for business projects in areas of the state that are not within five miles of any city with a population of more than 8,000. Attached as an appendix is a schedule showing the regional rural development revolving loan fund investments and investments "charged off" to date.

The schedule below presents the regional rural development revolving loan fund balance by region, as of December 31, 2000:

Region	Council	City	Total Available	Funded Projects [1]	Unfunded Commitments	Remaining Balance [2]
1	Tri-County Economic Development	Williston	$1,334,616	$235,934	$287,500	$811,182
2	Souris Basin Planning	Minot	1,334,616	1,189,165	283,368	(137,917)
3	North Central Planning	Devils Lake	1,334,616	820,859	210,000	303,757
4	Red River Regional Planning	Grafton	1,334,616	1,010,867	13,119	310,630
5	Lake Agassiz Regional Planning	Fargo	1,334,616	1,247,155	500,000	(412,539)
6	South Central Regional Planning	Jamestown	1,334,616	819,668	7,031	507,917
7	Lewis and Clark Regional Planning	Bismarck	1,334,616	2,049,078	80,050	(794,512)
8	Roosevelt Custer Regional Planning	Dickinson	1,334,616	652,797	387,666	294,153
Total			$10,676,928	$8,025,523	$1,768,734	$882,671

[1] Includes $2,423,871 of "charged off" projects by region as follows:

Region	Council	City	Total
1	Tri-County Economic Development	Williston	$0
2	Souris Basin Planning	Minot	0
3	North Central Planning	Devils Lake	568,682
4	Red River Regional Planning	Grafton	254,062
5	Lake Agassiz Regional Planning	Fargo	155,000
6	South Central Regional Planning	Jamestown	1,051,462
7	Lewis and Clark Regional Planning	Bismarck	274,665
8	Roosevelt Custer Regional Planning	Dickinson	120,000
Total			$2,423,871

[2] The director of the Department of Economic Development and Finance may reallocate up to 20 percent of any region's remaining balance to another region or regions (1999 House Bill No. 1019).

New project applications currently under consideration include:

Region	Council	City	Number of Pending Projects	Amount
1	Tri-County Economic Development	Williston	1	$1,000,000
2	Souris Basin Planning	Minot	1	50,000
3	North Central Planning	Devils Lake	1	75,000
4	Red River Regional Planning	Grafton	0	0
5	Lake Agassiz Regional Planning	Fargo	2	625,000
6	South Central Regional Planning	Jamestown	3	500,000
7	Lewis and Clark Regional Planning	Bismarck	0	0
8	Roosevelt Custer Regional Planning	Dickinson	0	0
Total			8	$2,250,000

