

PROPOSED AMENDMENTS TO SENATE BILL NO. 2018

Page 1, line 2, replace "exemption; to provide a continuing appropriation for the centers of" with "appropriation to the office of management and budget; to provide exemptions; to create and enact a new section to chapter 54-34.3, a new section to chapter 54-44.4, three new sections to chapter 54-60, and a new section to chapter 57-38.5 of the North Dakota Century Code, relating to a division of economic development and finance local economic developer certification program, an office of management and budget procurement information program, department of commerce target industry requirements, a department of commerce state employee image training program, a department of commerce business hotline program, and seed capital investment tax credit treatment of investments in excess of caps on credits; to amend and reenact sections 15-10-41, 57-38.5-01, 57-38.5-02, 57-38.5-03, 57-38.5-04, and 57-38.5-05 of the North Dakota Century Code, relating to the centers of excellence program and the seed capital investment tax credit; to repeal section 15-10-41 of the North Dakota Century Code, relating to the centers of excellence program; to provide for state agency studies, reports to the legislative council, and legislative council studies; to provide an appropriation; to provide an effective date; and to provide an expiration date."

Page 1, remove lines 3 and 4

Page 1, line 23, replace "455,981" with "426,658"

Page 2, line 3, replace "5,000,000" with "2,500,000"

Page 2, line 5, replace "(191,055)" with "(191,929)"

Page 2, line 6, replace "(7,000)" with "453,000"

Page 2, line 7, replace "81,301" with "80,858"

Page 2, line 8, replace "7,193,830" with "5,123,190"

Page 2, line 9, replace "3,079,389" with "3,069,937"

Page 2, line 10, replace "4,114,441" with "2,053,253"

Page 2, line 17, replace "7,169,321" with "7,139,998"

Page 2, line 21, replace "5,000,000" with "2,500,000"

Page 2, line 22, replace "2,792,124" with "2,791,250"

Page 2, line 23, replace "1,440,127" with "1,900,127"

Page 2, line 24, replace "3,933,212" with "3,932,769"

Page 2, line 25, replace "78,561,660" with "76,491,020"

Page 2, line 26, replace "55,432,496" with "55,423,044"

Page 2, line 27, replace "23,129,164" with "21,067,976"

Page 2, after line 27, insert:

**"SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 3, line 6, replace "\$5,000,000" with "\$2,500,000"

Page 3, line 7, remove "cash investments or debt service payments for"

Page 3, replace lines 11 through 19 with:

**"SECTION 8. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 3, line 22, replace "debt service" with "expenditure"

Page 3, replace lines 24 through 30 with:

**"SECTION 10. ECONOMIC DEVELOPMENT INITIATIVES - DISCRETIONARY FUNDS.** The discretionary funds line item in section 3 of this Act includes \$385,000 from the general fund for the following economic development initiatives for the biennium beginning July 1, 2005, and ending June 30, 2007:

Target industry identification and report	\$25,000
Image information program	50,000
Business hotline program	30,000
Local economic developer certification and training program	50,000
Dakota manufacturing initiative	100,000
Intellectual property rights study and report	50,000
Economic development incentives study and report	30,000
Business climate initiative study	<u>50,000</u>
Total	\$385,000

**SECTION 11. LIFE SCIENCES SECTOR DEVELOPMENT GRANT - DISCRETIONARY FUNDS.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the discretionary funds line item in section 3 of this Act to an economic development corporation in the Red River Valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 12. WIND TO HYDROGEN DEMONSTRATION PROJECT GRANT - DISCRETIONARY FUNDS.** The department of commerce shall provide a \$25,000 grant from funds appropriated in the discretionary funds line item in section 3 of this Act to a North Dakota city with a population exceeding 75,000 for a wind to hydrogen demonstration project for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 13. WHEAT SCAB RESEARCH GRANT - AGRICULTURAL PRODUCTS UTILIZATION COMMISSION.** The agricultural products utilization commission shall provide a grant of \$100,000 from its funding available for the 2005-07 biennium to a private company within the state doing research on sensor technology for

the purpose of obtaining more detailed environmental data relating to wheat scab disease and to improve the management of the disease for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 4, remove lines 1 through 31

Page 5, remove lines 1 through 30

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 30

Page 8, remove lines 1 and 2

Page 8, remove lines 26 through 29

Page 9, after line 3, insert:

**"SECTION 21. AMENDMENT.** Section 15-10-41 of the North Dakota Century Code is amended and reenacted as follows:

**15-10-41. Centers of excellence - Centers of excellence commission - Report to budget section.**

1. The state board of higher education shall establish a centers of excellence program relating to economic development ~~consistent with the purpose under subsection 2~~ through which the commission makes center funding award recommendations for institutions of higher education under control of the board, tribal colleges located in the state, private baccalaureate-granting institutions of higher education located in the state, and university-related or college-related foundations of public or private institutions of higher education located in the state.
2. In this section, unless the context otherwise requires:
  - a. "Board" means the state board of higher education.
  - b. "Center" means a center of excellence relating to economic development.
  - c. "Commission" means the centers of excellence commission.
  - d. "Foundation" means the North Dakota economic development foundation.
  - e. "Industry cluster" means one of the following industries:
    - (1) Advanced manufacturing;

- (2) Energy;
  - (3) Information and technology;
  - (4) Tourism;
  - (5) Value-added agriculture; or
  - (6) An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
3. The centers of excellence commission consists of six members. The foundation shall appoint three members of the commission and the board shall appoint three members of the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first of each odd-numbered year; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. Terms of initial commission board members must be staggered. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The commission shall meet as necessary to review all complete applications; approve, disapprove, or approve conditionally the applications; and make center funding award recommendations. The board shall provide the commission with appropriate staff services as may be requested by the commission.
4. The board shall provide application forms, accept applications, review applications for completeness and compliance with board policy, and forward complete applications to the commission according to guidelines established by the commission. ~~The board shall designate centers of excellence. A designation by the board of a center of excellence within the economic development category does not preclude the board or a higher education institution from designating a center of excellence in an academic or service area. Centers of excellence relating to economic development include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.~~
- ~~Before January 1, 2004, the board, in consultation with the North Dakota economic development foundation and with private sector input, shall establish definitions and eligibility criteria for centers of excellence relating to economic development. The board shall present the definitions and eligibility criteria for the centers of excellence relating to economic development to an interim committee designated by the legislative council. The North Dakota economic development foundation may identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests. The legislative assembly may designate a center.~~
2. ~~The purpose of the program is to develop~~
5. Before the commission may consider an application for center funding, the applicant shall establish in the application how the center will:
- a. Develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, ~~growth and expansion~~ utilization to assist the growth and expansion of knowledge-based industries, and other activities in the state to

- develop innovative approaches that expand the gross state product;  
~~to assist.~~
- b. Create private sector employment opportunities for residents of this state.
  - c. Assist efforts to attract private and federal assistance for science and technology research and development ~~and for commercialization in growth.~~
  - d. Assist efforts to commercialize and expand industry clusters ~~most likely to increase the gross state product; to increase.~~
  - e. Increase collaboration among state, federal, and private science and technology research and development ~~and technology commercialization~~ organizations in the state; ~~to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value added agriculture.~~
6. In considering an application, the commission shall:
- a. Make a determination that the requirements of subsection 5 have been established by the applicant.
  - b. Consider whether the center will:
    - (1) Promote private sector job growth and expansion of knowledge-based industries or the development of new products, high-tech companies, or skilled jobs in this state;
    - (2) Create high-value private sector employment opportunities in this state;
    - (3) Provide for public-private sector involvement and partnerships;
    - (4) Leverage other funding;
    - (5) Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
    - (6) Foster and practice entrepreneurship;
    - (7) Link to targeted industry clusters; and
    - (8) Include provisions for becoming self-sustaining.
7. Following approval by the board, foundation, and commission, the board and commission shall report the details of a proposed designated center to the budget section. An approved award determination reported to the budget section must include details regarding the terms under which the board will distribute allocated funds.

3. ~~The state board of higher education shall allocate funds from appropriations for undesignated centers of excellence relating to economic development based on the criteria established and~~ The board, in partnership with the commission and foundation, shall report to the budget section annually on ~~such~~ the status of allocations, ~~in partnership with the North Dakota economic development foundation, to the budget section and~~ actual fund distributions.
8. A recipient of funds awarded under this section shall use the funds to enhance capacity; ~~enhance infrastructure;~~ and leverage state, federal, and private sources of funding. ~~Funds~~ A recipient of funds awarded under this section may not be used use the funds to supplant funding for current operations or academic instruction or to pay indirect costs. ~~The board may award funds under this section to research universities, university related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is~~
9. Before funds awarded under this section are distributed to an institution of higher education under the control of the board of higher education or which is to a nonprofit university-related or college-related foundation of an institution of higher education under control of the board, the recipient shall:
- a. ~~Provide~~ provide the board of higher education with detailed documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section ~~as a condition of eligibility for receipt of funds under this section; and.~~
  - b. ~~Provide~~ An institution of higher education under the control of the board or a nonprofit university-related or college-related foundation of an institution of higher education under control of the board which receives funds under this section shall provide the board of higher education, governor, and North Dakota economic development foundation with annual reports for four fiscal years following receipt of the funds.

**SECTION 22.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**Local economic developer certification program.** The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 23.** A new section to chapter 54-44.4 of the North Dakota Century Code is created and enacted as follows:

**Procurement information - Web site.**

1. The office of management and budget shall establish and maintain a procurement information web site on the internet. This procurement information web site must provide current information regarding North Dakota government procurement opportunities in order to inform potential vendors of the commodities and services sought by state agencies and institutions. Notwithstanding section 54-44.4-09, for each purchase of services or commodities over the amount established for small purchases, the office of management and budget and every purchasing agency shall provide procurement information on the web site. The time period and

manner of providing procurement information on the web site must be in accordance with rules adopted by the office of management and budget. The office of management and budget may contract with a third party to assist in providing or maintaining the procurement information web site.

2. A state agency or institution may elect to use the procurement information web site for the purchase of services and commodities that are not subject to the procurement requirements of this chapter, including:
  - a. Commodities and services exempted under section 54-44.4-02;
  - b. Public improvements under title 48;
  - c. Architect, engineer, construction management, and land surveying services under chapter 54-44.7; and
  - d. Concessions under chapter 48-09.

**SECTION 24.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Target industries - Report to legislative council.** The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 25.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**North Dakota image information program.** The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 26.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Business hotline.** The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 27. AMENDMENT.** Section 57-38.5-01 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-01. Definitions.** As used in this chapter, unless the context otherwise requires:

1. "Director" means the director of the department of commerce division of economic development and finance.
2. "New wealth" means revenues to a North Dakota business which are generated by sales of products or services to customers outside of the state. "New wealth" also includes revenues to a qualified business the customers of which previously were unable to acquire, or had limited availability of, the product or service from a North Dakota provider.
3. "Passthrough entity" means a corporation that for the applicable tax year is treated as an S corporation or a general partnership, limited partnership, limited liability partnership, trust, or limited liability company and which for the applicable tax year is not taxed as a corporation under chapter 57-38.
4. "Primary sector business" means a qualified business that through the employment of knowledge or labor adds value to a product, process, or service and which results in the creation of new wealth but does not include an ethanol production facility.
4. 5. "Qualified business" means a business other than a real estate investment trust which is:
  - a. A primary sector business that:
    - (1) Is incorporated or its satellite operation is incorporated as a for-profit corporation or is a partnership, limited partnership, limited liability company, limited liability partnership, or joint venture;
    - (2) Is in compliance with the requirements for filings with the securities commissioner under the securities laws of this state;
    - (3) Has North Dakota residents as a majority of its employees in the North Dakota principal office or the North Dakota satellite operation; and
    - (4) Has its principal office in this state and has the majority of its business activity performed in this state, except sales activity, or has a significant operation in North Dakota that has or is projected to have more than ten employees or one hundred fifty thousand dollars of sales annually; or
  - b. An organization that:
    - (1) ~~Is in compliance with the requirements for filings with the securities commissioner under the securities laws of this state; and~~
    - (2) ~~Attracts investments to build and own a value-added agricultural processing facility that it leases with an option to purchase to a primary sector business that qualifies under subdivision a~~ is a primary sector business as described in subdivision a which is operated in partnership with a research university.



university-related foundation, or public institution eligible to receive funding under section 15-10-41.

- 5- 6. "Taxpayer" means an individual, estate, or trust or a corporation or passthrough entity but does not include a real estate investment trust.