ATTACH:1

North Dakota Development Fund - Trial Balance

Date: January 25, 20

Company	Location	Region	Date	Amount	Rural Fund Equity	
Precision Fiberglass	Edgeley	Jamestown - 6	6/12/1992	250,000	Rural Fund equity	chg-off $250,000
Harriston Industries	Minto	Grafton - 4	10/14/1992	200,000	Rural Fund loan	
Precision Fiberglass	Edgeley	Jamestown - 6	9/24/1993	20,000	Rural Fund equity	chg-off $20,000
Buchmann Mfg.	McClusky	Bismarck - 7	1/26/1994	163,000	Rural Fund equity	chg-off $163,000
NuGrain	Harvey	Jamestown - 6	3/4/1994	200,000	Rural Fund equity	chg-off $200,000
Pugsley's	Devils Lake	Devils Lake - 3	3/8/1994	200,000	Rural Fund loan	
Brite Flite	Hazen	Bismarck - 7	3/10/1994	30,000	Rural Fund loan	
NYTAF Ind.	Edmore	Devils Lake - 3	3/10/1994	25,000	Rural Fund equity	chg-off $24,932
TJ Manufacturing	Harvey	Jamestown - 6	3/31/1994	40,000	Rural Fund loan	chg-off $35,930
Edmore Dev. Corp.	Edmore	Devils Lake - 3	5/27/1994	80,000	Rural Fund equity	chg-off $80,000
Dakota Fiber	Casselton	Fargo - 5	6/2/1994	33,700	Rural Fund equity	chg-off $26,700
Oster, E. United Test	Hazen	Bismarck - 7	6/22/1994	5,000	Rural Fund loan	
O&R Processing	Tolna	Grafton - 4	8/5/1994	75,000	Rural Fund equity	chg-off $75,000
Roger Rasch	Hazen	Bismarck - 7	8/26/1994	2,880	Rural Fund loan	
Heart of Valley	Portland	Fargo - 5	9/23/1994	50,000	Rural Fund TTI	chg-off $50,000
ND Envelope Co.	Kenmare	Minot - 2	10/26/1994	125,000	Rural Fund loan	
Advanced Architecture	Fargo	Fargo - 5	1/4/1995	28,300	Rural Fund TTI	chg-off $28,300
TRJ Enterprises	Hazen	Bismarck - 7	1/13/1995	26,000	Rural Fund loan	
Kenmare Economic Dev.	Kenmare	Minot - 2	2/13/1995	15,000	Rural Fund grant	
NuGrain	Harvey	Jamestown - 6	2/14/1995	275,000	Rural Fund equity	chg-off $275,000
NYTAF	Edmore	Devils Lake - 3	2/24/1995	125,000	Rural Fund equity	chg-off $125,000
All-In-One Products	Watford City	Williston - 1	2/27/1995	95,000	Rural Fund loan	
Fisher Flying Products	Edgeley	Jamestown - 6	3/9/1995	45,000	Rural Fund loan	
Harvey Nordin	Devils Lake	Devils Lake - 3	3/13/1995	5,000	Rural Fund loan	
Orbtech	Steele	Bismarck - 7	5/24/1995	10,000	Rural Fund grant	chg-off $8,521
Noble Dev. Corp.	Hazen	Bismarck - 7	1/8/1996	300,000	Rural Fund equity	
Pugsley's	Devils Lake	Devils Lake - 3	1/12/1996	100,000	Rural Fund loan	
Dakota Medical Lab.	Ft. Totten	Devils Lake - 3	3/5/1996	21,600	Rural Fund TTI	chg-off $21,600
Noble Development	Hazen	Bismarck - 7	3/18/1996	12,716	Rural Fund loan	
Drayton Grain Processors	Drayton	Grafton - 4	4/16/1996	300,000	Rural Fund loan	
N.American Bison Coop.	New Rockford	Devils Lake - 3	4/19/1996	300,000	Rural Fund loan	
Dakota Fresh	Casselton	Fargo - 5	4/23/1996	50,000	Rural Fund equity	chg-off $50,000
Leeds EDC	Leeds	Devils Lake - 3	5/29/1996	16,000	Rural Fund loan	
Flasher Dev. Corp	Flasher	Bismarck - 7	5/31/1996	24,000	Rural Fund equity	
Noble Development	Hazen	Bismarck - 7	6/4/1996	82,284	Rural Fund loan	
Buffalo Commons	Mott	Dickinson - 8	7/31/1996	120,000	Rural Fund loan	chg-off $120,000
Harriston Industries	Minto	Grafton - 4	8/7/1996	250,000	Rural Fund loan	
Schepp's Deli	Lansford	Minot - 2	9/23/1996	25,000	Rural Fund loan	
Dakota Dairy	Hebron	Bismarck - 7	9/27/1996	130,000	Rural Fund loan	chg-off $103,144
Farmer's Choice Pasta	Leeds	Devils Lake - 3	10/29/1996	300,000	Rural Fund equity	chg-off $317,150
TRJ Enterprises	Watford City	Williston - 1	11/18/1996	57,500	Rural Fund loan	
Microlap Technologies	Rolla	Devils Lake - 3	12/18/1996	300,000	Rural Fund loan	
Dynamics Marketing	Grafton	Grafton - 4	12/30/1996	125,000	Rural Fund loan	
Harvest Fuel	Walhalla	Grafton - 4	2/21/1997	100,000	Rural Fund loan	
Sandy Technology	Walhalla	Grafton - 4	3/5/1997	50,000	Rural Fund TTI	Chg-off $50,000
N. Valley Potato Growers	Hoople	Grafton - 4	7/30/1997	300,000	Rural Fund loan	
Gates Manufacturing LOC	Lansford	Minot - 2	8/14/1997	200,000	Rural Fund loan	
AgGrow Oils	Carrington	Jamestown - 6	10/3/1997	300,000	Rural Fund loan	chg-off 270,532
LD Paulson Enterprises	Bowman	Dickinson - 8	12/12/1997	30,000	Rural Fund loan	
Rolla JDA	Rolla	Devils Lake - 3	1/30/1998	80,000	Rural Fund loan	
Hettinger Co. Crop	Hettinger	Dickinson - 8	2/24/1998	36,000	Rural Fund TTI	
Farmers Choice Pasta	Leeds	Devils Lake - 3	4/1/1998	50,000	Rural Fund loan	
Dacco, Inc.	Hebron	Bismarck - 7	4/29/1998	400,000	Rural Fund loan	
Noble Dev. Corp.	Hazen	Bismarck - 7	5/15/1998	100,000	Rural Fund equity	
Mitem Limited	Grafton	Grafton - 4	5/29/1998	350,000	Rural Fund loan	
Microlap Technologies	Rolla	Devils Lake - 3	6/11/1998	36,246	Rural Fund loan	
Dakota Dairy	Hebron	Bismarck - 7	6/15/1998	196,290	Rural Fund loan	
Drayton Grain Processors	Drayton	Grafton - 4	6/14/1998	240,000	Rural Fund loan	
AgGrow Oils	Carrington	Jamestown - 6	9/1/1998	200,000	Rural Fund loan	
International Peace Gard	Bottineau	Minot - 2	9/1/1998	60,000	Rural Fund loan	