**SECTION 28. AMENDMENT.** Section 57-38.5-02 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-02. Certification - Investment reporting by qualified businesses - Maximum investments in qualified businesses.** The director shall certify whether a business that has requested to become a qualified business meets the requirements of subsection 4 of section 57-38.5-01 and the certification must include the period of time the certification covers. The director shall establish the necessary forms and procedures for certifying qualified businesses. For investments made after December 31, 2004, the maximum aggregate amount of qualified investments a qualified business may receive is limited to five hundred thousand dollars under this chapter. The limitation on investments under this section may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.

**SECTION 29. AMENDMENT.** Section 57-38.5-03 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-03. Seed capital investment tax credit.** If a taxpayer makes a qualified investment in a qualified business, the taxpayer is entitled to a credit against state income tax liability under section 57-38-29, 57-38-30, or 57-38-30.3. The amount of the credit to which a taxpayer is entitled is forty-five percent of the amount invested by the taxpayer in qualified businesses during the taxable year, subject to the following:

1. The aggregate annual investment for which a taxpayer may obtain a tax credit under this section is ~~not less than five thousand dollars and not more than two hundred fifty thousand dollars.~~ This subsection may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.
2. In any taxable year, a taxpayer may claim no more than one-third of the credit under this section which is attributable to investments in a single taxable year.
3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to four taxable years after the taxable year in which the investment was made.
4. A ~~partnership~~ passthrough entity that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this section and the amount of the credit allowed with respect to a ~~partnership's passthrough entity's~~ investment in a qualified business must be determined at the ~~partnership~~ passthrough entity level. The amount of the total credit determined at the ~~partnership~~ passthrough entity level must be allowed to the ~~partners, limited to individuals, estates, and trusts,~~ members in proportion to their respective interests in the ~~partnership~~ passthrough entity.
5. The investment must be at risk in the business. An investment for which a credit is received under this section must remain in the business for at least three years. Investments placed in escrow do not qualify for the credit.
6. The entire amount of an investment for which a credit is claimed under this section must be expended by the qualified business for plant, equipment,

research and development, marketing and sales activity, or working capital for the qualified business.

7. A taxpayer who owns a controlling interest in the qualified business or whose full-time professional activity is the operation of the business is not entitled to a credit under this section. A member of the immediate family of a taxpayer disqualified by this subsection is not entitled to the credit under this section. For purposes of this subsection, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.
8. The tax commissioner may disallow any credit otherwise allowed under this section if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this section or any conditions consistent with this section otherwise determined by the tax commissioner. The amount of any credit disallowed by the tax commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest as provided under section 57-38-45, must be paid by the taxpayer.

**SECTION 30. AMENDMENT.** Section 57-38.5-04 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-04. Taxable year for seed capital investment tax credit.** The tax credit under section 57-38.5-03 must be credited against the taxpayer's income tax liability for the taxable year in which ~~full consideration for~~ the investment in the qualified business was received by the qualified business.

**SECTION 31. AMENDMENT.** Section 57-38.5-05 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-05. Seed capital investment tax credit limits.** The aggregate amount of seed capital investment tax credit allowed for investments under this chapter ~~through calendar year 2002 is limited to one million dollars and after calendar year 2002 is limited to two million five hundred thousand dollars for each calendar year.~~ If investments in qualified businesses reported to the commissioner under section 57-38.5-07 exceed the limits on tax credits for investments imposed by this section, the credit must be allowed to taxpayers in the chronological order of their investments in qualified businesses as determined from the forms filed under section 57-38.5-07.

**SECTION 32.** A new section to chapter 57-38.5 of the North Dakota Century Code is created and enacted as follows:

**Credit for investments made before 2005.** An investment made before January 1, 2005, which did not qualify for the tax credit under this chapter because of the two million five hundred thousand dollar credit limitation in effect before the effective date of this Act is entitled to a credit against state income tax liability under section 57-38-29 or 57-38-30.3 in the amount of forty-five percent of the amount invested by the taxpayer in a qualified business subject to the following:

1. The aggregate investment for which a taxpayer may obtain a credit under this section is not less than five thousand dollars and not more than two hundred fifty thousand dollars.
2. In any taxable year, a taxpayer may claim no more than one-fourth of the credit under this section which is attributable to investments made before January 1, 2005.

3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to five taxable years after the taxable year in which the investment was made.
4. This section does not apply to investments made in an ethanol production facility.

**SECTION 33. REPEAL.** Section 15-10-41 of the North Dakota Century Code is repealed.

**SECTION 34. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 35. NORTH DAKOTA BUSINESS CLIMATE INITIATIVE - LEGISLATIVE COUNCIL STUDY.** During the 2005-06 and 2007-08 interims, the legislative council shall study the state's business climate through a business climate initiative. The business climate initiative must include receipt of agency reports regarding economic development legislation introduced by the legislative council during previous legislative sessions, active participation in business climate focus groups across the state, and active participation in biennial business congresses. The focus groups shall discuss ways to enhance the state's business climate to stimulate job growth and enhance economic prosperity by encouraging the growth of existing businesses in the state, creating new businesses in the state, and encouraging expansion or relocation of businesses to this state. Each business congress must receive a report on the activities of the focus group discussions, shall identify methods to enhance the state's business climate to stimulate job growth and enhance economic prosperity, and shall evaluate the impact of existing state economic development programs. The department of commerce shall organize the business climate focus groups and the business congresses. Before each business congress, which must be held before June 1, 2006, and before June 1, 2008, the department shall hold a minimum of six focus group discussions, two of which specifically focus on local economic developers and four of which specifically focus on private business needs. The department shall consult with the legislative council in compiling focus group and business congress participant invitation lists and drafting and distributing invitations, establishing focus group and business congress dates and locations, and preparing agendas for focus groups and business congresses. The legislative council shall contract with a third party to provide professional services to plan, facilitate, report on, and coordinate followup for the focus groups and business congresses. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth and sixty-first legislative assemblies.

**SECTION 36. CENTERS OF EXCELLENCE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the state board of higher education and the centers of excellence commission shall report to the legislative council on the status of the centers of excellence program under section 15-10-41. The report must include information regarding funding, private sector participation, and accomplishments of each center of excellence and whether there are potential changes that could be made to improve the centers of excellence program.

**SECTION 37. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers under section 22 of this Act. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 38. PROCUREMENT ASSISTANCE STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the director of the office of management and budget shall report to the legislative council on the status of providing procurement information through the internet under section 23 of this Act; perform a study on the most effective manner in which to provide for a procurement assistance center; and report to the legislative council on the outcome of the procurement assistance center study, including what services might be provided by such a center, how services might be provided by such a center, and what legislative changes would be required to implement such a center.

**SECTION 39. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the image information program under section 25 of this Act. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 40. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program under section 26 of this Act. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 41. TAX STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the tax commissioner shall conduct a study of the corporate taxing system and tax incentives to stimulate business. The study must include consideration of gaps in tax incentives, include consideration of successful actions taken by other states to improve their tax environment for doing business, and focus on approaches that are specifically tailored to the state's unique circumstances. The tax commissioner may contract with a third party to conduct the study. Before July 1, 2006, the tax commissioner shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to stimulate the state's business climate.

**SECTION 42. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative provided for under section 34 of this Act. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in

the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 43. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 44. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per months.

- c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
    - a. Net job growth in manufacturing.
    - b. Net job growth in business services.
    - c. New private sector businesses in manufacturing.
    - d. New private sector businesses in business services.
    - e. Number of utility patents per one hundred thousand residents.
  6. Strengthen North Dakota's business climate to increase international competitiveness:
    - a. Gross state product (annual growth rate).
    - b. Venture capital investments (thousands).
    - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training.

**SECTION 45. EFFECTIVE DATE - EXPIRATION DATE.** Sections 27 through 31 of this Act are effective for taxable years beginning after December 31, 2004. Section 32 of this Act is effective for taxable year 2004 and is thereafter ineffective, except any unused credit may be carried forward as provided in section 31 of this Act. Section 33 of this Act becomes effective August 1, 2009.

**SECTION 46. EXPIRATION DATE.** Section 26 of this Act is effective through July 31, 2007, and after that date is ineffective. Section 25 of this Act is effective through July 31, 2009, and after that date is ineffective."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2018 - Summary of Senate Action**

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Office of Management and Budget			
Total all funds	\$0	\$50,000	\$50,000
Less estimated income			
General fund	\$0	\$50,000	\$50,000
Department of Commerce			
Total all funds	\$128,561,660	(\$52,070,640)	\$76,491,020
Less estimated income	105,432,496	(50,009,452)	55,423,044
General fund	\$23,129,164	(\$2,061,188)	\$21,067,976
Bill Total			
Total all funds	\$128,561,660	(\$52,020,640)	\$76,541,020
Less estimated income	105,432,496	(50,009,452)	55,423,044
General fund	\$23,129,164	(\$2,011,188)	\$21,117,976