North Dakota Development Fund - Trial Balance

Sure-Way Systems	Valley City	[illegible]	[illegible]	[illegible]	Rural Fund loan	
Blue ThunderHawks	Larimore	Grafton - 4	12/23/1998	16,100	Rural Fund loan	chg-off $14,792
Deva Lifewear	Westhope	Minot - 2	1/20/1999	300,000	Rural Fund loan	
[illegible]e ThunderHawks	Larimore	Grafton - 4	2/0/1999	15,671	Rural Fund loan	chg-off $15,671
[illegible]es Enhancement	Oakes	Jamestown - 6	4/8/1999	201,000	Rural Fund loan	
[illegible]meritech	Watford City	Williston - 1	5/19/1999	97,000	Rural Fund loan	
Dale's Clothing	Bowman	Dickinson - 8	5/21/1999	5,500	Rural Fund loan	
Rolla JDA	Rolla	Devils Lake - 3	6/15/1999	25,000	Rural Fund loan	
Lamoure Feed & Seed	Lamoure	Jamestown - 6	6/10/1999	75,000	Rural Fund loan	
West Dakota Feed & See	Ross	Minot - 2	11/15/1999	100,000	Rural Fund loan	
Halliday JDA	Halliday	Dickinson - 8	11/22/1999	25,000	Rural Fund equity	
Commercial Group West	Kenmare	Minot - 2	12/3/1999	400,000	Rural Fund loan	
Creative Industries	Kenmare	Minot - 2	12/15/1999	75,000	Rural Fund loan	
TSR Parts	Colgate	Fargo - 5	12/23/1999	250,000	Rural Fund loan	
TSR Parts	Colgate	Fargo - 5	1/11/2000	45,000	Rural Fund loan	
Souris River Grain	Newburg	Minot - 2	1/12/2000	100,000	Rural Fund loan	
Halliday JDA	Halliday	Dickinson - 8	1/28/2000	6,000	Rural Fund loan	
Halliday JDA	Halliday	Dickinson - 8	1/28/2000	13,780	Rural Fund loan	
Bismarck Canvas	Menoken	Bismarck - 7	2/1/2000	35,000	Rural Fund loan	
Deva Lifewear	Westhope	Minot - 2	2/17/2000	100,000	Rural Fund loan	
North American Provision	New Rockford	Devils Lake - 3	2/17/2000	200,000	Rural Fund loan	
Drayton Grain Processors	Drayton	Grafton - 4	3/1/2000	204,846	Rural Fund loan	
West Dakota Feed & See	Ross	Minot - 2	3/2/2000	150,000	Rural Fund loan	
Lighted Impressions	Columbus	Minot - 2	5/22/2000	50,000	Rural Fund loan	
PolarWare	McClusky	Bismarck - 7	6/6/2000	400,000	Rural Fund loan	
Top Taste	Finley	Fargo - 5	6/6/2000	300,000	Rural Fund loan	
Kenmare Motel	Kenmare	Minot - 2	6/27/2000	250,000	Rural Fund loan	
Pump Systems	Dickinson	Dickinson - 8	8/2/2000	31,250	Rural Fund loan	
Abrasives Inc.	Glen Ullin	Bismarck - 7	8/31/2000	150,000	Rural Fund equity	
[illegible]rth Kind	New Town	Minot - 2	8/31/2000	50,000	Rural Fund loan	
[illegible]y Mec Inc.	Gwinner	Fargo - 5	9/8/2000	250,000	Rural Fund loan	
[illegible]ason, Inc.	Hebron	Bismarck - 7	9/11/2000	600,000	Rural Fund loan	
Cress Consulting	Watford City	Williston - 1	10/13/2000	60,000	Rural Fund loan	
Napoleon Future Fund	Napoleon	Jamestown - 6	10/24/2000	30,000	Rural Fund equity	
Sakakawea Lake Cabins	Hazen	Bismarck - 7	11/8/2000	64,800	Rural Fund loan	
Killdeer Mountain Mfg.	Killdeer	Dickinson - 8	1/11/2001	125,000	Rural Fund loan	
			Total:	$12,586,195		

Southwest REAP Annual Narrative Report
To: USDA Office of Community Development
Compiled by: Shirley Brentrup, 701-483-1241
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Executive Summary -- FY 2000 was a banner year for the ND REAP Zones. The FY 2000 USDA set-asides for REAP Zones helped to assist 65 low-income households purchase or renovate their homes. This is extremely important in out-migration areas where housing is a rapidly diminishing resource due to low values and low rental incomes. Set-asides also assisted in an RBOG Technology grant that will create a regional strategic plan as well as video conferencing and computer labs in our schools plus technology coordinators and technology education funding. In addition, the two ND REAPs received nearly $1.5 million in FY 1999 and 2000 CDBG EDI funding that enabled them to seriously begin implementation of their now five year old strategic plans.

During the past year, the three North Dakota Champion Communities and the two REAP Zones created the Champion REAP Alliance. This alliance will provide technical assistance and support to its membership under contract with Dickinson State University. Support for the Alliance came from the EDI funding and the North Dakota State Legislature ($50,000 each).

New areas of interest this year are in tourism and wind energy. The REAP Investment Fund, Inc. (the non-profit arm of the two ND REAP Zones), the SW REAP Zone, and two regional tourism groups partnered to create regional tourism tools (web site, video, and brochure) to be shared by western experience vacation providers including farmers and ranchers. The purpose of their involvement is to provide on-farm non-farm income to existing rural families. Studies shows those leaving the farm move to very urban areas outside North Dakota. It is important to find ways to keep rural families here. REAP also sponsored a workshop on establishing farm and ranch vacation businesses. In addition, all types of tourism bring people to North Dakota. And that's important to alleviating out-migration.

North Dakota has been referred to as the "Saudi Arabia of wind energy". High costs of other types of energy seem to be fueling new interest in this area. Recently, a tower to measure wind speeds has been erected in Dunn County. The board approved funding this past year to assist that effort and will continue to follow the progress and the wind energy efforts at our state legislature as well.

The REAP Zones have also coordinated and assisted in a study to out-source government jobs. Over the years, the consolidation of state and federal services moved these jobs to our more urban cities and our state capitol, Bismarck. New jobs in those agencies are also placed in those cities as well. We believe that with technology, this trend need not continue. A legislative committee has studied this with good results and potential savings to the government agencies. Efforts are going forward to pass legislation to enable

persons to work for state government and live in rural areas and also provide incentives to agency heads to encourage participation.