## Senate Bill No. 2018 - Office of Management and Budget - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Operating expenses	_____	<u>\$50,000</u>	<u>\$50,000</u>
Total all funds		\$50,000	\$50,000
Less estimated income	_____	_____	_____
General fund	\$0	\$50,000	\$50,000
FTE	0.00	0.00	0.00

## Dept. 110 - Office of Management and Budget - Detail of Senate Changes

	FUNDING FOR WEB SITE 1	TOTAL SENATE CHANGES
Operating expenses	<u>\$50,000</u>	<u>\$50,000</u>
Total all funds	\$50,000	\$50,000
Less estimated income	_____	_____
General fund	\$50,000	\$50,000
FTE	0.00	0.00

1 A \$50,000 general fund appropriation is provided to the Office of Management and Budget for establishing and maintaining a state procurement web site.

## Senate Bill No. 2018 - Department of Commerce - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$7,169,321	(\$29,323)	\$7,139,998
Operating expenses	8,722,128		8,722,128
Capital assets	25,000		25,000
Grants	49,479,748		49,479,748
Centers of excellence	5,000,000	(2,500,000)	2,500,000
Agricultural products utilization	2,792,124	(874)	2,791,250
Discretionary funds	1,440,127	460,000	1,900,127
Lewis and Clark Bicentennial	3,933,212	(443)	3,932,769
Centers of excellence - Borrowing	<u>50,000,000</u>	<u>(50,000,000)</u>	_____
Total all funds	\$128,561,660	(\$52,070,640)	\$76,491,020
Less estimated income	<u>105,432,496</u>	<u>(50,009,452)</u>	<u>55,423,044</u>
General fund	\$23,129,164	(\$2,061,188)	\$21,067,976
FTE	59.00	0.00	59.00

## Dept. 601 - Department of Commerce - Detail of Senate Changes

	REDUCES COMPENSATION PACKAGE TO 3/4	ADJUSTS CENTERS OF EXCELLENCE FUNDING 1	ADDS DISCRETIONARY FUNDS 2	TOTAL SENATE CHANGES
Salaries and wages	(\$29,323)			(\$29,323)
Operating expenses				
Capital assets				
Grants				
Centers of excellence		(\$2,500,000)		(2,500,000)
Agricultural products utilization	(874)			(874)
Discretionary funds			\$460,000	460,000
Lewis and Clark Bicentennial	(443)			(443)
Centers of excellence - Borrowing	_____	<u>(50,000,000)</u>	_____	<u>(50,000,000)</u>
Total all funds	(\$30,640)	(\$52,500,000)	\$460,000	(\$52,070,640)
Less estimated income	<u>(9,452)</u>	<u>(50,000,000)</u>	_____	<u>(50,009,452)</u>
General fund	(\$21,188)	(\$2,500,000)	\$460,000	(\$2,061,188)
FTE	0.00	0.00	0.00	0.00

1 Funding for centers of excellence is changed by removing the \$50 million of borrowing authority from the Bank of North Dakota and reducing the \$5 million appropriation from the general fund to \$2.5 million.

2 The following adjustments are made to the discretionary funds line item:

<b>Adjustment</b>	<b>Amount</b>
Removes dairy recruitment and retention funding	(\$50,000)
Adds funding for the following initiatives, programs, and studies:	
Life science sector development	100,000
Wind to hydrogen demonstration project	25,000
Target industry identification and report	25,000
Image information program	50,000
Business hotline program	30,000
Local economic developer certification and training program	50,000
Dakota manufacturing initiative	100,000
Intellectual property rights study and report	50,000
Economic development incentives study and report	30,000
Business climate initiative study	<u>50,000</u>
Total	\$460,000

In addition to the funding changes, this amendment also:

- Allows the department to continue the appropriation authority included in the discretionary funds line item beyond the 2005-07 biennium.
- Changes the Governor's proposed centers of excellence program.
- Provides for a state procurement web site.
- Implements a local economic developer certification program, a North Dakota image information program, and a business hotline program.
- Changes the seed capital investment tax credit.
- Provides for a Dakota Manufacturing Initiative.
- Requires reports to the Legislative Council and a Legislative Council study.
- Provides for performance and accountability reporting by the department.