Most Significant Accomplishment – The single most significant accomplishment of the SW REAP Zone would be the funding of the economic developers. Through an FY 2000 CDBG EDI grant, the SW REAP Board assisted each county development corporation to improve services or add an economic developer position (Benchmark #2). This strategy has been the number one priority of the board since its inception. It has been evident that job and business creation is more readily accomplished if development corporations have paid economic developers and project support. To this end, the board committed $240,000 that will be matched by local development corporations over the next two years.

Community Participation –It is important to note that the SW REAP Zone is an eight county area, roughly 10,000 square miles and 40,000 people. Therefore, our definition of community is the same but encompasses 27 small towns and many rural residents.

Community participation has been rewarding. The SW REAP board meets each month in a different location to allow residents throughout the region to attend. Usually interested people, regional development corporations, the county newspaper, county commissioners, and some city officials attend.

Public participation in problem solving has grown in some ways. Communities and residents are becoming more interested in planning. Four communities (Dickinson, Dodge, Belfield, and Richardton) are currently working on individual strategic planning documents. Bowman and Adams County had completed strategic plans in 1998 and have seen the plans put in action and become reality. Working with those plans, they have seen accomplishments in value-added agriculture, community computer technology labs, and primary sector employment.

The SW REAP has donated funding to the Grasslands Stewardship Initiative (Benchmark 53) which brings several factions with different opinions together towards non-confrontational solutions concerning maintenance, access and use of federal lands in our region (currently 10% is government owned lands).

Also, we are working towards the creation of county technology groups to work towards regional partnerships in the advancement of education, communications, and business using technology (Benchmark 41).

Partnerships and Alliances – **(1)** The two North Dakota REAP Zones and three Champion Communities came together to form the Champion REAP Alliance. The purpose of the Alliance is to provide technical assistance and support to its membership towards alleviating out-migration. This project is under the direction of Dickinson State University. **(2)** The SW REAP Zone has supported and encouraged the formation of the West River Regional Tourism Council. The membership is comprised of businesses that work primarily in western

experience vacations. This group includes a large number of farmers and ranchers in agri-tourism including hunting and western ranch vacations. Through this partnership the group has secured funding for several regional marketing tools including a video, brochure, and international web site. Funding sources in the project included the membership businesses, ND Tourism, ND Economic Development & Finance, the Forest Service, and SW REAP.

Problems/Obstacles – (1) Currently, much of our federal funding is awarded on the criteria of high poverty and high unemployment. Unfortunately, there is a national perception that most areas experiencing economic distress have high poverty and unemployment. However, **the by-product of out-migration is low poverty and low unemployment** (loose the income, loose the employee, loose the business, loose the business owner). Remaining residents, businesses, schools, and services are distressed. Home, business, and property values diminish. Because of this long-standing misconception of distress factors, it is extremely difficult to attract any federal resources needed to meet growth objectives in out-migration areas. In addition, poverty and unemployment based initiatives, like HUB Zones, have drawn opportunities out of or away from already distressed out-migration areas. Currently, the North Dakota REAP Zones have nearly $600,000 in USDA Revolving Loan Funding dedicated to them for job and business creation. All these funds are tied to poverty and unemployment criteria. It appears this money will never be spent and will eventually need to be returned (see Benchmarks 38, 39). **(2)** Though we hadn't thought it would be a problem, having money presented new challenges. The SW REAP Zone received little more than $25,000 per year in direct funding for the first four years. Then in 1999 and 2000, the ND REAPs received nearly a million and half-dollars in CDBG EDI funding, plus several grants for an RLF, and the RBOG Tech grant. The new challenges were devising long-term solutions and making tough decisions specifically directed at problem solving. Funding has forced us to raise the bar for the areas of benchmarking and decision making for new resource allocation. Sometimes we did opt into an "everyone gets an equal share" kind of distribution to keep peace in the family, it will be interesting to follow these solutions and document long-term problem solving.

Solutions – (1) The SW REAP Board discussed creating a strategy between all nationally designated out-migration Champions and REAP Zones to address the issues of high poverty and unemployment criteria in federal funding. **(2)** The SW REAP Board is meeting in February to work on their annual work plan and to address funding sources and past problems with strategic plan implementation.

Best Practices – (1) Benchmarks. The benchmark system has provided accountability and uniformity to the development process. **(2)** Meeting in locations throughout our region has allowed community participation. **(3)** Mandating project match on loans and grants has required local buy-in. **(4)** Creating partnerships has strengthened our position on issues and increased knowledge that has enabled us to create and implement solutions. Partnerships

include universities, job development authorities, development corporations, local and state extension services, rural development staff, financial institutions, county and city officials, and state agencies.

Plans/Prospects for the Future - Five years ago, the SW REAP Board didn't look at directly creating initiatives to assist the agricultural community. The prospects in our ag economy were so bleak and the task so enormous. However, more and more successful ways to add value to ag products, create non-farm on-farm income, and add new or non-traditional crops have begun to emerge. This may be an area that the REAPs begin to play a larger role. We want people in agriculture to be good at agriculture. We will do everything we can for the agricultural economy to remain and be successful.

The ND REAP Zones also received a $650,000 RBOG technology grant that will be implemented this year. This includes a regional strategic plan for technology. That should expose more ways the REAP project can participate in that arena as well.

The potential of wind energy has also emerged this past year. Recently, a tower to measure wind speeds has been erected in Dunn County. The board approved funding this past year for that effort and will continue to follow the progress and efforts in our state legislature as well.

Several years ago, in an effort to attract aircraft assembly companies, the North Dakota Legislature changed their tort laws concerning aircraft assembly that limited liability to ten years. One aircraft company has formed a partnership in the SW REAP Zone and so that industry may have some promise as well.

We are extremely optimistic about Twin Buttes Custom Homes, a new facility built just last year on the southern section of the Fort Berthold Reservation in Dunn County. The plant may have real challenges breaking into the market but the community and the tribe are firmly behind this venture. At present, 35 persons are employed there. In addition, there are definite opportunities for spin-off businesses such as counter top and roof truss production.

The Alliance Link

Vol. I / Issue 1

A Newsletter of the Champion REAP Alliance

CONTACT DICKINSON STATE UNIVERSITY FOR A COPY: REAP OFFICE LOCATED AT DSU.

USDA - Rural Development

Charles F. Mertens - State Director

The REAP Zones, Champion Communities and Empowerment Zone are the first unified effort to address the effects of outmigration. The appropriation from the State Legislature to the Champion Alliance is a giant step in recognizing that outmigration can be stopped if addressed properly with a strategic planning process. Rural Development is proud to be a partner in this effort.

We feel the joint efforts by the communities in the Alliance will have a chance to bring about the necessary change for stemming the negative effects of outmigration. The importance of the Alliance will be realized by the economic gains in the next few years. The Alliance will be able to demonstrate, to the remaining portions of the State, that a shared vision with committed and dedicated leadership can make a difference in rural North Dakota.

Rural Development is also committed to the vision of the Alliance. We plan to provide the necessary technical assistance and support to the Alliance for its development efforts. Rural Development appreciates the time and efforts of the volunteer boards, who's tireless dedication will foster change in the Champion Communities and REAP Zones. It is to the credit of local development people, who recognize the opportunities and ability of the Alliance that the Alliance has been formed. Rural Development is anticipating a strong future for the Alliance and all its members in the years to come.

Champion Community Websites

Hettinger
www.hettingernd.com
Bowman
www.bowtech.com
Rugby
www.rugbynorthdakota.com
Rolla
www.rolla.nd.state
Belcourt
www.rezbiz.com
[illegible]
[illegible].crosbynd.com
Powers Lake
www.powerslakend.com

Many projects have been developed through the community collaboration process, but the most exciting outcome has been the community relationships that have occurred. This has made the entire program an enjoyable experience. I am looking forward to the continuing growth of these community relationships as the Alliance partnership continues to mature.

